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| ORDER INSTITUTING DISCIPLINARY PROCEEDINGS, MAKING FINDINGS, AND IMPOSING SANCTIONS |) | |
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| <i>In the Matter of Moss, Krusick & Associates, LLC; and Joseph M. Krusick, CPA,</i> |) | PCAOB Release No. 105-2016-014 |
| |) | |
| <i>Respondents.</i> |) | April 12, 2016 |
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By this Order, the Public Company Accounting Oversight Board (the "Board" or "PCAOB") is censuring Moss, Krusick & Associates, LLC ("Moss Krusick" or the "Firm"), revoking the Firm's registration,¹ and imposing a civil money penalty in the amount of \$10,000 upon the Firm; and censuring Joseph M. Krusick, CPA ("Krusick"), barring him from being an associated person of a registered public accounting firm,² and imposing on him a civil money penalty in the amount of \$5,000. The Board is imposing these sanctions on the basis of its findings that (a) the Firm violated PCAOB rules and standards concerning auditor independence, Section 10A(g) of the Securities and Exchange Act of 1934 ("Exchange Act"), and Exchange Act Rule 10A-2 because it was not independent with respect to an issuer audit client during several audit and professional engagement periods, and (b) Krusick violated PCAOB Rule 3502, *Responsibility Not to Knowingly or Recklessly Contribute to Violations*, because he took or omitted to take actions that he knew, or was reckless in not knowing, would directly and substantially contribute to the Firm's violations.

I.

The Board deems it necessary and appropriate, for the protection of investors and to further the public interest in the preparation of informative, accurate, and independent audit reports, that disciplinary proceedings be, and hereby are, instituted pursuant to Section 105(c) of the Sarbanes-Oxley Act of 2002, as amended (the "Act"), and PCAOB Rule 5200(a)(1) against the Firm and Krusick (collectively, "Respondents").

¹ The Firm may reapply for registration after two (2) years from the date of this Order.

² Krusick may file a petition for Board consent to associate with a registered public accounting firm after two (2) years from the date of this Order.

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II.

In anticipation of institution of these proceedings, and pursuant to PCAOB Rule 5205, the Respondents have each submitted an Offer of Settlement (collectively, the "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.³

III.

On the basis of Respondents' Offers, the Board finds that:⁴

A. Respondents

1. Moss, Krusick & Associates, LLC is a limited liability company organized under the laws of the State of Florida, headquartered in Winter Park, Florida, and at all relevant times was registered with the Board pursuant to Section 102 of the Act and PCAOB rules. The Firm has been licensed to practice public accountancy by (a) the Florida Board of Accountancy (License No. AD0017790) since 1990, (b) the Nevada State Board of Accountancy (License No. LLC-0252) since 2010, and (c) the Texas State Board of Public Accountancy (License No. C07868) since 2011, and at all relevant times was the external auditor for the issuer identified below.

³ The findings herein are made pursuant to Respondents' Offers and are not binding on any other persons or entities in this or any other proceeding.

⁴ The Board finds that Respondents' conduct described in this Order meets the conditions set out in Section 105(c)(5) of the Act, 15 U.S.C. § 7215(c)(5), which provides that certain sanctions may be imposed in the event of (1) intentional or knowing conduct, including reckless conduct, that results in a violation of the applicable statutory, regulatory, or professional standard; or (2) repeated instances of negligent conduct, each resulting in a violation of the applicable statutory, regulatory, or professional standard.



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2. Joseph M. Krusick, CPA, age 57, of Orlando, Florida, is a certified public accountant licensed by the Florida Board of Accountancy (License No. AC0022686) since 1991 and the Nevada State Board of Accountancy (License No. CPA-4742R) since 2008. Krusick is a partner at Moss Krusick and served as the engagement partner for the audits and reviews discussed below. Krusick is 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).

B. Summary

3. The Firm was not independent of an issuer audit client, Credit One Financial, Inc. ("Credit One"), throughout a five-year period because it prepared the issuer's financial statements that were filed with the Securities and Exchange Commission ("SEC" or "Commission") in violation of PCAOB rules and auditing standards concerning auditor independence,⁵ Section 10A(g) of the Exchange Act, and Exchange Act Rule 10A-2.

4. During the Firm's audit of Credit One's financial statements for fiscal year 2010 ("2010 Annual Financial Statements") and its reviews of Credit One's interim financial statements for the first three quarters of fiscal year 2011 ("2011 Interim Financial Statements"), the Firm provided prohibited bookkeeping services to Credit One by obtaining subsidiary trial balances from Credit One and preparing Credit One's financial statements that were filed with the Commission.

