
ORDER INSTITUTING DISCIPLINARY
PROCEEDINGS, MAKING FINDINGS,
AND IMPOSING SANCTIONS) PCAOB Release No. 105-2019-020
In the Matter of Cameron Terry, CPA) August 21, 2019
Respondent.)
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By this Order, the Public Company Accounting Oversight Board (the "Board" or "PCAOB") is: (1) censuring Cameron Terry ("Terry" or "Respondent"); (2) suspending Terry from being an associated person of a registered public accounting firm for the period of one year from the date of this Order; (3) imposing on Terry a civil money penalty in the amount of \$10,000; and (4) requiring Terry to complete 20 hours of additional continuing professional education as described in Section IV herein.

The Board is imposing these sanctions on the basis of its findings that Terry violated PCAOB rules and auditing standards in connection with the audit of the 2016 financial statements of Service Team, Inc.

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, 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 is admitted,

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Respondent consents to entry of this Order Instituting Disciplinary Proceedings, Making Findings and Imposing Sanctions ("Order") as set forth below.¹

III.

On the basis of Respondent's Offer, the Board finds that:²

A. Respondent

1. **Cameron Terry, CPA**, age 37, of Spring, Texas, is a certified public accountant licensed by the Texas State Board of Public Accountancy (license no. 088724). Terry has worked at registered public accounting firm M&K CPAS, PLLC ("Firm") since 2012 and became a partner in 2014. Terry was the engagement partner on the Firm's audit of the financial statements as of and for the year ended August 31, 2016 ("Audit") of Service Team, Inc. ("Service Team"). Terry, as engagement partner, authorized the issuance of the Firm's December 14, 2016 audit report containing an unqualified opinion on Service Team's financial statements and a going concern explanatory paragraph. At all relevant times, Terry was an "associated person of a registered public accounting firm" as that term is defined by Section 2(a)(9) of the Act and PCAOB Rule 1001(p)(i).

B. Relevant Entities

2. M&K CPAS, PLLC is a professional limited liability company organized under the laws of the state of Texas and located in Houston, Texas. The Firm registered with the Board on July 18, 2006, pursuant to Section 102 of the Act and PCAOB rules.

3. Service Team is a Wyoming corporation with headquarters in Villa Park, California. Service Team's public filings disclose that its wholly owned subsidiary is principally involved in the manufacturing, maintenance, and repair of truck bodies. At all relevant times, Service Team's common stock was registered under Section 12(g) of the Securities Exchange Act of 1934 and was traded on the OTC Bulletin Board. At all relevant times, Service Team was an "issuer" as the term is defined in Section 2(a)(7) of

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

² The Board finds that 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: (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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the Act and PCAOB Rule 1001(i)(iii). The Firm has served as Service Team's independent auditor since 2011.

C. Summary

4. During the Audit, Terry obtained contradictory evidence from Service Team about whether its liabilities included a \$244,000 loan from a third party. After management mistakenly told Terry that the loan funds were not received until after fiscal year end (August 31, 2016), and without obtaining sufficient corroborating audit evidence, Terry proposed an audit adjustment to eliminate the loan from Service Team's annual financial statements. Service Team recorded the adjustment and filed August 31, 2016 financial statements with the Securities and Exchange Commission ("SEC") that omitted the loan. The omission of the \$244,000 loan understated total liabilities reported in Service Team's financial statements by 45%.

5. Less than three weeks after the filing, as part of the Firm's review of Service Team's financial statements for the first quarter of the next fiscal year, Terry reviewed Service Team's bank statements and identified a \$244,000 deposit before year end that reflected receipt of the loan funds. Terry determined that the loan should have been recorded in Service Team's August 31, 2016 financial statements and informed Service Team management, which filed restated financial statements the next day.

6. Terry's failures during the Audit resulted in violations of PCAOB rules and auditing standards.³

D. Terry Violated PCAOB Rules and Auditing Standards⁴**Facts**

7. During the Audit, Terry obtained from Service Team a trial balance as of August 31, 2016 that reflected a \$244,000 note payable owed by Service Team. Terry

³ PCAOB rules require that a registered public accounting firm and its associated persons comply with the Board's auditing and related professional practice standards. *See* PCAOB Rule 3100, *Compliance with Auditing and Related Professional Practice Standards*; PCAOB Rule 3200T, *Interim Auditing Standards*.

