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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^{2/} that:

A. Respondents

1. Kantor, Geisler & Oppenheimer, P.A. (formerly known as Kantor, Sewell & Oppenheimer, P.A.) is a public accounting firm located in Hollywood, Florida. At all relevant times, KGO was licensed under the laws of the state of Florida to engage in the practice of public accounting (License No. AD63278).^{3/} KGO is registered with the Board pursuant to Section 102 of the Act and Board rules.

2. Sewell, 63, was a partner in KGO with a 47.5 percent ownership interest at all relevant times. He was licensed under the laws of the state of Florida as a certified public accountant (License No. AC0003739) until September 2005 when his license was revoked.^{4/} At all relevant times, he was an associated person of KGO as that term is defined in Section 2(a)(9) of the Act and PCAOB Rule 1001(p)(i).

^{2/} 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."

^{3/} KGO's license expired as of December 31, 2005.

^{4/} In 2004, Sewell was convicted of conspiracy to commit mail fraud and for filing false tax returns. As a result of his involvement in a scheme leading to his conviction, which is unrelated to the findings of this Order, Sewell's CPA license was

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3. Kantor, 54, licensed under the laws of the state of Florida as a certified public accountant (License No. AC0016410), was, at all relevant times, a partner in KGO with a 47.5 percent ownership interest and an associated person of KGO as that term is defined in Section 2(a)(9) of the Act and PCAOB Rule 1001(p)(i). Kantor served as KGO's managing partner during the relevant period.

B. Summary

4. This matter involves violations of the Board's independence and auditing standards as well as certain violations of the Exchange Act. Specifically, in connection with audits of the financial statements of IWT Tesoro Corporation, KGO and Sewell failed to comply with independence requirements (relating to investments), failed to perform or reasonably to ensure the performance of sufficient audit procedures related to reported fixed assets, and failed to identify or appropriately address a departure from generally accepted accounting principles ("GAAP") related to accounting for stock options issued to employees, and Kantor prepared false audit documentation. In connection with one audit of the financial statements of GeneThera, Inc., KGO and Sewell failed to comply with independence requirements (relating to prohibited activities) and failed to perform or reasonably to ensure the performance of sufficient audit procedures related to the client's reported fixed assets and its accounting for the forgiveness of a liability. KGO also violated Section 10A(b) of the Securities Exchange Act of 1934 ("Exchange Act")^{5/} and PCAOB standards by failing to take certain steps when it became aware of information indicating that an illegal act by GeneThera may have occurred.

C. Respondents Violated PCAOB Rules and Professional Standards

5. 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 and related professional practice standards, including independence standards.^{6/} Under the Board's auditing standards, an auditor may

suspended by the Florida Board of Accountancy on March 11, 2004 and revoked on September 30, 2005.

^{5/} 15 U.S.C. § 78j-1.

^{6/} See PCAOB Rules 3100, 3200T, 3600T.

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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.^{7/} Among other things, those standards require that an auditor maintain independence from its clients, exercise due professional care, exercise professional skepticism, obtain sufficient competent evidential matter to afford a reasonable basis for an opinion regarding the financial statements, and prepare appropriate audit documentation.^{8/} Section 10A(g) of the Exchange Act prohibits a registered public accounting firm from providing certain bookkeeping services for an audit client. Finally, Section 10A(b) of the Exchange Act and PCAOB standards require such a firm to take certain steps when it detects or otherwise becomes aware of information indicating that an illegal act may have occurred. As described below, each Respondent violated one or more of these requirements.

Audit of IWT Tesoro Corporation's Initial 2003 Financial Statements

6. IWT Tesoro Corporation ("IWT") is a Nevada corporation with business operations in Florida and elsewhere and executive offices in Connecticut. Its common stock is registered with the United States 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 the OTC Bulletin Board. IWT's public filings disclose that its primary business is as a wholesale distributor of building materials, specifically ceramic tiles used for floor and wall coverings. At all relevant times, IWT was an issuer as that term is defined by Section 2(a)(7) of the Act and PCAOB Rule 1001(i)(iii).

