



## ORDER

### II.

In anticipation of the institution of these proceedings, and pursuant to PCAOB Rule 5205, Respondents have each submitted an Offer of Settlement ("Offers") that the Board has determined to accept. Solely for purposes of these proceedings and any other proceedings brought by or on behalf of the Board, or to which the Board is a party, and without admitting or denying the findings herein, except as to the Board's jurisdiction over them and the subject matter of these proceedings, which is admitted, Respondents consent to entry of this Order Instituting Disciplinary Proceedings, Making Findings, and Imposing Sanctions ("Order") as set forth below.

### III.

On the basis of Respondents' Offers and information obtained by the Board in this matter, the Board finds<sup>2/</sup> that:

#### A. Respondents

1. Timothy L. Steers, CPA, LLC, a limited liability company licensed in Oregon (license no. 1113), is registered with the Board pursuant to Section 102 of the Act and PCAOB rules. Its office is located in Portland, Oregon.

2. Timothy L. Steers ("Steers") is a certified public accountant licensed in the State of Oregon (license no. 4939). He is the Managing Executive and sole owner of the Firm. At all times relevant to this matter, he was an associated person of the Firm as that term is defined in Section 2(a)(9) of the Act and PCAOB Rule 1001(p)(i).

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<sup>2/</sup> The findings herein are made pursuant to the Respondents' Offers and are not binding on any other person or entity in this or any other proceeding. The sanctions that the Board is imposing in this Order may be imposed only if a Respondent's conduct meets one of the conditions set out in Section 105(c)(5) of the Act, 15 U.S.C. § 7215(c)(5). The Board finds that Respondents' conduct described in this Order meets the condition set out in Section 105(c)(5)(A), which provides that such sanctions may be imposed in the event of "intentional or knowing conduct, including reckless conduct, that results in a violation of the applicable statutory, regulatory, or professional standard."



## ORDER

B. Respondents Violated PCAOB Auditing Standards in Auditing the 2003 Financial Statements of CyberAds, Inc. and Nova Communications Ltd.

Summary of Violations

3. In connection with the preparation or issuance of an audit report, PCAOB rules require that a registered public accounting firm and its associated persons comply with the Board's auditing standards.<sup>3/</sup> Under the Board's auditing standards, an auditor may express an unqualified opinion on an issuer's financial statements only when the auditor has formed such an opinion on the basis of an audit performed in accordance with PCAOB standards.<sup>4/</sup> Among other things, those standards require that an auditor exercise due professional care, exercise professional skepticism, and obtain sufficient competent evidential matter to afford a reasonable basis for an opinion regarding the financial statements.<sup>5/</sup> In connection with the audits of the fiscal year ("FY") 2003 financial statements of CyberAds, Inc. ("CyberAds") and Nova Communications Ltd. ("Nova"), Respondents failed to exercise due professional care, failed to exercise professional skepticism, and failed to obtain sufficient competent evidence to afford a reasonable basis for an opinion regarding the financial statements.

4. In particular, Respondents failed to adhere to PCAOB standards in connection with CyberAds' financial statement assertions concerning ownership rights to, and valuation and disclosure of, a material asset. In addition, Respondents subsequently issued a consent allowing CyberAds to incorporate by reference into a Form S-8 the Firm's audit report on CyberAds' 2003 financial statements even though Respondents knew that CyberAds had announced that it intended to restate those financial statements to eliminate the only significant reported asset.

5. Furthermore, Respondents failed to exercise due professional care and professional skepticism and failed to obtain sufficient competent evidence related to Nova's financial statement assertions regarding certain "advances receivable," an obligation to a third party, and a "payable to related parties."

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<sup>3/</sup> See PCAOB Rules 3100, 3200T.

<sup>4/</sup> See AU § 508.07, *Reports on Audited Financial Statements*.

<sup>5/</sup> See AU § 150.02, *Generally Accepted Auditing Standards*; § 230, *Due Professional Care in the Performance of Work*; § 326, *Evidential Matter*.

## ORDER

### 2003 Audit of CyberAds, Inc.

6. CyberAds, Inc. (n/k/a Rhino Outdoor International, Inc.) is a Nevada corporation headquartered in Henderson, Nevada. Its common stock is registered with the Securities and Exchange Commission ("Commission") under Section 12(g) of the Securities Exchange Act of 1934 ("Exchange Act") and is dually quoted on the Pink Sheets and OTC Bulletin Board. CyberAds' 2003 Form 10KSB/A filed on April 22, 2004 disclosed that its business involved using member lists compiled through its website to market cellular phone services. At all relevant times, CyberAds was an issuer, as that term is defined by Section 2(a)(7) of the Act and PCAOB Rule 1001(i)(iii).