⁴ All references to PCAOB rules and standards are to the versions of those rules and standards in effect at the time of the relevant audit or review. 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 (March 31, 2015); *see also* PCAOB Auditing Standards Reorganized and Pre-Reorganized Numbering (January 2017).

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sent a request to the lender for confirmation of that loan balance, but never received a response.

8. Terry also obtained from Service Team a debt roll-forward schedule as of August 31, 2016—a list of debts owed by Service Team at the start and end of the fiscal year, with descriptions and amounts of items affecting Service Team's debt balance between those two points in time. The debt schedule omitted the \$244,000 loan and thus indicated that the loan was not among Service Team's liabilities as of fiscal year end. Noting the loan's inclusion in the trial balance but its omission from the debt schedule, Terry asked Service Team's management about the loan. Terry was told in error by management that the loan funds had not been received until after August 31, 2016. Terry then reviewed Service Team's bank account balances as of August 31, 2016 and observed that the amount of each individual balance was less than \$244,000.

9. After obtaining management's representation about the loan and noting that no individual bank account maintained by the company contained \$244,000 as of year end, Terry proposed an audit adjustment to eliminate the \$244,000 loan from Service Team's financial statements. Service Team made that adjustment and, on December 14, 2016, filed August 31, 2016 financial statements with the SEC that omitted the loan.

10. In late December 2016 or early January 2017, Terry obtained a new debt roll-forward schedule from Service Team as part of the Firm's interim review procedures for the first quarter of the next fiscal year. Unlike the debt schedule obtained during the Audit, this debt schedule reflected the \$244,000 loan as among Service Team's debts as of August 31, 2016. On January 3, 2017, Terry reviewed Service Team's bank statements for entries corresponding to a \$244,000 deposit of loan funds. He found such an entry and understood it reflected the receipt of those funds on August 25, 2016. Terry determined that Service Team's August 31, 2016 financial statements were misstated and notified Service Team's management. The next day, on January 4, 2017, Service Team filed restated financial statements that included the loan among the company's liabilities.

Violations

11. Terry failed to obtain sufficient appropriate audit evidence concerning Service Team's notes payable. Terry failed, for example, to review Service Team's bank statements during the Audit for any deposit of the \$244,000 loan amount. Terry's comparison of year-end bank balances to the loan amount, standing alone, did not constitute sufficient evidence of the timing of the loan's receipt. Among other things, that comparison was not designed to detect, and could not have identified, an initial deposit and a subsequent withdrawal in the same amount—or, indeed, in any amount that

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brought the balance under \$244,000—before year end.⁵ Terry accordingly violated Auditing Standard No. 13, *The Auditor's Responses to the Risks of Material Misstatement* ("AS 13"),⁶ and Auditing Standard No. 15, *Audit Evidence* ("AS 15").⁷

12. Terry also violated AS 15 when, faced with an inconsistency between a trial balance reflecting a loan balance as of year end and a debt schedule and management representation indicating the contrary, he failed to perform audit procedures necessary to resolve the matter.⁸ Instead, Terry relied on the representation of Service Team's management regarding receipt of the loan funds. Accordingly, Terry also violated AU § 333, *Management Representations*, because when faced with this contradictory audit evidence he failed to "investigate the circumstances and consider the reliability of the representation made."⁹

⁵ The bank statements that Terry reviewed a few weeks later during the Firm's subsequent interim review procedures contained entries reflecting an incoming transfer of \$244,000 on August 25 and an outgoing transfer of \$244,000 on August 29.

⁶ See AS 13 ¶ 36 ("The auditor should perform substantive procedures for each relevant assertion of each significant account and disclosure, regardless of the assessed level of control risk.").

⁷ See AS 15 ¶ 4 ("The auditor must plan and perform audit procedures to obtain sufficient appropriate audit evidence to provide a reasonable basis for his or her opinion.").

