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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. Goldman Kurland and Mohidin, LLP is a limited liability partnership organized under the laws of the State of California with an office in Encino, California. The Firm is, and at all relevant times was, registered with the Board pursuant to Section 102 of the Act and PCAOB rules. GKM is licensed to practice public accountancy under the laws of California (License No. 6552) and, at all relevant times, was the external auditor for each of the issuers identified below.

2. Ahmed Mohidin, age 60, of Moorpark, California is a certified public accountant licensed under the laws of California (License No. 50267). At all relevant times, Mohidin was a partner of the Firm and had primary responsibility for GKM's issuer audit practice. He was the engagement partner on all but one of the audits and reviews at issue herein. Mohidin is no longer a partner with the Firm and is currently a partner with another registered public accounting firm in California. Mohidin is, and at

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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all relevant times was, 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' violation of PCAOB rules and standards, and federal securities laws and rules, governing auditor independence. In connection with concurrent audits of the financial statements of issuer Home System Group ("HSG") for 2010 and 2011 (the "HSG Audits"), Respondents provided HSG with prohibited bookkeeping services and audited their own work in violation of PCAOB Rule 3520, *Auditor Independence*, Section 10A(g) of the Securities Exchange Act of 1934 ("Exchange Act"), Exchange Act Rule 10A-2, and PCAOB Interim Auditing Standard ("AU") § 220, *Independence*.⁵

4. In connection with reviews of the interim financial statements of issuers U.S. China Mining Group, Inc. ("CMG") and China Recycling Energy Corporation ("CREG") for the first three quarters of 2012 (the "CMG and CREG Reviews"), Respondents violated PCAOB Rule 3520 and AU § 220, and the Firm violated Section 10A(j) of the Exchange Act and Exchange Act Rule 10A-2, because Mohidin and another accountant associated with the Firm served as the lead and concurring partners for the CMG and CREG Reviews after having served in these positions for the Firm's audits of CMG and CREG's financial statements for the previous five consecutive years. In addition, Mohidin violated PCAOB Rule 3502, *Responsibility Not to Knowingly or Recklessly Contribute to Violations*, because he took actions that he knew, or was reckless in not knowing, would directly and substantially contribute to the Firm's violation of Section 10A(j) of the Exchange Act and Exchange Act Rule 10A-2.

5. In addition, this matter concerns the Firm's violation of PCAOB Auditing Standard No. ("AS") 7, *Engagement Quality Review*, in connection with the audit of CMG's 2012 financial statements (the "CMG Audit"). An accountant who served as the Firm's senior manager for the CMG Audit also served as the Firm's engagement quality reviewer for that audit and, thereby, lacked objectivity in performing his review. Mohidin, who assigned the accountant to the CMG Audit, violated PCAOB Rule 3502 because he took actions that he knew, or was reckless in not knowing, would directly and substantially contribute to the Firm's violation.

⁵ All references to PCAOB standards are to the versions of those standards in effect at the time of the relevant audits and reviews.

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6. Finally, this matter concerns Respondents' violations of PCAOB rules and standards in connection with the HSG Audits and the audit of the financial statements of issuer China United Insurance Service, Inc. ("CUIS") for fiscal year 2012 (the "CUIS Audit"). During both the HSG Audits and the CUIS Audit, Respondents failed to exercise due professional care and professional skepticism. During the HSG Audits, Respondents also failed to obtain sufficient audit evidence to support financial statement assertions related to sales, cost of sales, and deferred product costs, among other violations of PCAOB rules and standards. During the CUIS Audit, Respondents also failed to adequately accumulate and/or evaluate uncorrected misstatements and obtain sufficient appropriate audit evidence to support the presentation and disclosure assertion related to revenue and cost of revenue, among other violations of PCAOB rules and standards.

C. Respondents Violated PCAOB Rules and Standards, and Federal Securities Laws and Rules, Governing Auditor Independence and Objectivity

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 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

8. A registered public accounting firm or associated person's independence obligation with respect to an audit client 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 U.S. Securities and Exchange Commission (the "Commission") under the federal securities laws.⁸

9. 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, and the firm's associated persons (to the extent determined appropriate by the Commission), "to provide to that issuer, contemporaneously with the audit, any non-audit service,

⁶ PCAOB Rule 3100, *Compliance with Auditing and Related Professional Practice Standards*; PCAOB Rule 3200T, *Interim Auditing Standards*.

