



**ORDER**

and without admitting or denying the findings herein, except as to the facts contained in paragraphs 13 and 14 and the Board's jurisdiction over them and the subject matter of these proceedings, which are admitted, Respondents consent to entry of this Order Instituting Disciplinary Proceedings, Making Findings and Imposing Sanctions ("Order") as set forth below.<sup>3</sup>

**III.**

On the basis of Respondents' Offers, the Board finds that:<sup>4</sup>

**A. Respondents**

1. Jerry L Stanford, CPA is, and at all relevant times was, a sole proprietorship organized under the laws of Florida, with an office in Maitland, Florida. The Firm is registered with the Board pursuant to Section 102 of the Act and PCAOB rules. At all relevant times the Firm was the external auditor for the issuer identified below.

2. Jerry L. Stanford, CPA, 74, of Maitland, Florida, is a certified public accountant licensed by the state of Florida (License No. AC0002414). At all relevant times, Stanford was the managing partner and sole owner of the Firm, and served as the engagement partner on the audit discussed below. Stanford 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. This matter concerns Respondents' violations of PCAOB rules and standards in connection with the issuance of an audit report on the financial statements

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<sup>3</sup> 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.

<sup>4</sup> 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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of BridgeWell Income Trust Inc. ("BridgeWell"). As detailed below, Respondents failed to obtain sufficient appropriate audit evidence and exercise due professional care and professional skepticism in connection with the audit of the financial statements of BridgeWell for the fiscal year ending December 31, 2012 and for the nine-month interim period ending September 30, 2013 ("the audit"). The Firm also failed to comply with Auditing Standard No. 7, *Engagement Quality Review* ("AS 7"), with respect to the audit by failing to obtain an engagement quality review even though it was required.

4. Additionally, Stanford took or omitted to take actions knowing, or recklessly not knowing, that his acts and omissions would directly and substantially contribute to the Firm's violations of PCAOB rules and standards concerning the requirement for engagement quality reviews.

**C. Respondents Violated PCAOB Rules and 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.<sup>5</sup> 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>6</sup> Among other things, those standards require that an auditor exercise due professional care and professional skepticism in the performance of the audit and preparation of the report.<sup>7</sup> PCAOB standards also require that an auditor plan and perform audit procedures to obtain sufficient appropriate audit evidence to provide a reasonable basis for his or her opinion.<sup>8</sup> If the auditor is unable to obtain sufficient appropriate audit evidence to have a reasonable basis to conclude about whether the financial statements as a whole are free of material misstatement, the auditor should express a qualified opinion or a disclaimer of opinion.<sup>9</sup>

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<sup>5</sup> See PCAOB Rule 3100, *Compliance with Auditing and Related Professional Practice Standards*; PCAOB Rule 3200T, *Interim Auditing Standards*.

<sup>6</sup> See AU § 508.07, *Reports on Audited Financial Statements*.

<sup>7</sup> See AU § 150, *Generally Accepted Auditing Standards*; AU § 230, *Due Professional Care in the Performance of Work*.

<sup>8</sup> See Auditing Standard No. 15, *Audit Evidence* ("AS 15").

<sup>9</sup> See Auditing Standard No. 14 ("AS 14"), *Evaluating Audit Results*, ¶ 35 ("AS 14").

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6. For audits and interim reviews of financial statements for fiscal years beginning on or after December 15, 2009, AS 7 requires that an engagement quality review be performed on audits, interim reviews, and certain attestation engagements conducted pursuant to PCAOB standards.<sup>10</sup> AS 7 also provides that a firm may grant permission to a client to use the engagement report only after an engagement quality reviewer provides concurring approval of issuance of the report.<sup>11</sup>

7. PCAOB Rule 3502 prohibits an associated person of a registered public accounting firm from "tak[ing] or omit[ting] to take an action knowing, or recklessly not knowing, that the act or omission would directly and substantially contribute to a violation by that registered public accounting firm of the Act, the Rules of the Board, the provisions of the securities laws relating to the preparation and issuance of audit reports and the obligations and liabilities of accountants with respect thereto, including the rules of the Commission issued under the Act, or professional standards."

8. As described below, Respondents failed to comply with PCAOB rules and standards in connection with the Firm's audit of BridgeWell's financial statements.

