



Public Company Accounting Oversight Board

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ORDER INSTITUTING DISCIPLINARY
PROCEEDINGS, MAKING FINDINGS,
AND IMPOSING SANCTIONS

In the Matter of Frazier & Deeter, LLC,

Respondent.

PCAOB Release No. 105-2018-013

July 12, 2018

By this Order, the Public Company Accounting Oversight Board ("Board" or "PCAOB") is censuring Frazier & Deeter, LLC ("Respondent" or "Firm"), imposing a civil money penalty of \$15,000 on the Firm, and requiring the Firm to undertake certain remedial measures. The Board is imposing these sanctions on the basis of its findings that Respondent violated PCAOB rules and standards in connection with the audits of three issuer audit clients.

I.

The Board deems it necessary and appropriate, for the protection of investors and to further the public interest in the preparation of informative, accurate, and independent audit reports, that disciplinary proceedings be, and hereby are, instituted pursuant to Section 105(c) of the Sarbanes-Oxley Act of 2002, as amended (the "Act"), and PCAOB Rule 5200(a)(1) against Respondent.

II.

In anticipation of institution of these proceedings, and pursuant to PCAOB Rule 5205, the Respondent has submitted an Offer of Settlement ("Offer") 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 Respondent and the subject matter of these proceedings, which are admitted, Respondent consents to entry of this Order Instituting Disciplinary Proceedings, Making Findings, and Imposing Sanctions ("Order") as set forth below.¹

¹ The findings herein are made pursuant to the Respondent's Offer and are not binding on any other persons or entities in this or any other proceeding.

ORDER**III.**

On the basis of Respondent's Offer, the Board finds that:

A. Respondent

1. Frazier & Deeter, LLC is, and at all relevant times was, a Georgia limited liability company headquartered in Atlanta, Georgia. The Firm is registered with the Board pursuant to Section 102 of the Act and PCAOB rules. The Firm is licensed to practice public accounting in multiple jurisdictions, including Georgia (Lic. No. ACF000776). At all relevant times, the Firm was the independent auditor for the three issuers identified in this Order.

B. Summary

2. This matter concerns Respondent's repeated failures to comply with Auditing Standard No. 7, *Engagement Quality Review* ("AS 7"),² with respect to three issuer audits. Specifically, in each of three issuer audits, Respondent assigned as the engagement quality reviewer an individual who previously had served as the engagement partner for that issuer audit client in the prior year. By making those assignments, Respondent violated the mandatory, two-year "cooling-off" period for former engagement partners under AS 7.³

3. This matter also concerns Respondent's violations of PCAOB rules and quality control standards by failing to establish and implement quality control policies and procedures sufficient to provide Respondent with reasonable assurance that it would comply with applicable professional standards, specifically the "cooling-off" requirement of AS 7.

² All references to PCAOB rules and standards are to the versions of those rules and 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* (Jan. 2017). The reorganization did not impose additional requirements on auditors or change substantively the requirements of PCAOB standards.

³ *See AS 7 ¶ 8; see also PCAOB Release No. 2009-004, Auditing Standard No. 7—Engagement Quality Review and Conforming Amendment to the Board's Interim Quality Control Standards* (July 28, 2009) at 11-12. At all relevant times, the Firm had five or more issuer clients and ten or more partners, and thus did not qualify for an exemption under AS 7 ¶ 8.

ORDER**C. The Firm Repeatedly Violated the "Cooling-Off" Requirement of Auditing Standard No. 7**

4. In connection with the preparation and 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.⁴

5. AS 7 requires that an engagement quality review be performed on audit engagements, reviews of interim financial information, and certain attestation engagements conducted pursuant to PCAOB standards.⁵ Further, paragraph 8 of AS 7 provides: "The person who served as the engagement partner during either of the two audits preceding the audit subject to the engagement quality review may not be the engagement quality reviewer."⁶ The Firm failed to comply with AS 7 ¶ 8 as described below.

6. At all relevant times, Wells Mid-Horizon Value-Added Fund I, LLC ("Wells") was a Georgia limited liability company headquartered in Norcross, Georgia. Its investor member shares were registered under Section 12(g) of the Securities Exchange Act of 1934 ("Exchange Act"). At all relevant times, Wells was an issuer as that term is defined by Section 2(a)(7) of the Act and PCAOB Rule 1001(i)(iii). The Firm audited Wells' financial statements for the fiscal years ("FY") ended December 31, 2012 and December 31, 2013, and issued unqualified audit reports that were filed with the Securities and Exchange Commission ("Commission").⁷ The Firm member who served as the engagement quality reviewer on the FY13 Wells audit had served as the engagement partner on the FY12 Wells audit in violation of AS 7's two-year "cooling-off" period for former engagement partners.

7. At all relevant times, Global Healthcare REIT, Inc. ("Global") was a Utah corporation headquartered in Atlanta, Georgia. Its common stock was registered under Section 12(g) of the Exchange Act and was quoted on the OTC Bulletin Board. At all

⁴ PCAOB Rule 3100, *Compliance with Auditing and Related Professional Practice Standards*.

⁵ See AS 7 ¶ 1.

⁶ AS 7 ¶ 8. In its release on AS 7, the Board noted that it included the "cooling-off" period because "it believed that it would be harder for an engagement partner who has had overall responsibility for the audit for at least a year to perform the [engagement quality] review with the necessary level of objectivity." PCAOB Rel. No. 2009-004 (July 28, 2009) at 11-12.

