

ORDER

II.

In anticipation of 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^{2/} that:

A. Respondents

1. Cordovano and Honeck, P.C. is an accounting firm located in Denver, Colorado. At all relevant times, Cordovano and Honeck was licensed under the laws of the state of Colorado (Colorado State Board of Public Accountancy License No. FRM-736). Cordovano and Honeck is registered with the Board pursuant to Section 102 of the Act and Board Rules.

^{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 on Cordovano 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 Cordovano's conduct described in this Order meets the condition set out in Section 105(c)(5), which provides that such sanctions may be imposed in the event of: (A) intentional or knowing conduct, including reckless conduct, that results in violation of the applicable statutory, regulatory, or professional standard; or (B) repeated instances of negligent conduct, each resulting in a violation of the applicable statutory, regulatory, or professional standard.



ORDER

2. Samuel D. Cordovano, 60, of Centennial, Colorado is a certified public accountant licensed under the laws of the state of Colorado (License No. CPA-6754). He is the Firm's President and, at all times relevant to this matter, 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).

B. Summary

3. This matter involves violations of the PCAOB's auditing standards. As detailed below, in auditing the FY 2003 and FY 2004 financial statements of Celtron International, Inc. ("Celtron"),^{3/} Respondents failed to perform, or reasonably ensure the performance of, sufficient audit procedures relating to Celtron's recognition of assets and liabilities connected with four purported acquisitions and failed to identify or appropriately address departures from generally accepted accounting principles ("GAAP") related to the adequacy of Celtron's financial statement disclosures concerning the purported acquisitions and related to the recognition of an extraordinary gain on one transaction.^{4/} In auditing the FY 2004 financial statements of Pinnacle Resources, Inc. ("Pinnacle"), Respondents failed to perform, or reasonably ensure the performance of, sufficient audit procedures relating to the valuation, presentation, and classification of certain research and development costs.

^{3/} On or about May 22, 2006, Celtron changed its name to Satellite Security Corporation. On or about April 28, 2008, Satellite Security Corporation changed its name to Mobicom Corporation.

^{4/} 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 has considered or made any determination concerning the issuer's compliance with GAAP.

ORDER

C. Respondents Violated PCAOB Rules and Professional Standards

4. 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 and related professional practice standards.^{5/} 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.^{6/} Among other things, those standards require that an auditor exercise due professional care, exercise professional skepticism, and obtain sufficient competent evidence to afford a reasonable basis for an opinion regarding the financial statements.^{7/} In connection with the audits of the financial statements of Celtron for FY 2003 and FY 2004 and Pinnacle for FY 2004, Respondents failed to do so, as described in more detail below.

Audit of Celtron's 2003 Financial Statements

5. Celtron is a Nevada corporation headquartered in Midrand, South Africa. Its common stock is registered under Section 12(b) of the Securities Exchange Act of 1934 ("Exchange Act"). Celtron's public filings disclose that it has been primarily in the business of marketing vehicle locating and management systems and mobile technology solutions. At all relevant times, Celtron was an issuer as that term is defined by Section 2(a)(7) of the Act and PCAOB Rule 1001(i)(iii).

6. The Firm was engaged as Celtron's auditor beginning with the audit of Celtron's financial statements for FY 2003. The Firm issued an audit report dated April 16, 2004, that was included in Celtron's Form 10-KSB/A filed with the United States Securities and Exchange Commission ("Commission") on May 26, 2004. In the audit report, the Firm expressed an unqualified audit opinion on Celtron's consolidated balance sheet as of December 31, 2003, and the related consolidated statement of operations, stockholders' equity (deficit), and cash flows for the period ended December

^{5/} See PCAOB Rules 3100, 3200T.

^{6/} See AU § 508.07, *Reports on Audited Financial Statements*.

^{7/} See AU § 150.02, *Generally Accepted Auditing Standards*; § 230, *Due Professional Care in the Performance of Work*, and § 326, *Evidential Matter*.

ORDER

31, 2003. The Firm's audit report stated that Celtron's consolidated financial statements presented fairly, in all material respects, Celtron's financial position, results of operations and cash flows in conformity with U.S. GAAP. In addition, the report stated that the audit was conducted in accordance with auditing standards generally accepted in the United States of America ("GAAS").^{8/} Cordovano was the engagement partner who had final responsibility for the audit as that phrase is used in AU § 311, *Planning and Supervision*, and authorized the issuance of the audit report.