7. The Firm was engaged as CyberAds' independent auditor beginning in 2003 and issued an audit report dated April 6, 2004, that was included in CyberAds' Form 10KSB/A filed with the Commission on April 22, 2004, in which the Firm expressed an unqualified audit opinion on CyberAds' consolidated financial statements for 2003.<sup>6/</sup> The report stated that CyberAds' financial statements presented fairly, in all material respects, CyberAds' financial position, results of operations, and cash flows in conformity with generally accepted accounting principles ("GAAP").

### Ownership Rights in a Material Asset

8. CyberAds' 2003 financial statements reported a \$10.7 million asset that was disclosed as "a 22% interest in a limited liability company that owns real estate." That asset, which represented approximately one hundred percent of the company's assets, resulted from a purported assignment to CyberAds' wholly-owned subsidiary from a related party.

9. Respondents failed to perform adequate audit procedures to evaluate whether the assignment was consummated in 2003, despite being aware of significant evidence suggesting that it was not consummated in 2003. Despite that evidence, Respondents relied on management's representations and an unsigned assignment agreement as the only evidence that the transaction resulted in a CyberAds' asset as of December 31, 2003.<sup>7/</sup>

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<sup>6/</sup> The audit report included an explanatory paragraph expressing substantial doubt as to CyberAds' ability to continue as a going concern.

<sup>7/</sup> In a Form 10-KSB/A filed on April 15, 2005, CyberAds restated its 2003 financial statements to remove the \$10.7 million investment. CyberAds initially announced its intention to restate its 2003 financial statements in a Form 8-K filed on January 31, 2005.

## ORDER

10. Respondents were aware of evidence suggesting that CyberAds did not acquire rights to the asset during 2003. For example, CyberAds filed a Form 8-K/A on January 26, 2004 stating that the assignment of the interest in the LLC had not yet been consummated as of December 31, 2003. Indeed, it stated that CyberAds' Board of Directors and the transferor had not yet agreed on the number of CyberAds shares to be issued to the transferor as consideration for the assignment. The Form 8-K/A further stated that "[i]n the unlikely event that the Board of Directors and [the transferor] cannot agree, the assignment will be rescinded. A subsequent report will be filed *upon consummation of the assignment* with respect to the consideration to be received by [the transferor]." (Emphasis added).<sup>8/</sup> Additionally, a March 2004 handwritten note in Respondents' work papers stated that "the actual number of shares [of CyberAds' stock to be issued in exchange for the interest in the LLC] is still being negotiated." Respondents failed to address this audit evidence and improperly relied on management's representations that the asset was acquired in 2003.<sup>9/</sup>

### Valuation of the Reported Asset

11. Respondents also failed to adequately evaluate the \$10.7 million value management assigned to the reported asset. Respondents purported to have used the work of a specialist retained by management to appraise the reported investment. The appraisal, however, was of a different asset than that which CyberAds was to acquire in that the appraisal valued the underlying real estate owned by the LLC, but did not appraise the value of the LLC. Moreover, the appraisal reported a significantly higher value for the appraised property than the value that CyberAds assigned to the asset. Notwithstanding these discrepancies, Respondents failed to obtain the financial statements of the LLC or to perform any other procedures to test CyberAds' valuation of the asset.<sup>10/</sup>

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<sup>8/</sup> CyberAds first filed a Form 8-K announcing the agreement on January 23, 2004. That Form 8-K did not attach a copy of the assignment agreement, because it was "not available" as of that date. See Form 8-K/A filed on Jan. 26, 2004.

<sup>9/</sup> PCAOB standards state that if "a representation made by management is contradicted by other audit evidence, the auditor should investigate the circumstances and consider the reliability of the representation made." See AU § 333.04, *Management Representations*.

<sup>10/</sup> PCAOB standards state that "[i]f there is a material difference between the specialist's findings and the assertions in the financial statements [the auditor] should apply additional procedures." AU § 336.13, *Using the Work of a Specialist*.

## ORDER

12. Furthermore, in using the conclusions of the appraisal as evidential matter concerning the value of the reported asset, Respondents failed to perform procedures to evaluate the professional qualifications of the appraiser. Respondents made no inquiries regarding the appraiser's professional certification, reputation, or experience. Respondents also failed to obtain an understanding of the nature of the work performed by the appraiser and failed to evaluate the appraiser's relationship to CyberAds.<sup>11/</sup>

### Disclosures

13. Although GAAP requires disclosure of material related party transactions,<sup>12/</sup> CyberAds failed to disclose the assignment as a related party transaction. Respondents knew that the purported assignment was from CyberAds' majority shareholder, but Respondents failed to identify and appropriately address CyberAds' departure from the GAAP disclosure requirement.<sup>13/</sup>

14. In addition, CyberAds' disclosures included representations that were contrary to information that Respondents had. Specifically, CyberAds' disclosures included representations that it had already issued a specific number of shares in exchange for the interest in the LLC.<sup>14/</sup> Although Respondents were aware of information to the contrary, Respondents failed to follow up on or resolve the discrepancy between that information and the disclosures.