7. KGO was engaged as IWT's auditor beginning in December 2003. KGO issued an audit report dated January 23, 2004 that was included in IWT's Form 10-KSB filed with the Commission on March 30, 2004. The report indicated it was issued by an independent auditor, and it expressed an unqualified audit opinion on IWT's consolidated financial statements for 2003 and 2002. The report stated that IWT's

^{7/} See AU § 508.07, *Reports on Audited Financial Statements*.

^{8/} See ET § 101.01, *Independence*; AU § 150.02, *Generally Accepted Auditing Standards*; AU § 230, *Due Professional Care in the Performance of Work*; AU § 326, *Evidential Matter*; AU § 339, *Audit Documentation* (applicable to the audits discussed in this Order, but subsequently superseded).



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financial statements presented fairly, in all material respects, IWT's financial position, results of operations, and cash flows in conformity with GAAP. In addition, the report stated that the audit was conducted in accordance with generally accepted auditing standards ("GAAS").^{9/} Sewell was the engagement partner who had final responsibility for the audit.

Independence

8. PCAOB rules require registered public accounting firms and associated persons to comply with the Board's interim auditing standards and interim independence standards in connection with an audit, including standards that require independence from an audit client.^{10/} Those standards provide, among other things, that independence is impaired when an individual participating on the engagement team has knowledge that a close relative, including a parent, has a financial interest in the client that is material to that relative.^{11/}

^{9/} Respondents were required to conduct the audit in accordance with the PCAOB's interim auditing standards pursuant to PCAOB Rule 3200T, which took effect on April 25, 2003. However, at the time Respondents performed the audit, the PCAOB's interim auditing standards were the same as GAAS as it existed on April 16, 2003, and, until PCAOB Auditing Standard No. 1 ("AS No. 1") took effect on May 24, 2004, it remained appropriate for auditors to refer to GAAS in their audit reports. Accordingly, although the reference to GAAS in KGO's audit report for IWT Tesoro Corporation was appropriate at the time, the standards pursuant to which the audit was required to be performed were PCAOB standards, and that is how they are referred to in this Order.

^{10/} See PCAOB Rules 3100, 3200T (incorporating requirements of certain AICPA auditing standards as in existence on April 16, 2003, including AU § 220, *Independence*), and 3600T (incorporating requirements of certain AICPA independence standards as in existence on April 16, 2003, including ET § 101.01, *Independence*, and interpretations thereunder).

^{11/} ET § 101.02 (Interpretation 101-1), *Application of the Independence Rules to Close Relatives*. As ET § 101.02 existed on April 16, 2003, "close relative" was a term defined (in ET § 92.04) to encompass, among other things, a parent.

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9. At the time of KGO's audit of IWT's 2003 financial statements, Sewell's mother owned IWT common stock and warrants to purchase IWT's common stock. Sewell knew of his mother's IWT holdings and that they were material to her. Sewell exercised administrative control over the purchase of the IWT securities before the commencement of the 2003 audit and over the ultimate disposition of the securities, which occurred after the issuance of the audit report. Therefore, KGO and Sewell failed to maintain the required independence with respect to IWT.

Audit Procedures Concerning Property and Equipment

10. KGO and Sewell failed to perform appropriate audit procedures to test the existence and the valuation of \$3,128,750 in "sample boards" and \$1,098,199 in "display boards" (collectively, the "boards") included in IWT's balance sheet as property and equipment. IWT stated in its public filings that the boards were used to market IWT products to end-user customers. KGO and Sewell were informed that IWT's accounting policy was to capitalize the cost of materials, labor, and overhead associated with making sample boards (ten-year depreciation period) and display boards (five-year depreciation period). The boards, in the aggregate, accounted for more than 15 percent of IWT's total assets at December 31, 2003.

11. During the planning phase of the audit, KGO and Sewell identified IWT's accounting for the boards as an aspect of the financial statements involving a significant risk of material misstatement due to fraud because of the potential for IWT to defer expenses and overstate assets by using lengthy depreciation periods for the boards. Despite identifying that fraud risk factor and having concerns in the audit planning stage about the lengthy depreciation period for the boards, KGO and Sewell performed no audit procedures to test the initial costs allocated to any of the boards, the existence of the boards, whether any boards had become obsolete, been abandoned, destroyed, stolen, transferred, or otherwise impaired, or to assess the appropriateness of IWT's accounting policy and assigned depreciation period. Instead, KGO and Sewell inappropriately relied on management's representations without performing additional testing.