⁷ PCAOB Rule 3520; AU § 220.

⁸ PCAOB Rule 3520, Note 1.

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including . . . bookkeeping or other services related to the accounting records or financial statements of the audit client".⁹

10. Exchange Act Rule 10A-2 provides that it shall be unlawful for an auditor not to be independent under certain rules contained in Commission Regulation S-X, including Rule 2-01(c)(4).¹⁰ Rule 2-01(c)(4)(i) of Regulation S-X provides that an "accountant is not independent if, at any point during the audit and professional engagement period," the accountant provides certain "[b]ookkeeping or other services related to the accounting records or financial statements of the audit client".¹¹ Such bookkeeping services include "[m]aintaining or preparing the audit client's accounting records" and "[p]reparing the audit client's financial statements that are filed with the Commission or that form the basis of financial statements filed with the Commission".¹²

11. Section 10A(j) of the Exchange Act provides that it shall be unlawful for a registered public accounting firm to provide audit services to an issuer if the firm's lead or concurring audit partner performed audit services for the issuer in each of the issuer's five previous fiscal years.¹³ Rule 2-01(c)(6)(i) of Regulation S-X provides that an accountant is not independent of an audit client when any audit partner performs the services of a lead or concurring partner for that audit client for more than five consecutive years or at any time within the five consecutive years following the performance of such services for the maximum period permitted.¹⁴

12. AS 7 provides that an engagement quality review and concurring approval of issuance are required for all audits and reviews conducted pursuant to PCAOB standards.¹⁵ An engagement quality reviewer must have and maintain objectivity in performing an engagement quality review.¹⁶ "To maintain objectivity, the engagement

⁹ 15 U.S.C. § 78j-1(g)(1).

¹⁰ 17 C.F.R. § 240.10A-2.

¹¹ 17 C.F.R. § 210.2-01(c)(4)(i).

¹² *Id.*

¹³ 15 U.S.C. § 78j-1(j).

¹⁴ 17 C.F.R. § 210.2-01(c)(6)(i). At all relevant times, the Firm had five or more issuer audit clients and did not qualify for the small-firm exemption from the partner rotation requirements. See *id.* at § 210.2-01(c)(6)(ii).

¹⁵ AS 7 ¶ 1.

¹⁶ *Id.* ¶ 4.

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quality reviewer . . . should not make decisions on behalf of the engagement team or assume any of the responsibilities of the engagement team."¹⁷

13. In addition, PCAOB rules prohibit an associated person of a registered public accounting firm from taking or omitting 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, 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.¹⁸

14. As described below, Respondents failed to comply with Section 10A(g) of the Exchange Act, Exchange Act Rule 10A-2, and certain PCAOB rules and standards. Also, the Firm failed to comply with Section 10A(j) of the Exchange Act and Mohidin failed to comply with PCAOB Rule 3502.

Respondents Were Not Independent During the HSG Audits

15. HSG's public filings disclose that, at all relevant times, HSG was a Nevada corporation with principal executive offices in the People's Republic of China ("PRC"). HSG earned revenue by manufacturing household products in the PRC for sale predominantly to distributors who in turn sold the products to retailers. HSG's common stock was registered under Section 12(g) of the Exchange Act and quoted on the OTC Bulletin Board ("OTCBB") under the symbol "HSYT".¹⁹ At all relevant times, HSG was an issuer as that term is defined by Section 2(a)(7) of the Act and PCAOB Rule 1001(i)(iii).

16. HSG engaged GKM in March 2012 as its external auditor for the years ending December 31, 2010 and December 31, 2011. GKM issued an unqualified audit report on HSG's financial statements for those two years (the "HSG Financial Statements"). The HSG Financial Statements and GKM's audit report were included in a Form 10-K that HSG filed with the Commission on March 6, 2013. Mohidin was the engagement partner for the HSG Audits, which were conducted concurrently, and signed and authorized the issuance of GKM's audit report. Mohidin was also the partner in charge of GKM's issuer audit practice ("SEC Audit Partner") and responsible

¹⁷ *Id.* ¶ 7.

¹⁸ PCAOB Rule 3502.

¹⁹ The Commission revoked the registration of each class of HSG's registered securities on December 18, 2013.