*Audit of BridgeWell's Financial Statements*

9. BridgeWell is a Florida corporation located in Orlando, Florida. BridgeWell's public filings disclose that, at all relevant times, it was intending to invest exclusively in whole mortgage notes on both commercial and residential real estate to hold for sale or until maturity. BridgeWell filed its Securities Act registration statement, Form S-11, on December 19, 2012, and subsequently filed a Form S-11/A on October 25, 2013. At all relevant times, it was an issuer as that term is defined by Section 2(a)(7) of the Act and PCAOB Rule 1001(i)(iii).

10. Stanford, as engagement partner, authorized the Firm's issuance of an audit report, dated October 16, 2013, expressing an unqualified audit opinion on BridgeWell's financial statements for the year ended December 31, 2012 and for the nine-month interim period ending September 30, 2013. The audit report was included in BridgeWell's Form S-11/A filed with the Commission on October 25, 2013.

11. In connection with the audit of BridgeWell's financial statements, Respondents failed to exercise due professional care and professional skepticism and

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<sup>10</sup> See AS 7, ¶ 1

<sup>11</sup> See AS 7, ¶ 13.

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failed to plan and perform the audit in accordance with PCAOB standards. Specifically, Respondents failed to establish an overall audit strategy for the engagement or to develop an audit plan.<sup>12</sup> Additionally, Respondents failed to perform any risk assessment procedures to identify and assess the risks of material misstatement, and to design and implement overall responses to address the assessed risks of material misstatement.<sup>13</sup>

12. Respondents also failed to obtain sufficient appropriate audit evidence concerning significant balances and transactions in BridgeWell's financial statements.<sup>14</sup> Other than obtaining representations from management and certain supporting schedules, Stanford and the Firm failed to perform any audit procedures relating to BridgeWell's reported assets, liabilities, stockholders' equity and expenses.

13. The Firm also failed to obtain an engagement quality review for the audit even though it was required to be performed. The Firm improperly permitted the issuance of its audit report, which was included in BridgeWell's Form S-11/A filed with the Commission, without obtaining an engagement quality review and concurring approval of issuance as required by AS 7. As a result, the Firm violated AS 7.

14. Stanford, the sole owner of the Firm, was the engagement partner for the audit conducted by the Firm and was responsible for that audit. Accordingly, he had overall responsibility for ensuring that the Firm complied with PCAOB rules and standards. Stanford knew, or was reckless in not knowing, that when he caused the Firm to grant permission to BridgeWell to use the audit report without the Firm having obtained the required engagement quality review and concurring approval of issuance, he was directly and substantially contributing to the Firm's violations of AS 7. As a result, Stanford violated PCAOB Rule 3502.

**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 Respondents' Offers. Accordingly, it is hereby ORDERED that:

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<sup>12</sup> See Auditing Standard No. 9, *Audit Planning*, ¶¶ 7-10.

<sup>13</sup> See Auditing Standard No. 12, *Identifying and Assessing Risks of Material Misstatement*, ¶ 4; Auditing Standard No. 13, *The Auditor's Response to the Risks of Material Misstatement*, ¶ 5

<sup>14</sup> See AS 15, ¶¶ 4-6; AS 14, ¶ 32-36.

**ORDER**

- A. Pursuant to Section 105(c)(4)(E) of the Act and PCAOB Rule 5300(a)(5), Jerry L Stanford, CPA, and Jerry L. Stanford are hereby censured;
- B. Pursuant to Section 105(c)(4)(B) of the Act and PCAOB Rule 5300(a)(2), Jerry L. Stanford 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);<sup>15</sup>
- C. After two (2) years from the date of this Order, Jerry L. Stanford may file a petition, pursuant to PCAOB Rule 5302(b), for Board consent to associate with a registered public accounting firm;
- D. Pursuant to Section 105(c)(4)(A) of the Act and PCAOB Rule 5300(a)(1), the registration of Jerry L Stanford, CPA is revoked; and
- E. After two (2) years from the date of the Order, Jerry L Stanford, CPA may reapply for registration by filing an application pursuant to PCAOB Rule 2101.

ISSUED BY THE BOARD.

/s/ Phoebe W. Brown

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Phoebe W. Brown  
Secretary

June 14, 2016

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<sup>15</sup> As a consequence of the bar, the provisions of Section 105(c)(7)(B) of the Act will apply with respect to Stanford. 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."