





## ORDER

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.<sup>3</sup>

### III.

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

#### A. Respondents

1. Canuswa Accounting & Tax Services Inc. is a corporation organized under the laws of the state of Washington with headquarters in Bellevue, Washington and offices in Richmond and Burnaby, British Columbia, Canada. The Firm is, and at all relevant times was, registered with the Board pursuant to Section 102 of the Act and PCAOB rules. The Firm is licensed to practice public accountancy by the Washington State Board of Accountancy (License No. 5680) and the Chartered Professional Accountants of British Columbia ("CPABC"). At all relevant times, it was the external auditor for the issuer identified below.

2. Jun Zhang, CPA, age 52, of Bellevue, Washington is a certified public accountant licensed under the laws of the states of Washington (License No. 29895) and Colorado (License No. V5H4T2). He is also a chartered accountant licensed by the CPABC. He is the president and sole owner of the Firm, and was the engagement partner on the two audits at issue herein. He is, and at 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).

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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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### B. Summary

3. This matter concerns Respondents' violations of PCAOB rules and auditing standards in connection with the preparation and issuance of an audit report on the 2012 financial statements of issuer American Jianye Greentech Holdings Ltd. ("AJ Greentech"). As set forth below, Respondents failed to obtain sufficient appropriate audit evidence and failed to exercise due care and professional skepticism in connection with their audit of AJ Greentech's 2012 financial statements ("2012 Audit"). The Firm also violated Section 10A(a)(2) of the Exchange Act by failing to perform procedures to identify related party transactions, and Zhang 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.

4. In addition, the Firm failed to comply with PCAOB Auditing Standard No. ("AS") 7, *Engagement Quality Review*, because it failed to obtain an engagement quality review and concurring approval of issuance for the 2012 Audit.<sup>5</sup> Zhang 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.

5. This matter also concerns the Firm's violations of Section 10A(b) of the Exchange Act, and Respondents' violations of PCAOB rules and auditing standards, in connection with the 2012 Audit and Respondents' unfinished audit of AJ Greentech's 2013 financial statements ("2013 Audit"). Respondents' violations arise from their failure to have taken certain actions required by Section 10A(b) and PCAOB Interim Auditing Standard ("AU") § 317, *Illegal Acts by Clients*, in response to becoming aware of information about possible illegal acts by AJ Greentech relating to the 2012 Audit and 2013 Audit. Additionally, Zhang 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 violations of Section 10A(b).

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<sup>5</sup> All references to PCAOB standards are to the versions of those standards in effect at the time of the relevant audits. As of December 31, 2016, the PCAOB reorganized its auditing standards using a topical structure and a single, integrated numbering system. See *Reorganization of PCAOB Auditing Standards and Related Amendments to PCAOB Standards and Rules*, PCAOB Release No. 2015-002 (Mar. 31, 2015); see also *PCAOB Auditing Standards Reorganized and Pre-Reorganized Numbering* (January 2016), <https://pcaobus.org/Standards/Auditing/Documents/PrintableReferenceTable.pdf>.



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### **C. Respondents Violated PCAOB Rules and Standards, The Firm Violated Section 10A(a) of the Exchange Act, and Zhang Contributed to The Firm's Violation**

6. 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>6</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>7</sup> Among other things, those standards require that an auditor exercise due professional care and professional skepticism in performing the audit.<sup>8</sup> They 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>9</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>10</sup>

7. The Exchange Act further requires a registered public accounting firm to include, in each audit required by the Exchange Act, procedures designed to identify related party transactions that are material to an issuer's financial statement amounts or otherwise require disclosure.<sup>11</sup> PCAOB standards similarly require an auditor to obtain sufficient appropriate audit evidence to determine whether related parties and relationships and transactions with related parties have been properly identified, accounted for, and disclosed in the financial statements.<sup>12</sup>

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

<sup>7</sup> AU § 508, *Reports on Audited Financial Statements*, at .07.

<sup>8</sup> AU § 150, *Generally Accepted Auditing Standards*; AU § 230, *Due Professional Care in the Performance of Work*.

<sup>9</sup> AS 15, *Audit Evidence*, ¶ 4.