Audit Procedures Concerning Stock Options Issued to Employees

12. IWT's 2003 financial statements included a disclosure concerning a November 23, 2002 stock option compensation plan granting options to IWT officers, which explained that certain percentages of the options vested upon the occurrence of



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three separate performance conditions. The disclosure further stated that "[a]t December 31, 2003, the options were 66% vested."

13. IWT was required under GAAP to recognize certain amounts as a compensation expense when the options vested because of the performance conditions set forth in the plan.^{12/} IWT departed from GAAP because it did not recognize any such compensation expense.^{13/} KGO and Sewell had evidence of this GAAP departure available to them, but they failed to identify and appropriately address it.^{14/}

Audit Documentation

14. PCAOB audit documentation standards applicable to KGO's audit of IWT's 2003 financial statements stated that "[a]udit documentation is the principal record of auditing procedures applied, evidence obtained, and conclusions reached by the auditor in the engagement."^{15/} The documentation standards further provide that audit working

^{12/} See Accounting Principles Board Opinion No. 25, *Accounting for Stock Issued to Employees*. APB No. 25 has been superseded by Statement of Financial Accounting Standards No. 123(R), *Share-Based Payment*.

^{13/} IWT subsequently restated its financial statements to recognize the vesting of these options as a compensation expense. The effect of this restatement adjustment was a reduction of previously reported net income by approximately \$631,000 or 144 percent.

^{14/} 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.

^{15/} AU § 339.01, *Audit Documentation* (AU § 339 applies to audits of financial statements for fiscal years ending before November 15, 2004).



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papers must be sufficient to show, among other things, that the work has been adequately supervised and that sufficient competent evidential matter has been obtained through the auditing procedures applied to afford a reasonable basis for an opinion.^{16/} Inherent in the requirement to prepare and maintain audit documentation is the requirement that such documentation be accurate. The creation of audit work papers reflecting procedures that were not, in fact, performed is a violation of these audit documentation standards.

15. After KGO issued its report on the audit of IWT's initial financial statements for 2003, Kantor, at Sewell's request, signed an audit working paper that represented that Kantor had performed certain supervisory duties, reviewed audit work papers, and approved audit procedures and working papers. Specifically, the working paper stated, among other things, that Kantor "reviewed all working papers prepared by personnel in [his] charge," "reviewed sufficient additional working papers to be satisfied with the adequacy of the audit," "reviewed completed audit programs," "reviewed the financial statements and [was] satisfied that they . . . ha[d] been prepared in conformity with [GAAP]," "reviewed the auditor's report and [was] satisfied it properly expresse[d] [KGO's] opinion in accordance with [GAAS]," and "reviewed documentation related to significant audit findings." However, Kantor performed no such procedures and had no significant role in the audit. Kantor signed the working paper at Sewell's request, believing Sewell could not sign the working paper as a result of his suspended CPA license. Kantor knowingly created a working paper reflecting that he performed certain audit procedures that he did not, in fact, perform in violation of PCAOB auditing standards.

Audit of IWT's Restated 2003 Financial Statements

16. In May 2004, as a result of a PCAOB inspection of KGO's 2003 audit of IWT's 2003 financial statements, KGO was notified in writing of apparent audit deficiencies related to, among other things, its audit procedures in connection with IWT's fixed asset assertions. Subsequently, IWT determined to restate its financial statements by, among other things, reducing the value of its fixed assets by less than \$100,000 to account for obsolete boards. KGO issued an audit report dated August 12, 2004, with respect to the restated financial statements that was included in IWT's Form 10-KSB/A filed with the Commission on September 23, 2004. The report expressed an

^{16/} AU § 339.04.