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for designing, maintaining, and administering the Firm's independence policies and procedures.

17. After GKM began testing revenue as part of the HSG Audits, HSG revised its revenue recognition policy for its 2010 and 2011 product sales to one of its distributors (the "Distributor"). Under the original revenue recognition policy ("Original HSG Policy"), HSG recognized revenue from product sales to all distributors when it shipped products to the distributors. Under the revised recognition policy ("Revised HSG Policy"), HSG recognized revenue from product sales to the Distributor when the Distributor received payment from its customers. HSG reported in the HSG Financial Statements that revenue derived from sales to the Distributor represented 50 percent of HSG's \$104 million of net sales in 2010, and 35 percent of its \$94 million of net sales in 2011.²⁰

18. As a result of the Revised HSG Policy, HSG reported the costs attributed to products shipped to the Distributor for which the Distributor had not yet been paid by its customers in a new asset account called "Deferred product costs." The Firm calculated for HSG the amount of deferred product costs reported for 2010 and 2011 under the Revised HSG Policy. Members of the Firm's engagement team did this by estimating the cost of sales attributable to products purportedly shipped to the Distributor for which the Distributor had not yet received payment. This estimate was based on the quantity of products sold to the Distributor divided by the quantity of products sold to all distributors. The resulting percentage was then applied to the cost of sales attributable to products shipped to all distributors. The engagement team also calculated for HSG the amount of sales and cost of sales reported for 2010 and 2011 under the Revised HSG Policy. These deferred product costs, sales, and cost of sales amounts were included in or formed the basis for the HSG Financial Statements, which GKM audited.

19. During the HSG Audits, Mohidin reviewed the engagement team's calculations of the amount of deferred product costs, sales, and cost of sales recorded for HSG in 2010 and 2011. He discussed the calculations with members of the Firm's engagement team and approved them before he signed and authorized the release of the Firm's audit report. During the HSG Audits, Mohidin considered the independence implications of this work and knew that it placed him in the position of auditing his own work.

²⁰ The dollar amounts and percentages herein are approximate and rounded to the nearest whole number, except as otherwise stated.

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20. As a result of the conduct described above, Respondents were not independent of HSG during the HSG Audits in violation of PCAOB Rule 3520, Section 10A(g) of the Exchange Act, Exchange Act Rule 10A-2, and AU § 220.

Respondents Were Not Independent During the CMG and CREG Reviews

21. CMG's public filings disclose that, at all relevant times, CMG was a Nevada corporation with principal executive offices in Tampa, Florida or City of Industry, California. CMG earned revenue by producing and selling coal in the PRC. CMG's common stock was registered under Section 12(g) of the Exchange Act and quoted on the OTCBB under the symbol "SGZH". At all relevant times, CMG was an issuer as that term is defined by Section 2(a)(7) of the Act and PCAOB Rule 1001(i)(iii).

22. CREG's public filings disclose that, at all relevant times, CREG was a Nevada corporation with principal executive offices in the PRC. CREG earned revenue by developing waste energy recycling programs for industrial application in the PRC. CREG's common stock was registered under Section 12(b) of the Exchange Act and quoted on NASDAQ markets under the symbol "CREG". At all relevant times, CREG was an issuer as that term is defined by Section 2(a)(7) of the Act and PCAOB Rule 1001(i)(iii).

23. GKM was engaged as CMG and CREG's external auditor for the year ended December 31, 2012. GKM reviewed CMG and CREG's interim financial statements for the first three quarters of 2012, which were included in Form 10-Qs CMG and CREG filed with the Commission. Also, GKM issued unqualified audit reports on CMG and CREG's 2012 financial statements. These 2012 financial statements and audit reports were included in Form 10-Ks that were filed with the Commission.

24. For the Firm's reviews of the interim financial statements of CMG and CREG for the first three quarters of 2012, Mohidin and another accountant associated with the Firm served as lead and concurring partners after they had each served as the lead and concurring partners for the Firm's audits of CMG's and CREG's financial statements for the previous five consecutive years.

25. As a result of the conduct described above, Respondents were not independent of CMG and CREG in violation of PCAOB Rule 3520 and AU § 220, and the Firm was not independent of CMG and CREG in violation of Section 10A(j) of the Exchange Act and Exchange Act Rule 10A-2. In addition, Mohidin violated PCAOB Rule 3502 because he took actions that he knew, or was reckless in not knowing, would directly and substantially contribute to the Firm's violation of Section 10A(j) of the Exchange Act and Exchange Act Rule 10A-2.