<sup>10</sup> AS 14, *Evaluating Audit Results*, ¶ 35.

<sup>11</sup> Section 10A(a)(2) of the Exchange Act, 15 U.S.C. § 78j-1(a)(2).

<sup>12</sup> AU § 334, *Related Parties*, at .02.



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8. 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 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.

### *The 2012 AJ Greentech Audit*

9. At all relevant times, AJ Greentech was a Nevada corporation with principal executive offices in Flushing, New York. AJ Greentech's public filings disclosed that it earned revenue by marketing, manufacturing, and distributing alcohol-based automobile fuel products in the People's Republic of China. Its common stock was registered under Section 12(g) of the Exchange Act and quoted on the OTC Bulletin Board. At all relevant times, AJ Greentech was an issuer as that term is defined by Section 2(a)(7) of the Act and PCAOB Rule 1001(i)(iii).

10. Canuswa was engaged as AJ Greentech's external auditor for the 2012 Audit. As the Firm's engagement partner for the 2012 Audit, Zhang authorized the issuance of the Firm's audit report, dated September 30, 2013, expressing an unqualified auditor's opinion on AJ Greentech's 2012 financial statements. The report was included in a Form 10-K containing copies of AJ Greentech's 2012 financial statements that AJ Greentech filed with the U.S. Securities and Exchange Commission ("Commission") on September 30, 2013.

11. In connection with the 2012 Audit, Respondents violated PCAOB rules and auditing standards because they failed to plan and perform audit procedures to obtain sufficient appropriate audit evidence to provide a reasonable basis for the opinion in the Firm's audit report;<sup>13</sup> failed to evaluate the results of the audit to determine whether the audit evidence obtained was sufficient and appropriate to support the opinion expressed in the audit report;<sup>14</sup> and failed to exercise due professional care and professional skepticism.<sup>15</sup>

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<sup>13</sup> See AS 15 ¶ 4.

<sup>14</sup> See AS 14 ¶ 2.

<sup>15</sup> See AU § 150.02; AU § 230.



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12. In particular, Respondents failed to perform any procedures to establish an overall audit strategy and develop an audit plan for the 2012 Audit,<sup>16</sup> establish a materiality level for the financial statements as a whole,<sup>17</sup> determine an amount or amounts of tolerable misstatement,<sup>18</sup> identify and assess the risks of material misstatement at the financial statement level and the assertion level,<sup>19</sup> and examine journal entries and other adjustments for evidence of possible material misstatements due to fraud.<sup>20</sup> Also, they failed to obtain written management representations<sup>21</sup> and prepare an engagement completion document.<sup>22</sup>

13. In addition, the 2012 financial statements included in the Form 10-K AJ Greentech filed with the Commission on September 30, 2013 ("2012 Financial Statements"), reported approximately \$13.7 million in the aggregate of assets held for sale. This represented approximately 94 percent of AJ Greentech's total reported assets. Respondents failed to perform any procedures to test whether these assets were properly valued, presented, and disclosed in the 2012 Financial Statements.<sup>23</sup>

14. The 2012 Financial Statements also reported approximately \$12.4 million of advances from related parties, including AJ Greentech's Chairman and CEO. These advances represented approximately 99 percent of AJ Greentech's total reported liabilities. Other than obtaining representations from management, Respondents failed to perform any procedures to identify and test related party relationships and transactions.<sup>24</sup> In addition, by failing to perform any procedures to identify material

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<sup>16</sup> See AS 9, *Audit Planning*, ¶¶ 8-10.

<sup>17</sup> See AS 11, *Consideration of Materiality in Planning and Performing an Audit*, ¶ 6.

<sup>18</sup> See *id.* ¶ 8.

<sup>19</sup> See AS 12, *Identifying And Assessing Risks of Material Misstatement*, ¶ 59.

<sup>20</sup> See AS 13, *The Auditor's Responses to the Risks of Material Misstatement*, ¶ 15(a); AU § 316, *Consideration of Fraud in a Financial Statement Audit*, at .58.

<sup>21</sup> See AU § 333, *Management Representations*, at .05-.06.

<sup>22</sup> See AS 3, *Audit Documentation*, ¶ 13.