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unqualified opinion on IWT's consolidated financial statements for 2003 and 2002. The report stated that IWT's restated financial statements presented fairly, in all material respects, IWT's financial position, results of operations, and cash flows in conformity with GAAP and that the audit was conducted in accordance with GAAS.^{17/}

17. KGO's audit work on IWT's restated 2003 financial statements, less than six months after the PCAOB inspection, suffered from the same deficiencies as its audit work on IWT's initial 2003 financial statements with respect to IWT's sample boards and display boards. Specifically, in performing its audit of IWT's restated financial statements, KGO again failed to obtain sufficient competent evidential matter concerning the boards and relied on management's representations without performing any testing of the existence, valuation, and financial statement presentation of the boards.

Audit of GeneThera, Inc.'s 2003 Financial Statements

18. GeneThera, Inc. ("GeneThera") is a Florida corporation with its principal place of business in Colorado. Its common stock is registered with the Commission under Section 12(g) of the Exchange Act and is quoted on the OTC Bulletin Board. During the relevant period, GeneThera's public filings disclosed that it was a development stage biotechnology company that was developing non-invasive techniques to test the blood of live animals for chronic diseases, such as mad cow disease. At all relevant times, GeneThera was an issuer as that term is defined by Section 2(a)(7) of the Act and PCAOB Rule 1001(i)(iii). KGO was engaged as GeneThera's auditor beginning with the audit of GeneThera's 2003 financial statements until the Firm resigned on March 4, 2006.

19. KGO issued an audit report dated February 15, 2004, that was included in GeneThera's Form 10-KSB filed with the Commission on April 14, 2004. The report expressed an unqualified opinion on GeneThera's consolidated financial statements for 2003 and 2002. The report stated that GeneThera's financial statements presented fairly, in all material respects, GeneThera's financial position, results of operations, and

^{17/} The audit was required to be conducted in accordance with PCAOB standards and, because the audit report was issued after AS No. 1 took effect on May 24, 2004, the audit report should have referred to PCAOB standards rather than to GAAS. See supra note 9.



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cash flows in conformity with GAAP. In addition, the report stated that the audit was conducted in accordance with GAAS.^{18/} Sewell was the engagement partner who had final responsibility for the audit.

20. In connection with their audit of GeneThera's 2003 financial statements, KGO and Sewell failed to exercise due professional care, obtain sufficient competent evidential matter, and exercise professional skepticism concerning: (1) the valuation and existence of certain fixed assets and (2) the forgiveness of a liability. KGO also violated Section 10A of the Exchange Act by performing certain prohibited services.

Audit Procedures Concerning Property and Equipment

21. GeneThera's 2003 balance sheet included \$702,199 in property and equipment, of which more than \$525,000 was disclosed as laboratory equipment that GeneThera obtained in 2003. The laboratory equipment accounted for more than 65 percent of GeneThera's 2003 total reported assets. GeneThera double-counted certain assets, including three of its highest valued fixed assets, in determining the value of this laboratory equipment.^{19/}

22. In the course of the audit, KGO and Sewell obtained a list of the laboratory equipment prepared by GeneThera's management. KGO and Sewell performed no audit procedures to test that the list was complete and accurate or to test whether the items included therein had been obtained in 2003 or in a previous reporting period. KGO and Sewell relied on management's assigned value for the laboratory equipment without performing any audit procedures to test its value. Lastly, no procedures were performed to determine whether the 10-year depreciation period used by GeneThera was reasonable with respect to any of GeneThera's laboratory equipment.

^{18/} This audit was required to be conducted in accordance with PCAOB standards even though the reference to GAAS in the February 15, 2004, audit report was not inappropriate. See supra note 9.

^{19/} After the PCAOB inspection notified KGO of deficiencies with KGO's audit procedures with respect to these fixed assets, KGO discovered that GeneThera had double-counted more than \$230,000 in assets. In September 2004, GeneThera restated its financial statements to correct the error. See GeneThera's Form 10-KSB/A filed on September 13, 2004.

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Audit Procedures Concerning Liabilities

23. In preparing its 2003 financial statements, GeneThera derecognized a \$150,000 liability (approximately 11 percent of total liabilities) to a creditor that had resulted from money received pursuant to a loan agreement. GeneThera reported the \$150,000 as "other income" in its 2003 financial statements. KGO and Sewell performed no procedures to determine whether GeneThera had paid the creditor to extinguish the liability. KGO and Sewell also did not perform any procedures to determine whether GeneThera had been released from the liability by the creditor or received a judicial release.^{20/} Instead, KGO and Sewell inappropriately relied on management's representation that it did not owe \$150,000 to the creditor.