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<sup>11/</sup> See AU § 336.08-11.

<sup>12/</sup> Statement of Financial Accounting Standards 57, *Related Party Disclosures*, states that "[f]inancial statements shall include disclosures of material related party transactions, other than compensation arrangements, expense allowances, and other similar items in the ordinary course of business."

<sup>13/</sup> An auditor's opinion that an issuer's financial statements are presented in conformity with GAAP must be based on an audit performed in accordance with PCAOB standards. PCAOB standards require an auditor to perform audit procedures sufficient to evaluate the issuer's adherence to GAAP. This Order's description of audit failures relating to GAAP departures in an issuer's financial statements necessarily reflects the Board's judgment concerning the proper application of GAAP. Any such description of GAAP departures, however, should not be understood as an indication that the Securities and Exchange Commission ("Commission") has considered or made any determination concerning the issuer's compliance with GAAP.

<sup>14/</sup> See CyberAds' 2003 Form 10 KSB/A filed on April 22, 2004 at F-17.

## ORDER

### Consent to Reissuance of Prior Unqualified Audit Opinion

15. On February 14, 2005 — two weeks after CyberAds announced that it would restate its 2003 financial statements to remove the asset — Respondents consented to the incorporation by reference, in a registration statement filed by CyberAds on Form S-8 filed with the Commission on February 16, 2005, of the Firm's April 2004 audit report on CyberAds' 2003 financial statements.<sup>15/</sup> Before issuing that consent to the Firm's original unqualified audit opinion, Respondents knew that CyberAds had announced its intention to restate its 2003 financial statements to remove the asset. By consenting to the incorporation by reference of the prior unqualified opinion, Respondents violated PCAOB standards.<sup>16/</sup>

### 2003 Audit of Nova Communications Ltd.

16. Nova (n/k/a Encompass Holdings, Inc.), is a Nevada Corporation headquartered in Reno, Nevada. Its common stock is registered with the Commission under Section 12(g) of the Exchange Act and is dually quoted on the Pink Sheets and the OTC Bulletin Board. Nova's 2003 financial statements disclosed that it was in the business of acquiring ownership interests in developing companies in a wide range of industries and providing financing and managerial assistance to those companies. At all relevant times, Nova was an issuer as that term is defined by Section 2(a)(7) of the Act and PCAOB Rule 1001(i)(iii).

17. The Firm was engaged as Nova's independent auditor beginning for fiscal year 1999. The Firm issued an audit report dated April 10, 2004, that was included in Nova's 2003 Form 10-KSB filed with the Commission on May 14, 2004, in which the

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<sup>15/</sup> In issuing an audit report in connection with a Form S-8, an auditor has the same responsibilities to follow PCAOB standards as in connection with issuing an audit report included in an issuer's annual report. See AU § 711.02 ("When an independent accountant's report is included in registration statements, proxy statements, or periodic reports filed under the federal securities statutes, the accountant's responsibility, generally, is in substance no different from that involved in other types of reporting.").

<sup>16/</sup> PCAOB standards state that "[w]hen financial statements are materially affected by a departure from generally accepted accounting principles and the auditor has audited the statements in accordance with generally accepted auditing standards, he or she should express a qualified or an adverse opinion." See AU § 508.35.

## ORDER

Firm expressed an unqualified opinion on Nova's financial statements for 2003.<sup>17/</sup> This audit report stated that Nova's financial statements presented fairly, in all material respects, Nova's financial position, results of operations, and cash flows in conformity with GAAP.

### Advances Receivable

18. Nova's 2003 balance sheet included an asset titled "advances receivable" of \$513,506, which represented more than 85% of Nova's total assets. Nova disclosed that the receivable resulted from it advancing funds to another party for cash flow purposes and that the advances were unsecured, non-interest bearing, and payable on demand. Nova reported the full value of the advances as a receivable and did not accrue any loss or disclose any contingency related to the collectibility of the receivable.

19. Respondents failed to perform any procedures to determine whether Nova's disclosures concerning the advanced funds were accurate and adequate. In addition, Respondents failed to perform sufficient procedures to evaluate the collectibility of the receivable.<sup>18/</sup> Respondents' procedures were limited to obtaining uncorroborated representations from management and reviewing an interim balance sheet of the other party, which reflected cash of \$2,174, current assets of \$48,191, current liabilities of \$1,508,915, and a \$203,875 line item titled "Out-Of-Balance." This audit evidence was insufficient to support an opinion that the \$513,506 was properly reported as a receivable.