5. Thereafter, during the Firm's audits of Credit One's financial statements for each of fiscal years 2011, 2012, 2013, and 2014 ("2011-2014 Annual Financial Statements") and its reviews of Credit One's interim financial statements for the first three quarters of each of 2012, 2013, and 2014 ("2012-2014 Interim Financial Statements"), the Firm provided prohibited bookkeeping services to Credit One by directing and profiting from the work of a local certified public accountant whom it selected and paid to prepare Credit One's financial statements filed with the Commission.

6. Krusick, the engagement partner for each of the Credit One audits and reviews at issue, violated PCAOB Rule 3502 because he took or omitted to take actions that he knew, or was reckless in not knowing, would directly and substantially contribute to the Firm's violations of PCAOB rules and auditing standards, Section 10A(g) of the Exchange Act, and Exchange Act Rule 10A-2.

⁵ See PCAOB Rule 3520, *Auditor Independence*; AU § 220, *Independence*.

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C. Respondents Violated PCAOB Rules and Auditing Standards, and the Exchange Act

7. 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.⁶ PCAOB rules and auditing standards also require that a registered public accounting firm and its associated persons be independent of the firm's audit client throughout the audit and professional engagement period.⁷ A registered public accounting firm or associated person's independence obligation with respect to an audit client that is an issuer encompasses not only an obligation to satisfy the independence criteria set out in the rules and standards of the PCAOB, but also an obligation to satisfy all other independence criteria applicable to the engagement, including the independence criteria set out in the rules and regulations of the Commission under the federal securities laws.⁸

8. Section 10A(g) of the Exchange Act provides that it shall be unlawful for a registered public accounting firm that performs an audit for an issuer "to provide to that issuer, contemporaneously with the audit, any non-audit service, including . . . bookkeeping or other services related to the accounting records or financial statements of the audit client".⁹

9. Exchange Act Rule 10A-2 provides that it shall be unlawful for an auditor not to be independent under certain provisions of Regulation S-X, including Rule 2-01(c)(4).¹⁰ Rule 2-01(c)(4) of Regulation S-X states in part:

⁶ PCAOB Rule 3100, *Compliance with Auditing and Related Professional Practice Standards*, and PCAOB Rule 3200T, *Interim Auditing Standards*. All references to PCAOB standards are to the versions of those standards in effect at the time of the relevant audits.

⁷ See PCAOB Rule 3520, *Auditor Independence*; AU § 220, *Independence*.

⁸ See PCAOB Rule 3520, Note 1.

⁹ 15 U.S.C. § 78j-1(g).

¹⁰ 17 C.F.R. § 240.10A-2.

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An accountant is not independent if, at any point during the audit and professional engagement period, the accountant provides the following non-audit services to an audit client:

(i) *Bookkeeping or other services related to the accounting records or financial statements of the audit client.* Any service, unless it is reasonable to conclude that the results of these services will not be subject to audit procedures during an audit of the audit client's financial statements, including:

...

(B) Preparing the audit client's financial statements that are filed with the Commission or that form the basis of financial statements filed with the Commission¹¹

Moss Krusick's Audit of Credit One's 2010 Annual Financial Statements and Reviews of Credit One's 2011 Interim Financial Statements

10. Credit One is a Florida corporation with principal executive offices in New York and no operations in the United States. Credit One's public filings with the Commission disclosed that all of its assets, officers, and directors were located outside the United States, including in the People's Republic of China ("PRC") and Macau. Credit One used the services of an outsourced CFO in New York to assist with its financial reporting obligations ("Outsourced CFO"). In 2009 and 2010, Credit One produced and sold mineral products, primarily graphite, in the PRC through a wholly owned subsidiary. In 2010, Credit One ceased producing and selling mineral products and, through a different wholly owned subsidiary, entered into a ten-year agreement to be the exclusive advertising agent for a Macau-based television company. Credit One's common stock is registered under Section 12(g) of the Exchange Act and quoted on the OTCQB marketplace. At all relevant times, Credit One was an issuer as that term is defined by Section 2(a)(7) of the Act and PCAOB Rule 1001(i)(iii).

11. Moss Krusick audited Credit One's 2010 and 2011-2014 Annual Financial Statements, and reviewed its 2011 and 2012-2014 Interim Financial Statements. Krusick was the engagement partner for each of those audits and reviews. With respect

¹¹ 17 C.F.R. § 210.2-01(c)(4)(i).

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to the audits, Krusick signed and authorized the release of each of Moss Krusick's audit reports, which were included in Form 10-Ks Credit One filed with the Commission.