Performance of Prohibited Services

24. Section 10A(g) of the Exchange Act prohibits registered public accounting firms from performing certain non-audit services including "bookkeeping or other services related to the accounting records or financial statements of the audit client."^{21/} KGO violated Section 10A(g) of the Exchange Act by, during the course of the audit of GeneThera's 2003 financial statements, keeping GeneThera's books and records. Specifically, KGO, among other things, had direct access to GeneThera's accounting systems, made journal entries directly in the books and records of GeneThera, generated the trial balances for the financial statements, generated the financial statements and footnote disclosures, made accounting decisions for the issuer, computed depreciation for GeneThera's 2003 fixed assets, and performed other services related to keeping GeneThera's books and records.

^{20/} Statement of Financial Accounting Standards No. 140, *Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities* ¶16 states that "A debtor shall derecognize a liability if and only if it has been extinguished" either because the debtor has paid the creditor and been relieved of the obligation or because the debtor has been legally released from the liability either judicially or by the creditor.

^{21/} 15 U.S.C. § 78j-1(g).

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Failure to Respond to Indications of Illegal Acts

25. Section 10A(b) of the Exchange Act requires that a registered public accounting firm take certain actions if, in the course of an audit, the firm detects or otherwise becomes aware of information indicating that an illegal act has or may have occurred.^{22/} Under Section 10A(b)(1) and PCAOB standards, if a firm becomes aware of information indicating that an illegal act has or may have occurred, the firm must, in accordance with PCAOB standards, determine whether it is likely that an illegal act has occurred.^{23/} If a firm determines that it is likely that an illegal act has occurred, Section 10A(b) and PCAOB standards impose additional obligations on the firm.

26. KGO violated Section 10A(b) of the Exchange Act and PCAOB standards when, upon learning information indicating that an illegal act may have occurred, KGO failed to address appropriately the threshold question of whether it was likely that an illegal act had occurred. After completion of its 2004 audit of GeneThera and in the course of performing 2005 quarterly review procedures,^{24/} KGO discovered payments from GeneThera to a limited liability company and payments out of the limited liability company that appeared to have been used to pay for GeneThera executives' personal expenses. In response to the discovery, KGO made certain inquiries of management, but management's responses did not satisfy KGO that no illegal act had occurred. Even so, KGO did not take any other steps to determine whether it was likely that an illegal act had occurred.^{25/}

^{22/} See 15 U.S.C. § 78j-1(b)(1).

^{23/} See 15 U.S.C. § 78j-1(b)(1)(A)(i); AU § 317, *Illegal Acts by Clients*.

^{24/} KGO issued an audit report dated February 28, 2005 that was included in GeneThera's Form 10-KSB filed with the Commission on April 14, 2004. The report expressed an unqualified opinion on GeneThera's consolidated financial statements for 2004 and 2003. The report stated that GeneThera's financial statements presented fairly, in all material respects, GeneThera's financial position, results of operations, and cash flows in conformity with GAAP and that the audit was conducted in accordance with PCAOB standards.

^{25/} PCAOB standards provide that if management does not provide satisfactory information that there has been no illegal act, the auditor should consult with the client's legal counsel or other specialists about the application of relevant laws

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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), the registration of Kantor, Geisler & Oppenheimer, P.A., is revoked;
- B. Pursuant to Section 105(c)(4)(B) of the Act and PCAOB Rule 5300(a)(2), Thomas E. Sewell 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
- C. Pursuant to Section 105(c)(4)(B) of the Act and PCAOB Rule 5300(a)(2), Steven M. Kantor 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
- D. After one (1) year from the date of this Order, Kantor 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.

/s/ J. Gordon Seymour

J. Gordon Seymour
Secretary

December 14, 2007

and regulations to the circumstances and should apply additional procedures, if necessary, to obtain further understanding of the nature of the acts. See AU § 317.10.