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The Firm's Engagement Quality Reviewer Lacked Objectivity During the CMG Audit

26. In connection with the CMG Audit, an accountant associated with the Firm who had recently been promoted to partner served as both the Firm's senior manager for the audit and the Firm's engagement quality reviewer for the audit. As senior manager, the accountant performed much of the Firm's audit work and prepared many of the Firm's audit work papers, which the accountant then reviewed and approved as engagement quality reviewer. Mohidin, who was the Firm's SEC Audit Partner, was responsible for assigning, and did assign, the accountant to the CMG Audit.

27. As a result of the conduct described above, the Firm violated AS 7 because the Firm's engagement quality reviewer for the CMG Audit lacked objectivity. In addition, Mohidin violated PCAOB Rule 3502 because he took actions that he knew, or was reckless in not knowing, would directly and substantially contribute to the Firm's violation of AS 7.

D. Respondents Violated PCAOB Rules and Standards

28. 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 auditing standards.²¹ Among other things, those standards require an auditor to exercise due professional care and professional skepticism in performing an audit.²²

29. For audits of fiscal years beginning before December 15, 2010, PCAOB standards require an auditor to obtain sufficient competent evidential matter to provide a reasonable basis for his or her opinion regarding an issuer's financial statements.²³ For audits of fiscal years beginning on or after December 15, 2010, the standards require an auditor to obtain sufficient appropriate audit evidence to provide a reasonable basis for such an opinion.²⁴ In addition, an auditor is responsible for obtaining and evaluating

²¹ AU § 508.07, *Reports on Audited Financial Statements*.

²² AU § 150.02, *Generally Accepted Auditing Standards*; AU § 230, *Due Professional Care in the Performance of Work*.

²³ AU § 326.01, *Evidential Matter*.

²⁴ AS 14 ¶ 2, *Evaluating Audit Results*; AS 15 ¶¶ 3-4, *Audit Evidence*.

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sufficient appropriate evidential matter to support significant accounting estimates in a financial statement audit.²⁵

30. PCAOB standards require an auditor to design and implement appropriate responses to assessed risks of material misstatement of financial statements.²⁶ The responses should involve the application of professional skepticism in gathering and evaluating audit evidence.²⁷ For significant risks, the responses should involve the performance of substantive procedures, including tests of details, that are specifically responsive to the assessed risks.²⁸ As the assessed risk of material misstatement increases, the audit evidence the auditor should obtain also increases.²⁹

31. An auditor should accumulate and evaluate misstatements identified during an audit, including, in particular, uncorrected misstatements.³⁰ Among other things, this should include an evaluation of whether uncorrected misstatements are material, individually or in combination with other misstatements, taking into account relevant quantitative and qualitative factors.³¹ Also, an auditor should communicate with management and the issuer's audit committee about certain misstatements.³²

32. PCAOB standards further require an auditor to evaluate financial statement disclosures³³ and whether disclosures related to a change in accounting principle are adequate.³⁴ An auditor should determine that an issuer's audit committee has been informed about changes in significant accounting policies or their

²⁵ AU §§ 342.01, .07, *Auditing Accounting Estimates*.

²⁶ AS 12, *Identifying and Assessing Risks of Material Misstatement*; AS 13, *The Auditor's Responses to the Risks of Material Misstatement*; AU § 312, *Audit Risk and Materiality in Conducting an Audit*.

²⁷ AS 13 ¶ 7; AU §§ 230.07-.09.

²⁸ AS 13 ¶ 11; AU § 312.17.

²⁹ AS 13 ¶ 37; AU §§ 312.12, .17.

³⁰ AS 14 ¶¶ 4, 10.

³¹ *Id.* ¶¶ 17-18.

³² *Id.* ¶ 15; AU § 333.06, *Management Representations*; AU §§ 380.09-.10, *Communication with Audit Committees*.

³³ AS 14 ¶¶ 4, 31.

³⁴ AS 6 ¶¶ 5, 7, *Evaluating Consistency of Financial Statements*.

