

ORDER

Instituting Disciplinary Proceedings, Making Findings, and Imposing Sanctions ("Order").¹

III.

On the basis of Respondents' Offers, the Board finds² that:

A. Respondents

1. David Lee Hillary, Jr.³ is a Domestic Limited Liability Company organized under the laws of the state of Indiana as Hillary CPA Group LLC, and headquartered in Noblesville, Indiana. The Firm has been registered with the Board pursuant to Section 102 of the Act and PCAOB rules since April 5, 2012. The Firm does not have an active license to practice as a CPA firm in Indiana. At all relevant times, the Firm was the external auditor for each of the issuers identified below.

2. David Lee Hillary, Jr., CPA, 57, of Noblesville, Indiana is the Managing Partner of David Lee Hillary, Jr., and a certified public accountant ("CPA") licensed by the Indiana Board of Accountancy (Lic. No. CP10500176). Hillary had final responsibility for, and authorized the issuance of reports on, the Firm's 24 audits of the financial statements of each of the issuers identified below. At all relevant times, Hillary 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).

¹ 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.

² The Board finds that each Respondent's 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 (A) intentional or knowing conduct, including reckless conduct, that results in a 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.

³ The Firm also uses the following names: David L. Hillary; David L. Hillary, Jr. CPA, CITP; David Lee Hillary, Jr. CPA, CITP; and Hillary CPA Group LLC.

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B. Summary

3. This matter concerns violations by Respondents of PCAOB rules and standards in connection with the Firm's audit of the December 31, 2014 financial statements of McorpCX, Inc. ("McorpCX").⁴ As detailed below, Hillary and the Firm failed, among other things, to perform audit procedures to obtain sufficient appropriate audit evidence to provide a reasonable basis for the auditor's opinion;⁵ to appropriately assess and respond to the risks of material misstatement;⁶ and to carry out required communications with McorpCX's audit committee.⁷

4. The Firm also violated AS 7 in connection with 24 issuer audit engagements from 2012 through 2015 by failing to obtain engagement quality reviews before issuing its audit opinions even though such reviews were required to be performed. For three of these audits, the Firm failed to obtain engagement quality reviews despite being on notice of the requirement from inspectors from the PCAOB Division of Registration and Inspections ("Inspections").

C. Respondents Violated PCAOB Rules and Standards in Connection with the FYE December 31, 2014 McorpCX Audit

5. In connection with the preparation or issuance of any 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.⁸ Among other things, PCAOB standards require that an auditor exercise due professional care, including professional skepticism, and obtain sufficient appropriate audit evidence to

⁴ All references to PCAOB auditing standards in this Order are to the versions of those standards in effect for the audits described herein.

⁵ See Auditing Standard No. 15, *Audit Evidence* ("AS 15").

⁶ See Auditing Standard No. 12, *Identifying and Assessing Risks of Material Misstatement* ("AS 12"); Auditing Standard No. 13, *The Auditor's Responses to the Risks of Material Misstatement* ("AS 13").

⁷ See Auditing Standard No. 16, *Communications with Audit Committees* ("AS 16").

⁸ See PCAOB Rules 3100, *Compliance with Auditing and Related Professional Standards*; 3200T, *Interim Auditing Standards*.



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afford a reasonable basis for an opinion regarding the financial statements.⁹ 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.¹⁰

6. PCAOB standards require that an audit be properly planned,¹¹ that auditors identify and assess the risks of material misstatement at the financial statement level and the assertion level,¹² and that auditors design and perform audit procedures in a manner that addresses the risks of material misstatement for each relevant assertion of each significant account and disclosure.¹³ The auditor should develop and document an audit plan that describes, among other things, the planned risk assessment procedures required to be performed so that the engagement complies with PCAOB standards.¹⁴

7. PCAOB standards require an auditor to communicate with a company's audit committee regarding certain matters related to the conduct of an audit and to obtain certain information from the audit committee relevant to the audit.¹⁵

8. As detailed below, Respondents failed to comply with the aforementioned rules and standards, among others, in connection with the McorpCX audit.

2014 Audit of McorpCX

9. McorpCX (formerly Touchpoint Metrics, Inc.) is a California corporation headquartered in San Francisco, California. McorpCX's public filings disclose that it is a customer experience management solutions company dedicated to helping

⁹ See AU § 150.02, *Generally Accepted Auditing Standards*; AU § 230, *Due Professional Care in the Performance of Work*; AS 15.