### Reclassification of Liability

20. Nova's 2002 financial statements reflected a liability of \$736,427 described as a note payable and accrued interest due to another party. Nova's 2003 financial statements reclassified this obligation, now valued at \$753,927, as equity. Specifically, Nova's consolidated statement of changes in stockholders' deficit reflected

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<sup>17/</sup> The audit report included an explanatory paragraph expressing substantial doubt as to Nova's ability to continue as a going concern.

<sup>18/</sup> GAAP requires accrual of a loss where information available prior to issuance of the financial statements indicates that collection of a receivable is not "probable" and the amount uncollectible can be "reasonably estimated." In situations where an accrual is not recorded, but there is at least a reasonable possibility that the receivable will not be collected, disclosure is required. See SFAS No. 5.



## ORDER

the obligation as "common stock to be issued in exchange for long-term debt and interest."<sup>19/</sup>

21. Respondents failed to perform sufficient procedures to be able to evaluate whether this reclassification complied with GAAP.<sup>20/</sup> Respondents were aware of evidence, including a board resolution, indicating that before the other party would release Nova from its obligation, it required consideration in addition to the issuance of Nova's common stock, and it also required satisfaction of certain conditions. Other than uncorroborated management representations, however, Respondents had no basis for concluding that the conditions to extinguish the liability had been satisfied as of December 31, 2003. Respondents, therefore, had an inadequate basis for an audit opinion that the reclassification of the liability complied with GAAP.

### Payable to Related Party

22. Nova's 2003 financial statements reported a related party payable in the amount of \$760,905, or approximately 43 percent of total reported liabilities. The financial statement footnotes described the payable as "due to a company related to the president of the Company. The advances are unsecured, non-interest bearing, and due on demand however, this company has agreed not to demand repayment before April 2005."<sup>21/</sup>

23. Respondents failed to exercise due professional care and professional skepticism, and obtain sufficient competent evidential matter related to the nature of the reported related party payable. Nova's 2003 Form 10-KSB disclosed the existence of

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<sup>19/</sup> Had Nova continued to classify the obligation as a liability in its 2003 financial statements, it would have equaled approximately 43 percent of Nova's reported liabilities.

<sup>20/</sup> FAS No. 140 ¶16 states: "A debtor shall derecognize a liability if and only if it has been extinguished. A liability has been extinguished if either of the following conditions is met: a. The debtor pays the creditor and is relieved of its obligation for the liability. Paying the creditor includes delivery of cash, other financial assets, goods, or services or reacquisition by the debtor of its outstanding debt securities whether the securities are canceled or held as so-called treasury bonds. b. The debtor is legally released from being the primary obligor under the liability, either judicially or by the creditor."

<sup>21/</sup> Nova's 2003 Form 10-KSB filed on May 14, 2004 at F-3, F-12.

## ORDER

approximately \$490,000 in convertible notes payable to parties unrelated to Nova.<sup>22/</sup> Respondents' work papers indicated that Nova had included that \$490,000 as part of the \$760,905 related party payable balance. Respondents failed to recognize and address that the discussion in the Form 10-KSB was inconsistent with evidence in the work papers and the financial statement assertions concerning the payable to a related party.<sup>23/</sup>

### IV.

In view of the foregoing, and to protect the interests of investors and further the public interest in the preparation of informative, fair, and independent audit reports, the Board determines it appropriate to impose the sanctions agreed to in Respondents' Offers. Accordingly, it is hereby ORDERED that:

- A. Pursuant to Section 105(c)(4)(A) of the Act and PCAOB Rule 5300(a)(1), Timothy L. Steers, CPA, LLC's registration with the Board is revoked;
- B. After two (2) years from the date of this Order, Timothy L. Steers, CPA, LLC may reapply for registration by filing an application pursuant to PCAOB Rule 2101;
- C. Pursuant to Section 105(c)(4)(B) of the Act and PCAOB Rule 5300(a)(2), Timothy L. Steers is barred from being an associated person of a registered public accounting firm, as that term is defined in Section 2(a)(9) of the Act and PCAOB Rule 1001(p)(i); and

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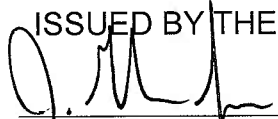
<sup>22/</sup> Nova's 2003 Form 10-KSB filed on May 14, 2004 at 9.

<sup>23/</sup> In April 2005, and again in March 2006, Nova restated its 2003 financial statements to identify separately the convertible notes, to reclassify them as a current liability, to disclose accurately the payment terms of the notes, and to account for the notes' beneficial conversion features. See Nova's 2004 Form 10-KSB filed on April 14, 2005 at F-18 and Nova's 2003 Form 10-KSB/A filed on March 6, 2006 at F-14.

**ORDER**

- D. After two (2) years from the date of this Order, Steers may file a petition, pursuant to PCAOB Rule 5302(b), for Board consent to associate with a registered public accounting firm.

ISSUED BY THE BOARD.



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J. Gordon Seymour  
Secretary

November 14, 2007