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application.³⁵ If a change in an issuer's method of applying an accounting principle has a material effect on the financial statements, then an auditor should recognize this in the audit report by adding an explanatory paragraph or issuing a qualified or adverse opinion.³⁶

33. As described below, Respondents failed to comply with these and other PCAOB rules and standards in connection with the HSG Audits and CUIS Audit.

The HSG Audits

34. Respondents failed to comply with PCAOB auditing standards in connection with auditing net sales, cost of sales, and deferred product costs reported in the HSG Financial Statements.

35. Respondents identified improper revenue recognition as a significant risk and a fraud risk during the HSG Audits. For the occurrence and valuation assertions related to sales, they assessed inherent risk, control risk, and risk of material misstatement as high, and for the completeness assertion they assessed inherent risk as moderate, control risk as high, and the risk of material misstatement as moderate. For the occurrence assertion related to cost of sales, they assessed inherent risk, control risk, and risk of material misstatement as high, and for the valuation and completeness assertions they assessed inherent risk as moderate, control risk as high, and the risk of material misstatement as moderate.

36. During the HSG Audits, Respondents knew that PCAOB Staff Audit Practice Alert No. 8, *Audit Risks in Certain Emerging Markets* ("PCAOB Practice Alert 8"), alerted them to the need for heightened risk awareness when auditing revenue for HSG and similarly situated issuers with operations in the PRC and other emerging markets. In planning the HSG Audits, Respondents calculated planning materiality as \$750,000 for the audit of HSG's 2010 financial statements, and \$820,000 for the audit of HSG's 2011 financial statements.

37. The HSG Financial Statements reported that HSG earned revenue of \$53 million in 2010 and \$33 million in 2011 from sales to the Distributor. Respondents' procedures to test these sales included tracing a selection of sales transactions recorded in HSG's sales journal to invoices and shipping documents prepared by HSG. Respondents' testing identified numerous discrepancies between sales journal dates and shipping dates. In addition, Respondents evaluated two sales reconciliations

³⁵ AU § 380.07.

³⁶ AS 6 ¶¶ 5, 8; AU §§ 508.11, .17A.

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prepared by HSG. The reconciliations listed HSG's sales to the Distributor that were purportedly recorded based on shipping dates, and the dates on which the Distributor purportedly received payments from its customers with respect to such sales. The reconciliations did not list the amount of the payments the Distributor purportedly received from its customers on each listed sale date. Respondents failed to test the accuracy and completeness of the HSG-prepared shipping documents and reconciliations that they relied on to test HSG's sales transactions with the Distributor. In addition, Respondents failed to evaluate the abovementioned discrepancies to determine whether products were actually shipped to the Distributor.

38. As a result of the conduct described above, Respondents violated PCAOB auditing standards because they failed to exercise due professional care and professional skepticism,³⁷ and failed to obtain sufficient competent evidential matter or sufficient appropriate audit evidence to support the occurrence, valuation, and completeness assertions related to HSG's reported revenue derived from sales to the Distributor.³⁸ In addition, Respondents failed to evaluate whether HSG satisfied all the requisite criteria for recognizing revenue derived from sales to the Distributor under U.S. Generally Accepted Accounting Principles ("GAAP"),³⁹ and failed to evaluate whether the nature, timing, and extent of their audit procedures should have been modified to address an increased risk of material misstatement of revenue derived from such sales.⁴⁰

39. The HSG Financial Statements also reported deferred product costs of \$10 million for 2010 and \$11 million for 2011. As discussed above, the Firm estimated for HSG the reported value of these deferred product costs. During the HSG Audits, Mohidin reviewed the Firm's estimates and related audit procedures, and discussed them with members of the Firm's engagement team.

40. Respondents failed to obtain sufficient competent evidential matter or sufficient appropriate audit evidence to evaluate the reasonableness of these deferred product costs, including obtaining and evaluating audit evidence concerning the actual cost of sales for products shipped to the Distributor. In addition, they did not obtain and

³⁷ See AS 13 ¶ 7; AU § 230.

³⁸ See AS 14 ¶¶ 4.f, 35; AS 15 ¶¶ 4, 8, 10; AU §§ 326.01, 15-.17, .25.

³⁹ See Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") Topic 605, *Revenue Recognition*; see also Commission Staff Accounting Bulletin ("SAB") No. 13, *Revenue Recognition*.