⁸ See AS 15 ¶ 29 ("If audit evidence obtained from one source is inconsistent with that obtained from another, or if the auditor has doubts about the reliability of information to be used as audit evidence, the auditor should perform the audit procedures necessary to resolve the matter and should determine the effect, if any, on other aspects of the audit.").

⁹ AU § 333.04; see *id.* § 333.02 ("[R]epresentations from management are part of the evidential matter the independent auditor obtains, but they are not a substitute for the application of those auditing procedures necessary to afford a reasonable basis for an opinion regarding the financial statements under audit."); AS 13 ¶ 39 ("Inquiry alone does not provide sufficient appropriate evidence to support a conclusion about a relevant assertion."); see also Auditing Standard No. 14, *Evaluating Audit Results* ("AS 14"), ¶ 3 ("In forming an opinion on whether the financial statements are presented fairly, in all material respects, in conformity with the applicable financial reporting framework, the auditor should take into account all relevant audit evidence, regardless of whether it appears to corroborate or to contradict the assertions in the financial statements.").

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13. Furthermore, when Terry received no response to the Firm's confirmation request concerning the \$244,000 loan balance, and relied on management's representations rather than performing alternative confirmation procedures, he violated AU § 330, *The Confirmation Process*.¹⁰

14. Terry's conduct with respect to the loan and the related audit adjustment showed a lack of due professional care in violation of AU § 150.02, *Generally Accepted Auditing Standards*, and AU § 230, *Due Professional Care in the Performance of Work*. That conduct also violated AS 14¹¹ and AU § 508, *Reports on Audited Financial Statements*.¹²

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. In determining to accept Respondent's Offer, the Board considered, among other things, Terry's willingness to settle this matter at an early stage of the investigation. Accordingly, it is hereby ORDERED that:

- A. Pursuant to Section 105(c)(4)(E) of the Act and PCAOB Rule 5300(a)(5), Cameron Terry, CPA is hereby censured;
- B. Pursuant to Section 105(c)(4)(B) of the Act and PCAOB Rule 5300(a)(2), Cameron Terry, CPA is suspended for a period of one (1) year from the date of this Order 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).¹³

¹⁰ See AU § 330.31 ("When the auditor has not received replies to positive confirmation requests, he or she should apply alternative procedures to the nonresponses to obtain the evidence necessary to reduce audit risk to an acceptably low level.").

¹¹ See AS 14 ¶ 2 ("The objective of the auditor is to evaluate the results of the audit to determine whether the audit evidence obtained is sufficient and appropriate to support the opinion to be expressed in the auditor's report.").

¹² See AU § 508.07 (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 generally accepted auditing standards").

¹³ As a consequence of the suspension, the provisions of Section 105(c)(7)(B) of the Act will apply with respect to Terry. Section 105(c)(7)(B) provides: "It

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- C. 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 Cameron Terry, CPA. 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. Terry shall pay this civil money penalty within ten (10) days of the issuance of this Order by: (1) wire transfer in accordance with instructions furnished 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 Terry 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 Office of the Secretary, Attention: Phoebe W. Brown, Secretary, Public Company Accounting Oversight Board, 1666 K Street, N.W., Washington D.C. 20006;
- D. Pursuant to Section 105(c)(4)(F) of the Act and PCAOB Rule 5300(a)(6), Cameron Terry, CPA is required to complete, within one (1) year from the date of this Order, twenty (20) hours of continuing professional education in subjects that are directly related to the audits of issuer financial statements under PCAOB auditing standards, covering among other topics professional skepticism and management representations (such hours shall be in addition to, and shall not be counted in, the continuing professional education he is required to obtain in connection with any professional license); and
- E. Pursuant to Section 105(c)(4)(G) of the Act and PCAOB Rule 5300(a)(9), Cameron Terry, CPA is required 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, his compliance with paragraph D above. The certification shall identify the continuing professional education completed and be supported by exhibits sufficient to demonstrate compliance. Cameron Terry, CPA shall submit such certification within one (1) year plus thirty (30) days from the date of this Order. Cameron Terry, CPA shall also submit such additional

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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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

August 21, 2019