Failures to Perform Audit Procedures Concerning Reported Assets

7. In its FY 2003 Form 10-KSB/A, Celtron reported the following assets, valued in amounts totaling 61% of Celtron's total reported assets:

- \$397,059 (26% of total assets) relating to license rights purportedly obtained in connection with Celtron's 2002 acquisition of Orbtech Holdings Ltd. ("Orbtech") from Celtron International, Ltd. ("CIL");
- \$330,882 (22% of total assets) in goodwill relating to Celtron's acquisition of CJ Systems (Pty) Ltd ("CJ Systems"); and
- \$199,265 (13% of total assets) in goodwill relating to Celtron's acquisition of MineWorx International (Pty) Ltd ("MineWorx").

^{8/} The audit report stated that the audit was conducted in accordance with GAAS. Respondents were required to conduct those audits 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 the audit was performed, 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 took effect on May 24, 2004, it remained appropriate for auditors to refer to GAAS in their audit reports. Accordingly, while the reference to GAAS in the audit report was appropriate at the time, the standards pursuant to which the audit was required to be performed are more appropriately referred to as PCAOB auditing standards (or PCAOB standards), and that is how they are referred to in this Order.

ORDER

As described below, Respondents failed to perform sufficient audit procedures related to those reported assets.

8. Respondents failed to perform procedures to evaluate whether the license rights purportedly acquired in the Orbtech acquisition existed, were owned by Celtron, and were appropriately valued. Moreover, despite Orbtech's history of operating losses and negative cash flows, Respondents failed to evaluate whether the license rights were impaired. In addition, even though Respondents had information indicating that the Orbtech acquisition was a related party transaction,^{9/} Respondents failed to take steps to determine whether it was a related party transaction and, if so, to satisfy themselves concerning the purpose and nature of the transaction and concerning the required accounting in the financial statements included in the FY 2003 Form 10-KSB/A.^{10/}

9. Respondents also failed to perform sufficient audit procedures concerning the CJ Systems acquisition. First, despite being aware of inconsistent information concerning whether Celtron had issued any stock in connection with the transaction,^{11/} Respondents failed to perform sufficient procedures to evaluate whether and when Celtron owned CJ Systems. Respondents relied principally on an acquisition agreement purportedly signed on January 29, 2004 and obtained no audit evidence supporting a conclusion that Celtron owned CJ Systems as of Celtron's December 31, 2003 fiscal year end. Second, Respondents failed to evaluate the appropriateness of Celtron's valuation of its stock at approximately \$.15 per share for purposes of reporting the purported acquisition, when the quoted market price of its stock on or about the date

^{9/} Celtron's public filings disclosed that CIL and Celtron were under common control at the time Celtron acquired Orbtech from CIL. See Celtron Form 8-K, filed June 20, 2001.

^{10/} See AU § 334, *Related Parties*, ¶¶ .01 and .09.

^{11/} Celtron disclosed in its FY 2003 Form 10-KSB/A that it had acquired CJ Systems through a subsidiary for 2,250,000 shares of stock. Respondents, however, had detailed shareholder lists for 2003 and 2004, and information from a transfer agent about total issued and outstanding shares, that appeared to be inconsistent with Celtron having issued any shares to acquire CJ Systems.

ORDER

of the acquisition was never less than \$.87 per share.^{12/} Third, Respondents failed to test the reported goodwill related to the acquisition. Respondents obtained no evidence concerning whether Celtron obtained any assets or liabilities in the transaction, information without which Respondents could not evaluate the appropriateness of the recorded goodwill. More specifically, even though Celtron disclosed that it acquired CJ Systems to access certain distribution rights, Respondents did not evaluate whether those rights represented an identifiable intangible asset, and, if so, whether that asset should have been recognized apart from goodwill.^{13/}

10. Similarly, Respondents failed to perform sufficient audit procedures concerning the MineWorx acquisition. First, Respondents failed to perform sufficient procedures to evaluate whether Celtron owned MineWorx, relying principally on a document that referred to the possibility of an acquisition and failing to obtain sufficient evidence to support a conclusion that the transaction had occurred. Second, Respondents failed to test Celtron's valuation of the consideration provided in exchange for MineWorx, even despite the existence of significant conflicts in the information available to Respondents.^{14/} Finally, Respondents failed to test the reported goodwill

^{12/} GAAP provides that the quoted market price of an equity security issued to effect a business combination generally should be used to estimate the fair value of the acquired entity, subject to consideration of certain other factors. Statement of Financial Accounting Standards ("SFAS") No. 141, *Business Combinations*, ¶ 23. (This Order's cites to SFAS No. 141 refer to the version in effect at the time of Respondents' Celtron audits and not to the revised version issued in 2007.)