⁴⁰ See AS 12 ¶ 74; AS 13 ¶¶ 6, 8-9, 37; AU §§ 312.12, .17, .33.

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evaluate audit evidence that the corresponding products were in fact shipped to the Distributor and the reported deferred product costs asset existed and was appropriately valued.

41. As a result of the conduct described above, Respondents violated PCAOB auditing standards because they failed to exercise due professional care and professional skepticism,⁴¹ and failed to obtain sufficient competent evidential matter or sufficient appropriate audit evidence to support the existence and valuation assertions related to the deferred product costs reported in the HSG Financial Statements.⁴²

The CUIS Audit

42. Respondents failed to comply with PCAOB standards in auditing revenue and related disclosures reported in CUIS's financial statements for the fiscal year ending June 30, 2012 (the "CUIS Financial Statements").

43. CUIS's public filings disclose that, at all relevant times, CUIS was a Delaware corporation with principal executive offices in the PRC. CUIS earned revenue by selling insurance policies and related services in the PRC. CUIS's common stock was quoted on the OTCBB under the symbol "CUII". At all relevant times, CUIS was an issuer as that term is defined by Section 2(a)(7) of the Act and PCAOB Rule 1001(i)(iii).

44. CUIS engaged GKM as its external auditor for fiscal year 2012. GKM issued an unqualified audit report on the CUIS Financial Statements. The CUIS Financial Statements and GKM's audit report were included in a Form 10-K that CUIS filed with the Commission on September 28, 2012. Mohidin was the engagement partner for the CUIS Audit and authorized the issuance of GKM's audit report.

45. During the CUIS Audit, Respondents identified improper revenue recognition and improper cost allocation as significant risks and fraud risks. For the occurrence, valuation, and completeness assertions related to revenue and cost of revenue, they assessed inherent risk, control risk, and risk of material misstatement as high. In addition, Respondents knew during the CUIS Audit that PCAOB Practice Alert 8 alerted them to the need for heightened risk awareness when auditing revenue for CUIS.

46. CUIS revised its revenue recognition policy during the CUIS Audit for the year under audit. Under the original revenue recognition policy ("Original CUIS Policy"),

⁴¹ See AS 13 ¶ 7; AU § 230.

⁴² See AS 14 ¶ 4.f; AS 15 ¶ 4; AU § 326.01; AU §§ 342.01, .04., .07, .10-13.

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CUIS recognized revenue when an insurance policy became effective and a related premium was collected. Under CUIS's revised revenue recognition policy ("Revised CUIS Policy"), revenue was recognized when an insurance policy became effective. The practical result of the change was that CUIS recorded revenue from the sale of insurance policies one month earlier under the Revised CUIS Policy than under the Original CUIS Policy. Respondents believed during the CUIS Audit that the Revised CUIS Policy conformed to GAAP.

47. As a result of a misapplication of the Revised CUIS Policy, thirteen months of revenue and cost of revenue were incorrectly reported in the CUIS Financial Statements. In addition, one month of revenue for an entity whose financial statements were consolidated into CUIS's financial statements was incorrectly not recorded in the CUIS Financial Statements. Each of these uncorrected misstatements was greater than the Firm's planning materiality. The net effect of the misstatements on the CUIS Financial Statements was an overstatement of reported loss before income taxes of 16 percent and an understatement of reported gross profit of 8 percent.

48. Respondents knew or should have known about these uncorrected misstatements. During the CUIS Audit, Mohidin reviewed Firm work papers identifying the two misstatements and discussed the work papers and the Firm's revenue testing with members of the Firm's engagement team. Nonetheless, Respondents did not sufficiently evaluate the effects of these uncorrected misstatements, did not sufficiently communicate with management or CUIS's board of directors (which functioned as CUIS's audit committee) about the misstatements, and incorrectly told CUIS that the application of its existing accounting policies had not changed during the year under audit.

49. As a result of the conduct described above, Respondents violated PCAOB auditing standards because they failed to exercise due professional care and professional skepticism,⁴³ and failed to adequately accumulate and/or evaluate uncorrected misstatements.⁴⁴ In particular, they failed to evaluate the effects of the misstatements, including by evaluating whether the misstatements were material individually or in combination with other misstatements, in relation to the specific accounts and disclosures involved, and to the financial statements as a whole, taking into account relevant quantitative and qualitative factors.⁴⁵

⁴³ See AS 13 ¶ 7; AU § 230.