<sup>23</sup> See AS 13 ¶ 36; AS 14 ¶¶ 4(e)-(f); AS 15 ¶ 11.

<sup>24</sup> See AU § 334 at .04-.11.



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related party transactions, the Firm violated Section 10A(a)(2) of the Exchange Act, and Zhang 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.

### **D. The Firm Violated A PCAOB Standard Concerning Engagement Quality Reviews and Zhang Contributed to The Firm's Violation**

15. AS 7 provides that an engagement quality review be performed for all audits and interim reviews conducted pursuant to PCAOB standards.<sup>25</sup> A firm may grant permission to a client to use an engagement report only after an engagement quality reviewer provides concurring approval of issuance of the report.<sup>26</sup>

#### *The 2012 AJ Greentech Audit*

16. In connection with the 2012 Audit, the Firm violated AS 7 because it failed to obtain an engagement quality review and concurring approval of issuance before authorizing AJ Greentech to use its audit report on the 2012 Financial Statements.

17. At the time, Zhang was the sole owner of the Firm and the engagement partner for the 2012 Audit. He was responsible for the 2012 Audit and ensuring that the Firm complied with PCAOB rules and standards in performing the 2012 Audit.<sup>27</sup> By failing to obtain an engagement quality review and concurring approval of issuance, Zhang violated PCAOB Rule 3502 because he knew, or was reckless in not knowing, that his acts and omissions would directly and substantially contribute to the Firm's violation of AS 7.

### **E. The Firm Violated Section 10A(b) of the Exchange Act, Zhang Contributed to The Firm's Violation, and Respondents Violated PCAOB Rules and Standards**

18. When conducting an audit of an issuer's financial statements required pursuant to the Exchange Act, registered firms must comply with the requirements of Section 10A of the Exchange Act. Section 10A(b) requires a firm to take certain defined

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<sup>25</sup> AS 7 ¶ 1.

<sup>26</sup> *Id.* ¶ 13.

<sup>27</sup> See AS 10, *Supervision of the Audit Engagement*, ¶ 3.



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actions if, in the course of an audit, it detects or otherwise becomes aware of information indicating that an illegal act has or may have occurred.<sup>28</sup>

19. Unless an illegal act is clearly inconsequential, Section 10A(b)(1) requires that a firm inform the appropriate level of management about the illegal act and assure itself that the issuer's audit committee, or board of directors in the absence of an audit committee, is adequately informed with respect to the illegal act.

20. In addition, under Section 10A(b)(1), if a firm concludes that it is likely that an illegal act occurred, the firm must consider the effect of the illegal act on the issuer's financial statements. If the firm concludes that the illegal act has a material effect on the financial statements, that senior management has not taken (and the board of directors has not caused them to take) timely and appropriate remedial actions, and that the absence of remedial action is reasonably expected to warrant departure from a standard report of the firm, when made, or warrant resignation from the engagement, then Section 10A(b)(2) requires the firm to report those conclusions to the board of directors as soon as practicable. If the board of directors fails to take certain required actions in response to such a report, Section 10A(b)(3) requires the firm to resign from the engagement or report its Section 10A(b)(2) conclusions to the Commission.<sup>29</sup>

21. In addition, AU § 317 provides that when an auditor becomes aware of information concerning a possible illegal act by a client, the auditor should obtain an understanding of the nature of the act, the circumstances in which it occurred, and sufficient other information to evaluate the effect on the financial statements.<sup>30</sup> The auditor should also inquire of management at a level above those involved, if possible, and, if management does not provide satisfactory information that there has been no illegal act, the auditor should, among other things, apply additional procedures, if necessary, to obtain a further understanding of the nature of the acts.<sup>31</sup>

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<sup>28</sup> Section 10A(b)(1) of the Exchange Act, 15 U.S.C. § 78j-1(b)(1).

<sup>29</sup> If the firm resigns from the engagement pursuant to Section 10A(b)(3)(A), the firm must report the matter to the Commission pursuant to Section 10A(b)(4).

<sup>30</sup> AU § 317.10.

<sup>31</sup> *Id.* at .10-.11.