12. During the audit of the 2010 Annual Financial Statements ("2010 Audit"), Respondents obtained subsidiary trial balances and a draft of Credit One's 2010 Form 10-K containing financial statements with blank account balances from the Outsourced CFO. Respondents prepared Credit One's consolidating and adjusting journal entries, and consolidated balance sheet, income statement, and cash flow statement ("Consolidated Financial Statements"), using the subsidiary trial balances.

13. Then, Respondents sent a handwritten, marked up version of the 2010 Form 10-K back to the Outsourced CFO with the financial statement account balances filled in based on the Consolidated Financial Statements prepared by Respondents. Respondents also drafted language for certain financial statement disclosures. The Outsourced CFO updated the electronic version of the 2010 Form 10-K with the financial statement amounts and disclosures provided by Respondents. The Outsourced CFO then filed the 2010 Form 10-K, including the 2010 Annual Financial Statements, with the Commission. Respondents prepared similar documents and information that were included in or formed the basis for Credit One's 2011 Interim Financial Statements, which Respondents reviewed ("2011 Reviews") and Credit One filed with the Commission.

14. By preparing Credit One's financial statements in connection with the 2010 Audit and 2011 Reviews as described above, the Firm was not independent of Credit One during the 2010 Audit and 2011 Reviews and violated PCAOB rules and standards concerning auditor independence, Section 10A(g) of the Exchange Act, and Exchange Act Rule 10A-2.

15. Krusick, the engagement partner for the 2010 Audit and 2011 Reviews, was aware that the Firm was providing bookkeeping services to Credit One. As a result, Krusick violated PCAOB Rule 3502 by taking or omitting to take actions that he knew, or was reckless in not knowing, would directly and substantially contribute to the Firm's violation of PCAOB rules and standards, Section 10A(g) of the Exchange Act, and Exchange Act Rule 10A-2.

Moss Krusick's Audits of Credit One's 2011 Through 2014 Annual Financial Statements and Reviews of Credit One's 2012 Through 2014 Interim Financial Statements

16. In October 2011, Krusick, who expressed concerns that Moss Krusick's assistance to Credit One could be viewed as impairing the Firm's independence and the PCAOB could inspect Moss Krusick's Credit One audits, asked Credit One to prepare its own financial statements for fiscal year 2011, and suggested that Credit One engage a



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firm in China to assist it. In response, Credit One asked Respondents to find a local accountant in Florida to do this work. Respondents subsequently identified a solo practitioner accountant in Orlando, Florida (the "Accountant") and negotiated with her an agreement under which she would prepare Credit One's annual and interim financial statements for a capped fee of no more than \$2,500 per quarter, or \$10,000 per year. The agreement was memorialized in an engagement letter between the Accountant and Credit One dated March 3, 2012. The engagement letter provided, among other things, that the Accountant would submit her invoices to Moss Krusick and be paid by Moss Krusick, which in turn would bill Credit One for the Accountant's services.

17. Thereafter, the Accountant prepared the 2011-2014 Annual Financial Statements in the same manner that Respondents had prepared the 2010 Annual Financial Statements. Respondents audited the 2011-2014 Annual Financial Statements ("2011-2014 Audits") that Credit One filed with the Commission. The Accountant similarly prepared Credit One's 2012-2014 Interim Financial Statements, which Respondents reviewed ("2012-2014 Reviews") and Credit One filed with the Commission.

18. Krusick, as well as other members of the Moss Krusick engagement team, provided direction to the Accountant in connection with her preparation of Credit One's 2011-2014 Annual Financial Statements and 2012-2014 Interim Financial Statements. In performing her work, the Accountant had no direct communications with Credit One. Instead, she relied on Moss Krusick to provide her with all of Credit One's financial information and sent all of her work to Moss Krusick for review, comment, and approval. For example, on a quarterly basis Moss Krusick received subsidiary trial balances from the Outsourced CFO that Moss Krusick sent to the Accountant directing her to prepare a balance sheet and income statement. The Accountant prepared balance sheets and income statements that she sent to the Firm and on which the Firm noted: "Auditor takes full responsibility for all work performed by [the Accountant]"

19. In addition to directing the Accountant's work, Respondents determined how much she was paid, and Moss Krusick profited from her work. Pursuant to Moss Krusick's understanding with Credit One, Moss Krusick billed, and was paid by Credit One, \$2,500 per quarter for the Accountant's work, irrespective of the amounts Moss Krusick paid the Accountant. Krusick decided to pay the Accountant \$1,250 or \$1,500 per quarter and the Firm kept the difference.

