

ORDER

pursuant to Section 105(c) of the Sarbanes-Oxley Act of 2002, as amended (the "Act") and PCAOB Rule 5200(a)(1) against Respondents.

II.

In anticipation of the institution of these proceedings, and pursuant to PCAOB Rule 5205, 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 Respondents and the subject matter of these proceedings, which is admitted, Respondents consent to the entry of this Order Instituting Disciplinary Proceedings, Making Findings, and Imposing Sanctions ("Order"), as set forth below.⁴

III.

On the basis of Respondents' Offers, the Board finds that:⁵

A. Respondents

1. Stevenson & Company CPAs LLC, a/k/a Stevenson & Company CPAs, is a professional corporation organized under the laws of the state of Florida, and headquartered in Tampa, Florida. The Firm registered with the Board on June 16, 2015, pursuant to Section 102 of the Act and PCAOB rules. The Firm is licensed to practice public accountancy by the state of Nevada (License No. LLC-0429) and the state of Florida (License No. AD68865). At all relevant times, the Firm was the external auditor for the issuers identified below.

⁴ The findings herein are made pursuant to Respondents' Offers and are not binding on any other person or entity in this or any other proceeding.

⁵ 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: (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.

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2. Raydell Stevenson, age 42, is a certified public accountant licensed by the state of Florida (License No. AC40388). Mr. Stevenson was the engagement partner for the Firm's audit of the 2015 financial statements of MagneGas Corporation ("MagneGas"), and the engagement quality reviewer for the Firm's audit of the 2015 financial statements of AF Ocean Investment Management Co. ("AF Ocean"). He owns fifty percent of the Firm. Mr. Stevenson 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).

3. Wesley H. Hufford, age 63, is a certified public accountant licensed by the state of Florida (License No. AC0020984). Mr. Hufford was the engagement partner for the Firm's audit of the 2015 financial statements of AF Ocean, and the engagement quality reviewer for the Firm's audit of the 2015 financial statements of MagneGas. He owns fifty percent of the Firm. Mr. Hufford 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).

B. Summary

4. This matter concerns Respondents' violations of PCAOB rules and standards in connection with the audits of the December 31, 2015 ("FY 2015") financial statements of AF Ocean and MagneGas (collectively, the "Audits"). As detailed below, Respondents failed to obtain sufficient appropriate audit evidence and to exercise due care and professional skepticism in connection with the Audits.

5. This matter also concerns Hufford and Stevenson's failures to comply with PCAOB Auditing Standard No. 7 ("AS 7"), *Engagement Quality Review*.⁶ Despite being aware of a significant engagement deficiency in each of their respective audits, both Hufford and Stevenson provided concurring approvals of issuance, and failed to perform with due professional care⁷ the engagement quality reviews ("EQRs"), in

⁶ All references herein to PCAOB rules and standards are to the versions of those rules and standards in effect at the time of the 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 2017).

⁷ *See AS 7 ¶ 12; AU § 230, Due Professional Care in the Performance of Work.*

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violation of AS 7.

C. Respondents Violated PCAOB Rules and Standards in Connection with the Audits

6. 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 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.⁹ 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.¹⁰ PCAOB standards further require that an auditor exercise due professional care and professional skepticism in performing the audit.¹¹

7. AS 7 requires that an EQR be performed on audits, interim reviews, and certain attestation engagements conducted pursuant to PCAOB standards.¹² In an audit engagement, an engagement quality reviewer should evaluate the significant judgments made by the engagement team and the related conclusions reached in forming the overall conclusion on the engagement and in preparing the engagement report.¹³ The engagement quality reviewer should evaluate the engagement team's assessment of, and audit responses to, significant risks identified by the engagement team, including fraud risks, and other significant risks identified by the engagement quality reviewer through performance of the procedures required by AS 7.¹⁴

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

⁹ See AU § 508.07, *Reports on Audited Financial Statements*.

¹⁰ See Auditing Standard No. 15, *Audit Evidence*, ¶¶ 4-6.

¹¹ See AU § 150.02, *Generally Accepted Auditing Standards*; AU §§ 230.01-.09.

¹² See AS 7 ¶ 1.

¹³ *Id.* at ¶ 9.

¹⁴ *Id.* at ¶ 10(b).

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8. Moreover, under AS 7, in an audit, the engagement quality reviewer may provide concurring approval of issuance for an audit report only if, after performing with due professional care the review required by AS 7, he or she is not aware of a significant engagement deficiency.¹⁵ AS 7 states that a "significant engagement deficiency in an audit exists when (1) the engagement team failed to obtain sufficient appropriate evidence in accordance with the standards of the PCAOB, (2) the engagement team reached an inappropriate overall conclusion on the subject matter of the engagement, (3) the engagement report is not appropriate in the circumstances, or (4) the firm is not independent of its client."¹⁶ As described below, Respondents failed to comply with the above PCAOB rules and standards in connection with the Audits.

AF Ocean

9. At all relevant times, AF Ocean Investment Management Co. was a Florida corporation headquartered in Ellenton, Florida. AF Ocean's public filings disclose that it promotes business relations and exchanges between Chinese and U.S. companies, facilitating international mergers and acquisitions, and increasing cooperation between Chinese companies and Wall Street financial institutions. Its common stock is registered under Section 12(b) of the Securities Exchange Act of 1934 (the "Exchange Act") and quoted on the OTCQB under the symbol "AFAN." At all relevant times, AF Ocean was an issuer as that term is defined by Section 2(a)(7) of the Act and PCAOB Rule 1001(i)(iii).

10. Hufford was the engagement partner for the Firm's audit of the December 31, 2015 financial statements of AF Ocean. On April 9, 2016, Hufford authorized the Firm's issuance of an audit report expressing an unqualified opinion on AF Ocean's financial statements. The audit report was included in the Form 10-K that AF Ocean filed with the Commission on April 14, 2016.