¹⁰ See AU § 508.07, *Reports on Audited Financial Statements*.

¹¹ See AS 9 ¶ 4.

¹² See AS 12 ¶ 59.

¹³ See AS 13 ¶ 8.

¹⁴ See AS 9 ¶ 10.

¹⁵ See AS 16 ¶ 1.

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organizations improve customer experiences, increase customer loyalty, reduce costs and increase revenue. Its common stock is registered under Section 12(g) of the Securities Exchange Act of 1934 and is quoted on the OTC Bulletin Board. At all relevant times, McorpCX was an issuer as that term is defined by Section 2(a)(7) of the Act and PCAOB Rule 1001(i)(iii).

10. In performing the 2014 McorpCX audit, other than setting materiality, Respondents failed to perform any procedures to plan the audit, to identify the risks of material misstatement at the assertion level, and to address those risks.¹⁶ They also failed to perform substantive procedures, including tests of details, that were specifically responsive to the assessed fraud risk involving improper revenue recognition and to evaluate which types of revenue, revenue transactions, or assertions may have given rise to a fraud risk.¹⁷ Nor did they perform procedures to identify the risks of material misstatement at the assertion level or perform procedures designed to address those risks, including test of details.¹⁸

11. Respondents also failed to exercise due professional care and professional skepticism and obtain sufficient appropriate audit evidence to provide a reasonable basis for the opinion expressed in the auditor's report on McorpCX's financial statements.¹⁹ McorpCX reported total revenue of \$2,056,678 and deferred revenue of \$91,319 (30% of liabilities) in 2014. Other than obtaining representations from management and tracing certain bank deposits to the general ledger, Respondents failed to perform any procedures to test the occurrence and allocation of revenue and the existence and valuation of deferred revenue reported by the company throughout the year.

12. Further, except for obtaining representations from management, Respondents also failed to perform any procedures to evaluate whether revenue recognition for the transactions was in conformity with U.S. GAAP.²⁰

¹⁶ See AS 9; AS 12; AS 13.

¹⁷ See AS 12 ¶ 68; AS 13.

¹⁸ See AS 12 ¶ 59; AS 13 ¶ 11.

¹⁹ See AU § 230.02; AS 15 ¶ 4.

²⁰ See AS 14 ¶¶ 30-31.



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13. Additionally, McorpCX reported long term assets of \$305,287 totaling 27% of total assets in 2014. Other than obtaining a representation from management with respect to intangible assets, Respondents failed to perform any audit procedures over McorpCX's long term assets. Respondents accordingly failed to obtain sufficient appropriate audit evidence regarding McorpCX's 2014 property and equipment, capitalized software costs, website development costs, intangible assets, and other long term assets.

14. Respondents also failed to establish an understanding of the terms of the audit engagement with the McorpCX audit committee.²¹ In addition, Respondents failed to communicate to the audit committee an overview of the audit strategy, the timing of the audit, any significant risks identified during the risk assessment procedures, and certain matters related to the conduct of the audit.²²

D. The Firm Violated PCAOB Rules and Standards Relating to Engagement Quality Reviews

15. For audits of issuer financial statements for years beginning on or after December 15, 2009, AS 7 requires that an engagement quality review be performed on audits and interim reviews conducted pursuant to PCAOB standards.²³ AS 7 also provides that, in an audit, 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.²⁴

16. The Firm failed to obtain an engagement quality review for 24 audits even though an engagement quality review was required to be performed.²⁵ In each instance, the audit was of an issuer as that term is defined by Section 2(a)(7) of the Act and PCAOB Rule 1001(i)(iii). And in each instance, the Firm improperly permitted the issuance of its unqualified audit report without obtaining an engagement quality review and concurring approval of issuance. As a result, the Firm repeatedly violated AS 7.

²¹ See AS 16 ¶¶ 5-7.

²² Id. at ¶¶ 8-24.

²³ See AS 7 ¶ 1.

²⁴ Id. at ¶ 13.

²⁵ See Appendix attached herewith.

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17. Further, in connection with a July 2015 inspection of the Firm, Inspections brought to the Firm's attention apparent failures by the Firm to comply with AS 7. The Firm agreed with Inspections' findings on July 10, 2015. Despite being aware of this, in October 2015, the Firm issued three more audit reports without performing engagement quality reviews under AS 7.