^{13/} GAAP describes criteria concerning whether to recognize an intangible asset apart from goodwill and states, among other things, that an intangible asset shall be recognized as an asset apart from goodwill if it arises from contractual or other legal rights or if it can be separated from the acquired entity and sold, transferred, licensed, rented, or exchanged. SFAS No. 141, ¶ 39.

^{14/} Celtron disclosed that it acquired MineWorx for \$200,000 and 262,500 shares of stock. Celtron's consolidated statement of shareholders' equity indicated zero value for the shares issued. Respondents, however, had information indicating that Celtron may have paid \$46,324 in cash and that, for purposes of the goodwill computation, Celtron may have valued the shares issued at \$152,941. In addition, even the \$152,941 valuation would have reflected a per share value (approximately \$.58) that

ORDER

related to the acquisition, again obtaining no evidence concerning whether Celtron obtained any assets or liabilities in the transaction.

Failure to Identify and Address Disclosure Issues

11. Pursuant to GAAP, Celtron's FY 2003 Form 10-KSB/A should have included various disclosures related to the acquisitions discussed above. As described below, Respondents, failed to identify and appropriately address certain disclosure issues in Celtron's financial statements.

12. The Orbtech acquisition was disclosed in Celtron's FY 2002 Form 10-KSB and related amended filings, but it was not until Celtron's third quarter of FY 2003 that Celtron first included the results of Orbtech's operations in its financial statements. In its FY 2003 Form 10-KSB/A, Celtron included a statement of operations for FY 2002 that included the results of Orbtech as if it had been a consolidated subsidiary since the beginning of FY 2002. Under GAAP, this constituted a change in the reporting entity,^{15/} which should have been accompanied by a disclosure describing the nature of the change and the reason for it.^{16/} Celtron provided no disclosure, however, as to why the manner of reporting had changed in FY 2003 or why the FY 2002 statement of operations included in the FY 2003 Form 10-KSB/A differed from the FY 2002 statement of operations presented in the FY 2002 Form 10-KSB. Respondents failed to identify and appropriately address this omission. In addition, as described above, Respondents had information indicating that the Orbtech acquisition was a related party transaction, but Respondents failed to take steps to determine whether it was a related party transaction and, if so, to satisfy themselves concerning the adequacy of Celtron's disclosures, including in the financial statements filed with the FY 2003 Form 10-KSB/A.^{17/}

was significantly less than the quoted market price on or about the date of the acquisition (approximately \$.82).

^{15/} See Accounting Principles Board Opinion ("APB") No. 20, *Accounting Changes*, ¶ 12.

^{16/} See APB No. 20, ¶ 35.

^{17/} See AU § 334.01 and .11.

ORDER

13. With respect to the purported acquisitions of CJ Systems and MineWorx, Celtron's FY 2003 10-KSB/A filing did not include certain disclosures that GAAP requires concerning any material business combination. Specifically, Celtron did not disclose (1) the periods for which the results of the operations of CJ Systems and MineWorx were included in the consolidated statement of operations of Celtron; (2) the basis for determining the value of the shares issued to consummate the acquisitions; (3) condensed balance sheets of CJ Systems and MineWorx as of the acquisition date; (4) pro forma results of operations as if the acquisitions had taken place on January 1, 2002, and (5) the reason for the MineWorx acquisition.^{18/} Respondents failed to identify and appropriately address those omissions as well.

14. Finally, Celtron's FY 2003 10-KSB/A disclosed that it issued a total of 2,512,500 shares for acquisitions in 2003 – the acquisitions of CJ Systems and MineWorx. On its consolidated statement of changes in shareholders' equity, however, Celtron reported that in 2003 it issued 1,711,775 shares, at zero value, for acquisitions. Although the disclosure and the consolidated statement of changes in shareholders' equity could not both have been correct on this point, Respondents failed to identify and appropriately address the inconsistency. Moreover, Respondents had information indicating that (1) the shares reported on the consolidated statement of changes in shareholders' equity may have included 1,449,275 shares for an advance payment involving a third acquisition that was consummated in FY 2004, and (2) Celtron may have issued no shares in FY 2003 concerning the CJ Systems acquisition. Respondents failed to perform procedures to reconcile that information with the disclosure or otherwise to evaluate the disclosure in light of the information.