⁴⁴ See AS 14 ¶¶ 4, 10, 15-16.

⁴⁵ See *id.* ¶¶ 17-18.

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50. In addition, Respondents failed to communicate the misstatements to management and/or evaluate whether management properly corrected the misstatements;⁴⁶ failed to provide management with a summary of uncorrected misstatements;⁴⁷ failed to obtain a written representation from management that the effects of the uncorrected misstatements were immaterial;⁴⁸ and failed to inform CUIS's board of directors about the misstatements and the Revised CUIS Policy.⁴⁹

51. In connection with related disclosures, the CUIS Financial Statements stated in accompanying notes that CUIS's revenue recognition policy was a significant accounting policy. The notes incorrectly disclosed, however, that the policy provided for revenue to be recognized when an insurance policy became effective and a related premium was collected, without disclosing that CUIS had revised this policy during the year under audit to no longer require premium collection as a prerequisite for revenue recognition.

52. During the CUIS Audit, Respondents were aware of these disclosures. Nonetheless, Respondents failed to perform sufficient procedures to evaluate whether the disclosures were correct, were materially affected by changes in CUIS's method of applying accounting principles, and conformed to GAAP.⁵⁰ Respondents also failed to determine whether CUIS's board of directors was properly informed of the change in CUIS's revenue recognition policy.

53. As a result of the conduct described above, Respondents violated PCAOB auditing standards because they failed to exercise due professional care and professional skepticism,⁵¹ and failed to obtain sufficient appropriate audit evidence to support the presentation and disclosure assertion related to revenue and cost of revenue in the CUIS Financial Statements.⁵² Respondents also failed to evaluate whether the disclosures in the CUIS Financial Statements were adequate and

⁴⁶ See *id.* ¶¶ 15-16.

⁴⁷ See AU § 333.06.

⁴⁸ See *id.*

⁴⁹ See AU § 380.

⁵⁰ See FASB ASC Topic 235, *Notes to Financial Statements*; FASB ASC Topic 250, *Accounting Changes and Error Corrections*; see also SAB Topic 13: *Revenue Recognition*.

⁵¹ See AS 13 ¶ 7; AU § 230.

⁵² See AS 14 ¶¶ 4.e, 31, 35; AS 15 ¶¶ 4, 11.

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conformed to GAAP;⁵³ failed to adequately communicate with CUIS's board of directors about the disclosures;⁵⁴ and failed to evaluate whether an explanatory paragraph concerning the Revised CUIS Policy was required to be added to the Firm's audit report.⁵⁵

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:

- A. Pursuant to Section 105(c)(4)(E) of the Act and PCAOB Rule 5300(a)(5), Goldman Kurland and Mohidin, LLP and Ahmed Mohidin, CPA are hereby censured;
- B. Pursuant to Section 105(c)(4)(A) of the Act and PCAOB Rule 5300(a)(1), the registration of Goldman Kurland and Mohidin, LLP is revoked;
- C. After one (1) year from the date of the Order, Goldman Kurland and Mohidin, LLP may reapply for registration by filing an application pursuant to PCAOB Rule 2101;
- D. Pursuant to Section 105(c)(4)(B) of the Act and PCAOB Rule 5300(a)(2), Ahmed Mohidin, 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);⁵⁶

⁵³ See AS 14 ¶¶ 4, 31; AS 6 ¶¶ 5, 7.c.

⁵⁴ See AU § 380.07.

⁵⁵ See AS 6 ¶ 8; AU §§ 508.11, .17A.

⁵⁶ As a consequence of the bar, the provisions of Section 105(c)(7)(B) of the Act will apply with respect to Mohidin. Section 105(c)(7)(B) of the Act 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."

ORDER

- E. After one (1) year from the date of this Order, Ahmed Mohidin, 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), separate civil money penalties in the amount of \$15,000 each are imposed upon Goldman Kurland and Mohidin, LLP and Ahmed Mohidin, 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. Goldman Kurland and Mohidin, LLP and Ahmed Mohidin, CPA shall each pay their separate civil money penalty 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 which identifies Goldman Kurland and Mohidin, LLP and Ahmed Mohidin, CPA as a Respondent 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 which cover 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

September 13, 2016