20. In February 2014, an accountant newly employed by the Firm and assigned to the audit of Credit One's fiscal year 2013 annual financial statements raised concerns with Krusick regarding the Firm's independence from Credit One in light of the Firm's arrangement with the Accountant. In response, the Firm initiated telephone consultations with the national SEC consultant referred by the association of accounting

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firms to which the Firm belonged at the time. During the consultations, Krusick and others at the Firm explained the pass-through billing arrangement with the Accountant, but did not disclose that the Firm profited from the Accountant's work or discuss other aspects of the arrangement. Although the consultant apparently concluded the pass-through billing arrangement did not impair the Firm's independence, the consultant did not assess whether the Firm's independence was impaired as a result of other aspects of its relationship with the Accountant. Following the consultations, the Firm did not alter its arrangement with the Accountant and the new accountant resigned from the Firm.

21. As a result of the conduct described above, the Firm provided Credit One with prohibited bookkeeping services in connection with the 2011-2014 Audits and 2012-2014 Reviews in violation of PCAOB rules and standards concerning auditor independence, Section 10A(g) of the Exchange Act, and Exchange Act Rule 10A-2.

22. Krusick, the engagement partner for the 2011-2014 Audits and 2012-2014 Reviews, was aware of the arrangement with the Accountant. Krusick selected her to provide bookkeeping services to Credit One; negotiated her agreement with Credit One; decided how much Moss Krusick paid her and how much Moss Krusick profited from her services; administered her requests for Credit One's information; determined what information about Credit One she received; and directed her work preparing Credit One's financial statements. As a result, Krusick violated PCAOB Rule 3502 by taking or omitting to take actions that he knew, or was reckless in not knowing, would directly and substantially contribute to the Firm's violation of PCAOB rules and standards, Section 10A(g) of the Exchange Act, and Exchange Act Rule 10A-2.

IV.

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

- A. Pursuant to Section 105(c)(4)(E) of the Act and PCAOB Rule 5300(a)(5), Moss, Krusick & Associates, LLC and Joseph M. Krusick, CPA are censured;
- B. Pursuant to Section 105(c)(4)(A) of the Act and PCAOB Rule 5300(a)(1), the registration of Moss, Krusick & Associates, LLC is revoked;
- C. After two (2) years from the date of this Order, Moss, Krusick & Associates, LLC may reapply for registration by filing an application pursuant to PCAOB Rule 2101;



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- D. Pursuant to Section 105(c)(4)(B) of the Act and PCAOB Rule 5300(a)(2), Joseph M. Krusick, CPA 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);¹²
- E. After two (2) years from the date of this Order, Joseph M. Krusick, CPA may file a petition, pursuant to PCAOB Rule 5302(b), for Board consent to associate with a registered public accounting firm; and
- F. Pursuant to Section 105(c)(4)(D) of the Act and PCAOB Rule 5300(a)(4), a civil money penalty in the amount of \$10,000 is imposed upon Moss, Krusick & Associates, LLC, and a separate and additional civil money penalty in the amount of \$5,000 is imposed upon Joseph M. Krusick, CPA. All funds collected by the Board as a result of the assessment of these civil money penalties will be used in accordance with Section 109(c)(2) of the Act. Moss, Krusick & Associates, LLC and Joseph M. Krusick, CPA shall each pay the civil money penalty imposed within ten (10) days of the issuance of this Order by (1) wire transfer pursuant to instructions provided by Board staff; or (2) United States Postal Service money order, bank money order, certified check, or bank cashier's check (a) made payable to the Public Company Accounting Oversight Board, (b) delivered to the Controller, Public Company Accounting Oversight Board, 1666 K Street, N.W., Washington, D.C. 20006, and (c) submitted under a cover letter that identifies, as applicable, Moss, Krusick & Associates, LLC or Joseph M. Krusick as one of the Respondents in these proceedings, sets forth the title and PCAOB release number of these proceedings, and states that payment is made pursuant to this Order, a copy of said cover

¹² As a consequence of the bar, the provisions of Section 105(c)(7)(B) of the Act will apply with respect to Krusick. Section 105(c)(7)(B) provides: "It shall be unlawful for any person that is suspended or barred from being associated with a registered public accounting firm under this subsection willfully to become or remain associated with any issuer, broker, or dealer in an accountancy or a financial management capacity, and for any issuer, broker, or dealer that knew, or in the exercise of reasonable care should have known, of such suspension or bar, to permit such an association, without the consent of the Board or the Commission."

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letter and money order or check shall be sent to the Office of the Secretary, Attention: Phoebe W. Brown, Secretary, Public Company Accounting Oversight Board, 1666 K Street, N.W., Washington, D.C. 20006.

ISSUED BY THE BOARD.

/s/ Phoebe W. Brown

Phoebe W. Brown
Secretary

April 12, 2016