Audit of Celtron's 2004 Financial Statements

15. The Firm issued an audit report dated May 26, 2005, that was included in Celtron's Form 10-KSB filed with the Commission on June 1, 2005. In the audit report, the Firm expressed an audit opinion on Celtron's consolidated financial statements for FY 2004. The report stated that Celtron's financial statements presented fairly, in all material respects, Celtron's financial position, results of operations, and cash flows in conformity with GAAP. In addition, the report stated that the audit was conducted in

^{18/} Those disclosures were required by SFAS No. 141, ¶¶ 51 and 54.



ORDER

accordance with PCAOB standards. Cordovano was the engagement partner who had final responsibility for the audit.

16. In its FY 2004 Form 10-KSB, Celtron disclosed that it acquired certain technology from a principal shareholder in exchange for 11 million shares of stock. Celtron reported the transaction as a \$4,071,922 charge on its statement of operations under the caption "stock-based compensation – software expense." Respondents had information indicating that the shareholder from which Celtron acquired the technology was CIL, the same party from which Celtron had acquired Orbtech and the related license rights discussed above. Celtron continued to report an asset relating to the license rights of \$396,797, which approximated 16% of Celtron's total reported assets as of December 31, 2004. Respondents took no steps to determine whether there was any overlap between the license rights and the newly acquired technology that would have rendered the continued reporting of the license rights as an asset inappropriate. This was part of Respondents' broader failure, again, to perform procedures to test the existence and valuation of the license rights. Respondents also failed again to test the license rights for impairment, despite Orbtech's continued operating losses and negative cash flows.

17. Celtron's FY 2004 Form 10-KSB also disclosed that the previously announced agreement to acquire CJ Systems was never consummated. Celtron no longer reported any goodwill related to CJ Systems. Although the goodwill was no longer reported in FY 2004, Celtron continued to report on its FY 2004 financial statements a \$396,797 asset – separate from the identically valued license rights discussed above – under the caption "other investments," and Respondents had information indicating that that reported asset related to CJ Systems. Respondents, however, failed to perform procedures to evaluate whether this asset existed, was owned by Celtron, and was appropriately valued.

18. In addition, Celtron disclosed in its FY 2004 Form 10-KSB that MineWorx had become insolvent and was no longer under Celtron's control. Celtron also disclosed that because of MineWorx' insolvency, Celtron exercised its right to obtain certain MineWorx assets and that it planned to run the former business of MineWorx. Celtron's FY 2004 Form 10-KSB otherwise treated the MineWorx acquisition as if it had not occurred: the previously reported goodwill asset was not reflected in the balance sheet and there was no related impairment loss reported in the statement of operations. In light of Celtron's disclosure about the insolvency of MineWorx, the previously

ORDER

recognized goodwill asset was impaired, and GAAP required that Celtron report an impairment loss as part of a separate line item on the statement of operations presenting the aggregate amount of goodwill impairment losses.^{19/} Respondents failed to identify and address this departure from GAAP.

19. Finally, Celtron reported in its 2004 Form 10-KSB that it acquired approximately 94% of the issued and outstanding common stock of Knight Fuller, Inc. ("KFI") in exchange for an intangible asset developed by Celtron, and reported an extraordinary gain of \$305,968 connected with the transaction.^{20/} Celtron's recording of that gain, and related disclosures, involved at least the following four departures from GAAP, none of which was identified and appropriately addressed by Respondents:

- a. According to KFI's public filings near the time of the transaction and at December 31, 2004, KFI had liabilities in excess of its assets. Under GAAP, the KFI liabilities should have been factored into the purchase accounting computation,^{21/} which may have negated the extraordinary gain that Celtron recognized, but they were not factored into that computation.
- b. Celtron disclosed that KFI's assets included 350,469 shares of Celtron's common stock valued at \$192,758, and, according to the public filings of Celtron and KFI, Celtron included the cost of its own stock as part of the gain recognized in the transaction, which was inappropriate under GAAP.
- c. Celtron disclosed that KFI's assets included 221,233 restricted shares of Sutter Holding Corp. ("Sutter"), valued at \$132,740. Celtron included the value of the Sutter investment in the gain, but did not report the investment as an asset. Under GAAP, securities, like the

^{19/} See SFAS No. 142, ¶¶ 18 and 43.

^{20/} The Firm audited KFI's December 31, 2004 financial statements and issued an audit report thereon dated May 28, 2005.

^{21/} See SFAS No. 141, ¶ 35.

ORDER

Sutter investment, should be reported as assets.^{22/} However, Celtron reflected the amount as a direct reduction to its retained earnings.