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### *The 2012 and 2013 AJ Greentech Audits*

22. During the 2012 Audit and 2013 Audit, Respondents became aware of information concerning possible illegal acts by AJ Greentech. During the 2012 Audit, Zhang reviewed the Form 10-K containing AJ Greentech's 2011 and 2012 financial statements and approved the inclusion of the Firm's accompanying audit report in that Form 10-K, which AJ Greentech filed with the Commission on September 30, 2013 ("2012 10-K").

23. AJ Greentech inserted in that audit report a statement that the Firm had audited both AJ Greentech's 2011 and 2012 financial statements included in the 2012 10-K, notwithstanding that the Firm had audited only the 2012 and not the 2011 financial statements. In addition, the 2012 financial statements included in the 2012 10-K reflected certain amounts in financial statement line items and disclosures that were significantly different from corresponding amounts included in the Firm's 2012 audit work papers. In response to this information, Respondents took no action to satisfy the Firm's obligations under Section 10A(b) of the Exchange Act and Respondents' obligations under AU § 317.

24. Respondents were engaged to audit AJ Greentech's 2013 financial statements but did not complete the 2013 Audit and did not issue an audit report. Nonetheless, in a Form 10-K AJ Greentech filed with the Commission on April 14, 2014, and Forms 10-K/A AJ Greentech filed with the Commission on July 10, 2014, January 12, 2015, and February 9, 2015, AJ Greentech included 2013 financial statements and an unqualified audit report on those financial statements purportedly issued by the Firm. Respondents became aware of this information in February 2015 while the Firm was still engaged as AJ Greentech's external auditor, but they took no action other than to tell a third party, who had arranged for the Firm to serve as AJ Greentech's auditor, that AJ Greentech should stop using the Firm's name in its Commission filings and should cancel the abovementioned filings. The Firm failed to inform management of the information and also assure that the audit committee was adequately informed of it.

25. The abovementioned acts by AJ Greentech violated or may have violated federal securities laws and regulations, including but not limited to the requirement that reports filed with the Commission contain information necessary to ensure that statements made in such reports are not materially misleading.<sup>32</sup>

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<sup>32</sup> See Exchange Act Rule 12b-20, 17 C.F.R. § 240.12b-20 (requiring reports to include "material information . . . as may be necessary to make the required



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26. Accordingly, the Firm violated Section 10A(b) of the Exchange Act, and Respondents violated AU § 317, by failing to take required actions in response to becoming aware of the abovementioned information concerning possible illegal acts by AJ Greentech. In addition, Zhang violated PCAOB Rule 3502 because he knew, or was reckless in not knowing, that his acts and omissions would directly and substantially contribute to the Firm's violation of Section 10A(b).

### 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), Canuswa Accounting & Tax Services Inc. and Jun Zhang, CPA are censured;
- B. Pursuant to Section 105(c)(4)(A) of the Act and PCAOB Rule 5300(a)(1), the registration of Canuswa Accounting & Tax Services Inc. is revoked;
- C. Pursuant to PCAOB Rule 5302(a), after three (3) years from the date of the Order, Canuswa Accounting & Tax Services Inc. 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), Jun Zhang, 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);<sup>33</sup>

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statements, in the light of the circumstances under which they are made not misleading"); see also *SEC v. Parklane Hosiery, Inc.*, 558 F.2d 1083, 1085 n.1 (2d Cir. 1977) (implicit in requirement to file annual report is requirement that report not be materially false or misleading).

<sup>33</sup> As a consequence of the bar, the provisions of Section 105(c)(7)(B) of the Act will apply with respect to Zhang. 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

**ORDER**

- E. Pursuant to PCAOB Rule 5302(b), after three (3) years from the date of this Order, Jun Zhang, CPA may file a petition 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 \$20,000 is imposed upon Canuswa Accounting & Tax Services Inc. All funds collected by the Board as a result of the assessment of this civil money penalty will be used in accordance with Section 109(c)(2) of the Act. Canuswa Accounting & Tax Services Inc. shall pay the 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 that identifies Canuswa Accounting & Tax Services Inc. 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

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Phoebe W. Brown  
Secretary

March 20, 2017

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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."