⁷ On August 14, 2015, Wells filed with the Commission a Form 15 notice of termination of registration under Section 12(g) of the Exchange Act.

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relevant times, Global was an issuer as that term is defined by Section 2(a)(7) of the Act and PCAOB Rule 1001(i)(iii). The Firm audited Global's December 31, 2013 and December 31, 2014 financial statements and issued unqualified audit reports that were filed with the Commission. The Firm member who served as the engagement quality reviewer on the FY14 Global audit had served as the engagement partner on the FY13 Global audit in violation of AS 7's two-year "cooling-off" period for former engagement partners.

8. At all relevant times, Diversified Resources, Inc. ("Diversified Resources") was a Nevada corporation headquartered in Littleton, Colorado. Its common stock was registered under Section 12(g) of the Exchange Act and quoted on the OTC Bulletin Board. At all relevant times, Diversified Resources was an issuer as that term is defined by Section 2(a)(7) of the Act and PCAOB Rule 1001(i)(iii). The Firm audited Diversified Resources' October 31, 2014 and October 31, 2015 financial statements and issued unqualified audit reports that were filed with the Commission. The Firm member who served as the engagement quality reviewer on the FY15 Diversified Resources audit had served as the engagement partner on the FY14 Diversified Resources audit in violation of AS 7's two-year "cooling-off" period for former engagement partners.

D. The Firm Violated PCAOB Rules and Standards Related to Quality Control

9. PCAOB rules require that a registered public accounting firm and its associated persons comply with the Board's quality control standards.⁸ PCAOB quality control standards require that a registered public accounting firm establish policies and procedures to provide the firm with reasonable assurance that the work performed by engagement personnel meets applicable professional standards, regulatory requirements, and the firm's standards of quality.⁹ Policies and procedures for engagement performance encompass all phases of the design and execution of the engagement.¹⁰ To the extent appropriate and as required by applicable professional standards, these policies and procedures should cover planning, performing, supervising, reviewing, documenting, and communicating the results of each engagement.¹¹ These policies and procedures also should address engagement quality reviews pursuant to AS 7.¹²

⁸ PCAOB Rule 3100; PCAOB Rule 3400T, *Interim Quality Control Standards*.

⁹ QC § 20.17, *System of Quality Control for a CPA Firm's Accounting and Auditing Practice*.

¹⁰ QC § 20.18.

¹¹ Id.

¹² Id.

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10. Throughout the relevant time period, the Firm failed to implement and maintain a system of quality control that would provide it with reasonable assurance that the work performed by the engagement personnel would comply with applicable professional standards. Specifically, the Firm failed to establish and implement quality control policies and procedures to provide reasonable assurance that the Firm would comply with the "cooling-off" requirement of AS 7 ¶ 8.

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 Respondent's Offer. Accordingly, it is hereby ORDERED that:

- A. Pursuant to Section 105(c)(4)(E) of the Act and PCAOB Rule 5300(a)(5), Frazier & Deeter, LLC is hereby censured;
- B. Pursuant to Section 105(c)(4)(D) of the Act and PCAOB Rule 5300(a)(4), a civil money penalty in the amount of \$15,000 is imposed upon Frazier & Deeter, LLC. 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. Frazier & Deeter, LLC shall pay this civil money penalty within 10 days of the issuance of this Order by (a) wire transfer in accordance with instructions furnished by Board staff; or (b) United States Postal Service postal money order, certified check, bank cashier's check or bank money order; (c) made payable to the Public Company Accounting Oversight Board; (d) delivered to the Controller, Public Company Accounting Oversight Board, 1666 K Street, N.W., Washington, D.C. 20006; and (e) submitted under a cover letter which identifies Frazier & Deeter, LLC 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 Brown, Secretary, Public Company Accounting Oversight Board, 1666 K Street, N.W., Washington, D.C. 20006;
- C. Pursuant to Section 105(c)(4)(G) of the Act and PCAOB Rule 5300(a)(9), Frazier & Deeter, LLC is required:
 1. within ninety (90) days from the date of this Order, to establish policies and procedures, or review and/or supplement existing policies and procedures, for the purpose of providing the Firm with reasonable assurance of compliance with the two-year "cooling-off" period set forth in paragraph 8 of AS 1220, *Engagement Quality Review*;

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2. within ninety (90) days from the date of this Order, to establish a policy of ensuring training, whether internal or external, on an annual or more frequent basis, concerning AS 1220, of any Firm audit personnel who participate in any way in the planning or performing of any audit services (as defined in PCAOB Rule 1001(a)(vii)); and

3. to certify in writing to the Director of the Division of Enforcement and Investigations, Public Company Accounting Oversight Board, 1666 K Street, N.W., Washington D.C. 20006, the Firm's compliance with paragraphs C(1) and C(2) above. The certification shall identify the undertakings, provide written evidence of compliance in the form of a narrative, and be supported by exhibits sufficient to demonstrate compliance. The Firm shall submit such certification within one hundred twenty (120) days from the date of this Order. The Firm shall also submit such additional evidence of and information concerning compliance as the staff of the Division of Enforcement and Investigations may reasonably request.

ISSUED BY THE BOARD.

/s/ Phoebe W. Brown

Phoebe W. Brown
Secretary

July 12, 2018