E. Hillary Contributed to the Firm's Violations of PCAOB Rules and Standards

18. PCAOB Rule 3502 prohibits 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 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 U.S. Securities and Exchange Commission ("Commission") issued under the Act, or professional standards.

19. Hillary, the sole owner and only member of the Firm, was principally responsible for the 24 audits conducted by the Firm, including the McorpCX audit set forth above. Accordingly, Hillary had overall responsibility for ensuring that the Firm complied with PCAOB rules and standards.

20. Hillary knew, or was reckless in not knowing, that he was directly and substantially contributing to the Firm's violations of AS 7 on all 24 audits described in Part D above. As a result, he 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:

- A. Pursuant to Section 105(c)(4)(E) of the Act and PCAOB Rule 5300(a)(5), David Lee Hillary, Jr and David Lee Hillary, Jr. CPA are hereby censured;
- B. Pursuant to Section 105(c)(4)(B) of the Act and PCAOB Rule 5300(a)(2), David Lee Hillary, Jr. CPA is barred from being an associated person of a

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registered public accounting firm, as that term is defined in Section 2(a)(9) of the Act and PCAOB Rule 1001(p)(i),²⁶ and

- C. Pursuant to Section 105(c)(4)(A) of the Act and PCAOB Rule 5300(a)(1), the registration of David Lee Hillary, Jr. is revoked.

ISSUED BY THE BOARD.

/s/ Phoebe W. Brown

Phoebe W. Brown
Secretary

December 13, 2016

²⁶ As a consequence of the bar, the provisions of Section 105(c)(7)(B) of the Act will apply with respect to Hillary. Section 105(c)(7)(B) of the Act provides that "[i]t 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."

Appendix
David Lee Hillary, Jr.
Audits Not Performed in Accordance with PCAOB Standards

Issuer¹	Fiscal Year Ended	Engagement Partner	EQR
Adaiah Distribution, Inc.	October 31, 2013	David Lee Hillary, Jr. CPA	None
Adamas Ventures Inc.	January 31, 2014	David Lee Hillary, Jr. CPA	None
Eight Dragons Co.	December 31, 2014	David Lee Hillary, Jr. CPA	None
Emo Capital Corp.	July 31, 2014	David Lee Hillary, Jr. CPA	None
Emo Capital Corp.*	July 31, 2015	David Lee Hillary, Jr. CPA	None
Force Minerals Corp.	November 30, 2014	David Lee Hillary, Jr. CPA	None
Gold Dynamics Corp.	July 31, 2014	David Lee Hillary, Jr. CPA	None
Gold Dynamics Corp.*	July 31, 2015	David Lee Hillary, Jr. CPA	None
Gvura Corp.	November 30, 2014	David Lee Hillary, Jr. CPA	None
Kun De Int'l Holdings, Inc.	December 31, 2014	David Lee Hillary, Jr. CPA	None
McorpCX, Inc.	December 31, 2012	David Lee Hillary, Jr. CPA	None
McorpCX, Inc.	December 31, 2013	David Lee Hillary, Jr. CPA	None
McorpCX, Inc.	December 31, 2014	David Lee Hillary, Jr. CPA	None
Pacman Media, Inc.	October 31, 2014	David Lee Hillary, Jr. CPA	None
Paracap Corp.	July 31, 2012	David Lee Hillary, Jr. CPA	None
Paracap Corp.	July 31, 2013	David Lee Hillary, Jr. CPA	None
Paracap Corp.	July 31, 2014	David Lee Hillary, Jr. CPA	None
Punto Group Corp.	September 30, 2014	David Lee Hillary, Jr. CPA	None
Razor Resources, Inc.	April 30, 2014	David Lee Hillary, Jr. CPA	None
Razor Resources, Inc.*	April 30, 2015	David Lee Hillary, Jr. CPA	None
SavDen Group, Corp.	May 31, 2015	David Lee Hillary, Jr. CPA	None

¹ The audits marked with an "*" are those in which the Firm failed to obtain an engagement quality review after Inspections put the Firm on notice of its prior failures.



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Issuer¹	Fiscal Year Ended	Engagement Partner	EQR
Skoda Ventures, Inc.	May 31, 2014	David Lee Hillary, Jr. CPA	None
Spelzon Corp.	July 31, 2014	David Lee Hillary, Jr. CPA	None
Vibe Ventures, Inc.	October 31, 2013	David Lee Hillary, Jr. CPA	None