- d. Despite its disclosure that it acquired 94% of KFI's issued and outstanding shares, Celtron did not consolidate and report the results of KFI in its consolidated financial statements as of December 31, 2004. Under GAAP, Celtron should have done so.^{23/}

20. Respondents also failed to perform sufficient procedures concerning other aspects of the KFI transaction. First, despite the fact that Cordovano believed that the KFI transaction was with a related party, Respondents failed to satisfy themselves concerning the purpose and nature of the transaction and concerning the required financial statement accounting and disclosure.^{24/} Second, Respondents performed no procedures to test the fair value of the intangible asset paid to acquire KFI.

Audit of Pinnacle Resources, Inc. 2004 Financial Statements

21. Pinnacle is a Wyoming corporation headquartered in Englewood, Colorado. Its common stock is registered with the Commission under Section 12(g) of the Exchange Act. Pinnacle's public filings disclose that during FY 2004 it was primarily in the business of mining ocean diamonds, refining tantalum, and developing vanadium/titanium, although it had not recognized any revenues during FY 2004 or earlier. At all relevant times, Pinnacle was an issuer as that term is defined by Section 2(a)(7) of the Act and PCAOB Rule 1001(i)(iii).

22. The Firm was engaged as Pinnacle's auditor beginning with the audit of Pinnacle's financial statements for FY 2000. The Firm issued an audit report dated August 30, 2004 that was included in Pinnacle's Form 10-KSB filed with the Commission on October 13, 2004. In the audit report, the Firm expressed an unqualified audit opinion on Pinnacle's consolidated balance sheet as of June 30, 2004 and the related statements of operations, changes in shareholders' equity and cash

^{22/} See SFAS No. 141, ¶ 37.

^{23/} See Accounting Research Bulletin No. 51, *Consolidated Financial Statements*, ¶ 3.

^{24/} See AU § 334.01 and .09.

ORDER

flows for the years ended June 30, 2004 and 2003. The report stated that the financial statements presented fairly, in all material respects, Pinnacle'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 PCAOB standards. Cordovano was the engagement partner who had final responsibility for the audit.

23. According to Pinnacle's 2004 Form 10-KSB, Pinnacle was developing a machine called the Aqua Walker, which was a platform that could walk into the ocean and recover from the ocean floor diamondiferous gravels that were previously inaccessible by conventional recovery methods. Pinnacle disclosed that the Aqua Walker made its maiden walk in April 2003 and had completed certain sea trials. Pinnacle further disclosed that it was still conducting trial runs and that it was expecting to start commercial operations with the Aqua Walker toward the end of calendar year 2004.

24. For the period ended June 30, 2004, Pinnacle had capitalized approximately \$380,000 in costs accumulated in connection with the design, development, and construction of the Aqua Walker. The \$380,000 constituted approximately 48% of Pinnacle's total reported assets. Respondents, however, failed to evaluate whether capitalization of those costs was appropriate or whether, in light of the development status of the Aqua Walker, those costs should have been expensed.^{25/} Even assuming that capitalization was appropriate, Respondents also failed to evaluate the appropriateness of the amount capitalized. Rather than obtain and critically assess any significant audit evidence concerning the Aqua Walker, Respondents relied solely on

^{25/} GAAP requires the immediate expensing of research and development costs. See SFAS No. 2, *Accounting for Research and Development Costs*, ¶ 12. SFAS No. 2, ¶ 8(b) defines "development," in part, as "the translation of research findings or other knowledge into a plan or design for a new product or process...whether intended for sale or use. It includes the conceptual formulation, design, and testing of product alternatives, construction of prototypes, and operation of pilot plants." SFAS No. 2, ¶ 11(a) further prescribes that "the costs of materials, equipment, or facilities that are acquired or constructed for a particular research and development project and that have no alternative future uses (in other research and development projects or otherwise) and therefore no separate economic values are research and development costs at the time the costs are incurred."

ORDER

management's uncorroborated representations that the Aqua Walker would be operational in the near future.^{26/}

V.

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)(G) of the Act and PCAOB Rule 5300(a)(5), Cordovano and Honeck, P.C. is censured;
- B. Pursuant to Section 105(c)(4)(B) of the Act and PCAOB Rule 5300(a)(2), Samuel D. Cordovano 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. After one (1) year from the date of this Order, Cordovano 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 18, 2008

^{26/} Representations from management are evidential matter, but do not substitute for the application of auditing procedures necessary to afford a reasonable basis for an audit opinion. See AU § 333.02, *Management Representations*.