11. In its Form 10-K, AF Ocean disclosed intangible assets with an indefinite life of \$294,193, which represented approximately 34 percent of total assets and a net loss of \$316,877 for 2015. In addition, AF Ocean's Form 10-K disclosed that the intangible assets consisted of a business license that allowed the issuer to do business in China.

12. In connection with the 2015 audit of AF Ocean, Hufford and the Firm identified a significant risk related to the improper valuation of intangible assets. Other

¹⁵ Id. at ¶ 12.

¹⁶ Id. at ¶ 12, Note.

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than obtaining management representations, Hufford and the Firm failed to perform any substantive procedures regarding whether the intangible assets were impaired, including tests of details, that were specifically responsive to the assessed risks.¹⁷ Therefore, Hufford and the Firm failed to obtain sufficient appropriate audit evidence to determine whether the intangible assets were properly valued.¹⁸

13. In reviewing the intangible assets work papers in his capacity as engagement quality reviewer, Stevenson was aware that no audit procedures regarding the intangible asset's impairment had been performed by the engagement team. As such, Stevenson was aware of a significant engagement deficiency, because the engagement team failed to obtain sufficient appropriate evidence regarding the intangible asset's valuation in accordance with PCAOB standards. Despite being aware of this significant engagement deficiency, Stevenson provided his concurring approval of issuance for the audit without performing the EQR with due professional care, in violation of AS 7.¹⁹

MagneGas

14. At all relevant times, MagneGas was a Delaware corporation headquartered in Clearwater, Florida. MagneGas' public filings disclose that it is a technology company that utilizes a plasma-based system for the gasification and sterilization of liquid waste. Its common stock is registered under Section 12(g) of the Exchange Act and quoted on the NASDAQ Capital Market under the symbol "MNGA." At all relevant times, MagneGas was an issuer as that term is defined by Section 2(a)(7) of the Act and PCAOB Rule 1001(i)(iii).

15. Stevenson was the engagement partner for the Firm's audit of the December 31, 2015 financial statements of MagneGas. On March 21, 2016, Stevenson authorized the Firm's issuance of an audit report expressing an unqualified opinion on MagneGas' financial statements. The audit report was included in the Form 10-K that MagneGas filed with the Commission on March 23, 2016.

16. In its Form 10-K, MagneGas disclosed goodwill, definite lived intangible assets, and property and equipment that together represented approximately 48 percent of total assets of \$17.8 million and a net loss of \$9.1 million for 2015.

¹⁷ See Auditing Standard No. 13, *The Auditor's Responses to the Risks of Material Misstatement*.

¹⁸ See AS 15 ¶¶ 4-6.

¹⁹ AS 7 ¶ 12.

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17. In connection with the 2015 audit of MagneGas, Stevenson and the Firm identified a fraud risk related to the improper valuation of goodwill, finite-lived intangible assets, and property and equipment. Other than obtaining management representations, Stevenson and the Firm failed to perform any substantive procedures regarding whether the goodwill, finite-lived intangible assets, and property and equipment were impaired, including tests of details, that were specifically responsive to the assessed risks.²⁰ Therefore, Stevenson and the Firm failed to obtain sufficient appropriate audit evidence to determine whether the goodwill, finite-lived intangible assets, and property and equipment were properly valued.²¹

18. In reviewing the intangible asset work papers in his capacity as engagement quality reviewer, Hufford was aware that no audit procedures regarding the intangible asset's impairment had been performed by the engagement team. As such, Hufford was aware of a significant engagement deficiency, because the engagement team failed to obtain sufficient appropriate evidence regarding the intangible asset's valuation in accordance with PCAOB standards. Despite being aware of this significant engagement deficiency, Hufford provided his concurring approval of issuance for the audit without performing the EQR with due professional care, in violation of AS 7.²²

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), Stevenson & Company CPAs LLC a/k/a Stevenson & Company CPAs, Raydell Stevenson, and Wesley H. Hufford are hereby censured;
- B. Pursuant to Section 105(c)(4)(B) of the Act and PCAOB Rule 5300(a)(2), Raydell Stevenson is barred from being an associated person of a

²⁰ See AS 13 ¶ 11.

²¹ See AS 15 ¶¶ 4-6.

²² AS 7 ¶ 12.

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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);²³

- C. After two (2) years from the date of this Order, Raydell Stevenson 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)(B) of the Act and PCAOB Rule 5300(a)(2), Wesley H. Hufford 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);²⁴
- E. After two (2) years from the date of this Order, Wesley H. Hufford may file a petition, pursuant to PCAOB Rule 5302(b), for Board consent to associate with a registered public accounting firm;
- F. Pursuant to Section 105(c)(4)(A) of the Act and PCAOB Rule 5300(a)(1), the registration of Stevenson & Company CPAs LLC a/k/a Stevenson & Company CPAs is revoked;

²³ As a consequence of the bar, the provisions of Section 105(c)(7)(B) of the Act will apply with respect to Stevenson. 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."

²⁴ As a consequence of the bar, the provisions of Section 105(c)(7)(B) of the Act will apply with respect to Hufford. 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."

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- G. After two (2) years from the date of the Order, Stevenson & Company CPAs LLC a/k/a Stevenson & Company CPAs may reapply for registration by filing an application pursuant to PCAOB Rule 2101; and
- H. 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 Stevenson & Company CPAs LLC a/k/a Stevenson & Company CPAs. 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. Stevenson & Company CPAs LLC a/k/a Stevenson & Company CPAs shall pay this 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 Stevenson & Company CPAs LLC a/k/a Stevenson & Company CPAs 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

December 19, 2017