



**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 this proceeding 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 Respondents 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. Drakeford & Drakeford, LLC is a public accounting firm located in Mableton, Georgia. Drakeford & Drakeford, LLC was formed in 1999, and John DellaDonna is a partner and the only employee of the Firm. At all relevant times, Drakeford & Drakeford, LLC was licensed under the laws of the State of Georgia to engage in the practice of public accounting (license no. ACF004373). Drakeford & Drakeford, LLC is registered with the Board pursuant to Section 102 of the Act and Board rules.

2. John A. DellaDonna, 62, of Mableton, Georgia, is a certified public accountant licensed in Georgia (license no. CPA003424), New York (license no. 090884), and New Jersey (license no. 20CC03066800). At all relevant times, DellaDonna was a partner and 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).

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<sup>2/</sup> The findings herein are made pursuant to 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 (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.



B. Respondents Violated PCAOB Rule 4006

3. On March 9, 2006, the Board issued a report concerning its first inspection of Drakeford & Drakeford, LLC, conducted late in 2004. The report described, among other things, certain concerns about the Firm's quality control policies and procedures. Pursuant to section 104(g)(2) of the Act, the portion of the report describing those concerns was initially kept nonpublic, but was subject to being made public if the Firm failed to address those concerns to the Board's satisfaction within 12 months.<sup>3/</sup>

4. On March 5, 2007, the Firm, pursuant to PCAOB Rule 4009(a), submitted information to the Board's Division of Registration and Inspections ("Inspections") concerning how the Firm had addressed the quality control concerns described in the inspection report. On July 17, 2008, Inspections, also pursuant to Rule 4009(a), sent the Firm notice that Inspections intended to recommend that the Board determine that the Firm had not satisfactorily addressed those concerns. On July 23, 2008, the Firm, on its own initiative, supplemented its Rule 4009(a) submission to provide further evidence of improvements the Firm had made before the March 9, 2007 deadline by which the Firm needed to take sufficient steps to improve if the Firm hoped to keep the report's quality control discussion nonpublic. Among other things, the supplemental Rule 4009(a) submission included audit work papers that the Firm purported to have prepared in conducting a certain audit in 2006 (hereafter, "the 2006 audit"). The Firm asserted that those work papers provided additional evidence of relevant quality control improvements during the 12-month period.

5. Separate from the Rule 4009(a) quality control remediation process related to the first inspection of the Firm, Inspections had conducted a second inspection of the Firm in August 2007. In that inspection, Inspections had collected and reviewed certain of the Firm's work papers related to the 2006 audit. Because Inspections had maintained copies of those work papers, they were available for comparison with the work papers included in the Firm's July 23, 2008 supplemental Rule 4009(a) submission. Inspections noticed that certain work papers included with that submission contained additional material that had not been present in the audit file when the Firm had been inspected in August 2007.

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<sup>3/</sup> Neither the Act nor Board rules require a firm to address the quality control criticisms in an inspection report to the Board's satisfaction. Rather, the Act provides that doing so will result in the Board's quality control criticisms remaining nonpublic, and thereby provides an incentive for firms to do. See generally *The Process for Board Determinations Regarding Firms' Efforts to Address Quality Control Criticisms in Inspection Reports*, PCAOB Release No. 104-2006-077 (March 21, 2006).

6. Inspections contacted DellaDonna and inquired about whether changes had been made to the work papers since the audit file had been reviewed by the PCAOB inspectors in 2007. DellaDonna initially denied having made any changes to the work papers. Only after Inspections staff told DellaDonna that the staff had copies of the work papers from the 2007 inspection and could compare them with the July 23, 2008 supplemental Rule 4009(a) submission did DellaDonna admit that he may have added some notes. Inspections staff requested that DellaDonna identify all such changes and additions to the work papers. On July 31, 2008, DellaDonna provided documentation to Inspections identifying thirteen work papers containing material that had been added since the 2007 inspection.

7. PCAOB Rule 4006, *Duty to Cooperate With Inspectors*, states that –

[e]very registered public accounting firm, and every associated person of a registered public accounting firm, shall cooperate with the Board in the performance of any Board inspection. Cooperation shall include, but is not limited to, cooperating and complying with any request, made in furtherance of the Board's authority and responsibilities under the Act, to – (a) provide access to, and the ability to copy, any record in the possession, custody, or control of such firm or person, and (b) provide information by oral interviews, written responses, or otherwise.

8. The Rule 4006 cooperation obligation includes an obligation not to provide misleading documents or information in connection with the Board's inspection processes. This obligation applies with no less force to information or communications that a firm or person decides on its own to provide – such as a Rule 4009(a) submission made in an effort to persuade Inspections to recommend a favorable quality control remediation determination – than it does to information that the Board specifically requires a firm or person to provide. Respondents' conduct in making a misleading representation concerning documentation submitted as evidence of quality control improvement in connection with the Board's Rule 4009 process violated PCAOB Rule 4006.

C. Respondents violated PCAOB Auditing Standard No. 3

9. Under PCAOB Auditing Standard No. 3, *Audit Documentation* ("AS No. 3"), any additions to audit documentation after the audit report release date, "must indicate the date the information was added, the name of the person who prepared the additional documentation, and the reason for adding it."<sup>4/</sup> As described above, thirteen

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<sup>4/</sup> AS No. 3, paragraph 16.

work papers submitted by Respondents as part of the July 2008 supplemental Rule 4009(a) submission contained additional information that had been added after the report release date. Respondents violated AS No. 3 by failing to include with those work papers any indication of the date the information was added, the name of the person who prepared it, and the reason for adding it.

10. In addition, for each of five sets of work papers in the 2006 audit file, Respondents added a cover page indicating that those documents had been updated after the audit report release date.<sup>5/</sup> For each of those sets of work papers, Respondents' indication of the additions and the reasons for them was limited to the statement, on the cover page, that "[t]he attached documents were updated to include procedures performed in other sections of the work papers." Although each cover page is dated and indicates that DellaDonna prepared it, there is no indication, in either the cover pages or the documents attached to them, of the ways in which those documents were updated. Without any more specific indication of what was added to the documentation, and without any more specific explanation than "to include procedures performed in other sections of the work papers," Respondents failed to satisfy both the fundamental requirement that additions to the work papers be identifiable as such and the requirement to indicate the reasons for the additions.

#### 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 Drakeford & Drakeford, LLC is revoked;
- B. After one (1) year from the date of this Order, Drakeford & Drakeford, LLC may reapply for registration by filing an application pursuant to PCAOB Rule 2101; and

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<sup>5/</sup> The five sets of work papers referred to here were not included as part of the Firm's July 23, 2008 supplemental Rule 4009(a) submission.

- C. Pursuant to Section 105(c)(4)(B) of the Act and PCAOB Rule 5300(a)(2), John A. DellaDonna is suspended for one (1) year from the date of this Order 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)(1).

ISSUED BY THE BOARD.

/s/ J. Gordon Seymour

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J. Gordon Seymour  
Secretary

June 16, 2009