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## Order Instituting Disciplinary Proceedings, Making Findings and Imposing Sanctions

*In the Matter of Helen R. Liao, CPA,*

Respondent.

PCAOB Release No. 105-2020-014

September 24, 2020

By this Order, the Public Company Accounting Oversight Board (“PCAOB” or “Board”) is: (1) censuring Helen R. Liao, CPA (“Liao” or “Respondent”); (2) barring Liao from being an associated person of a registered public accounting firm, but allowing Liao, after one year, to petition the Board for consent to associate with a registered firm; (3) imposing a civil money penalty of \$15,000; and (4) requiring Liao to complete twenty hours of continuing professional education (“CPE”) (in addition to any CPE required for any professional license) concerning PCAOB auditing standards, including standards relating to performing engagement quality reviews.

The Board is imposing these sanctions on the basis of its findings that Liao violated PCAOB rules and auditing standards as the engagement quality reviewer on the audits of the financial statements of an issuer (“Issuer”) for the years ended December 31, 2013 and 2014 (“Audits”).

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

### II.

In anticipation of the institution of these proceedings, and pursuant to PCAOB Rule 5205, Liao 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 her and the subject matter of these proceedings, which are admitted, Liao consents to the entry of this Order Instituting Disciplinary Proceedings, Making Findings and Imposing Sanctions ("Order") as set forth below.<sup>1</sup>

### III.

On the basis of Respondent's Offer, the Board finds that:<sup>2</sup>

#### A. Respondent

1. **Helen R. Liao, CPA** is a certified public accountant licensed by the New York State Education Department (License No. 074974), the New Jersey Division of Consumer Affairs (License No. 20CC03171100), and the District of Columbia Board of Accountancy (License No. CPA900205). She is a partner of Marcum LLP ("Marcum") and 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). Liao served as the engagement quality review ("EQR") reviewer for Marcum's audits of the Issuer's 2013, 2014, and 2015 financial statements. Liao provided her concurring approval of Marcum's issuance of an audit report containing an unqualified opinion on all three years' financial statements in November 2016.<sup>3</sup>

#### B. Relevant Entities

2. **Marcum LLP** is a New York limited liability partnership headquartered in Melville, New York. Marcum is licensed by the New York State Education Department (License No. 067839) and several other states. Marcum is, and at all relevant times was, registered with

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<sup>1</sup> 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.

<sup>2</sup> 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: (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.

<sup>3</sup> Marcum concurrently audited the Issuer's 2013 and 2014 financial statements, and later audited the 2015 financial statements. Marcum issued a single audit report addressing all three years, which was included in the Issuer's Form 10-K for the year ended December 31, 2015, filed with the Securities and Exchange Commission in November 2016.

the Board pursuant to Section 102 of the Act and PCAOB rules. Marcum served as the Issuer's independent auditor from April 2015 to November 2016.

3. **Marcum Bernstein & Pinchuk LLP** ("MarcumBP") is a New York limited liability partnership headquartered in New York, New York. It was formed as a joint venture between Marcum and another registered firm. MarcumBP is licensed by the New York State Education Department (License No. 093038), the Texas State Board of Accountancy (License No. P05632), and the Nevada State Board of Accountancy (License No. PART-0888). MarcumBP is, and at all relevant times was, registered with the Board pursuant to Section 102 of the Act and PCAOB rules. During the Audits, Marcum supervised MarcumBP personnel, who performed auditing procedures regarding the Issuer's China-based operations and transactions.

### C. Issuer

4. The Issuer was, at all relevant times, a Delaware corporation whose public filings disclosed that it developed and manufactured energy storage systems and related products. At all times relevant to this Order, (1) the Issuer's common stock was registered under Section 12(g) of the Securities Exchange Act of 1934, and (2) the Issuer was an "issuer" within the meaning of Section 2(a)(7) of the Act and PCAOB Rule 1001(i)(iii).

5. In 2011, the Issuer became majority owned by a company organized under the laws of Hong Kong ("Controlling Shareholder"). The Issuer later announced plans to manufacture its products in mainland China, and began moving its manufacturing operations from the United States to China in 2012. By the end of 2013, the Issuer was operating primarily from China.

6. The Issuer's predecessor auditor, which resigned in August 2014, advised the Issuer that it could not complete the 2013 audit, in part because it had been unable to perform sufficient procedures to determine the completeness of subsequent events that may have occurred in China. The predecessor auditor also advised that it had identified material weaknesses in the Issuer's internal controls and procedures, including a failure to implement adequate procedures and controls to ensure accurate and timely communication with its Chinese subsidiaries.

7. In March 2015, the Issuer filed a Form 8-K reporting that management had analyzed the internal control issues and material weaknesses identified by its predecessor auditor, and concluded that there was "factual support that such issues and weaknesses existed in 2013." As a result, the Issuer disclosed that investors should no longer rely on the financial statements in its Form 10-Q for the period ended September 30, 2013.

## D. Summary

8. This matter concerns Liao’s failure to perform an EQR of the Audits in compliance with PCAOB standards.<sup>4</sup> As detailed below, Liao violated Auditing Standard (“AS”) No. 7, *Engagement Quality Reviews*,<sup>5</sup> by providing her concurring approval to issue Marcum’s audit report when she was aware of significant engagement deficiencies in the Audits. She also failed to maintain objectivity in performing her EQR and failed to perform the review with due professional care.

9. Liao’s violations arose from her participation in, and review of, audit procedures concerning significant unusual transactions between one of the Issuer’s wholly-owned Chinese subsidiaries (“Subsidiary”) and a Chinese entity that purportedly acted as the Subsidiary’s purchasing agent (“Agent”). The transactions involved the Subsidiary’s transfers of loan proceeds to the Agent as prepayments to purchase specified equipment and materials that the Agent never delivered. The loans were obtained from Chinese lenders for the purpose of making these purchases. While the Agent returned a portion of the prepayments—some in unusual same-day, round-trip transfers—it did not return most of them.

10. While performing the EQR, Liao was aware of the fraud risks associated with the significant unusual transactions, particularly the risks that the Subsidiary may have defrauded its lenders by transferring loan proceeds to the Agent and that the Agent may have been an undisclosed related party. Liao was involved in designing audit procedures to address one of the fraud risks. Specifically, to get evidence of whether the Subsidiary had complied with its lending agreements when it transferred loan proceeds to the Agent, she provided detailed comments on the content of confirmation requests to be directed to the Subsidiary’s lenders and how the confirmations should be obtained. By assuming these engagement team responsibilities, Liao failed to maintain objectivity in performing her EQR, thus violating AS No. 7.

11. Before the Audits were concluded, Liao learned, among other things, that management had deleted important language from the confirmation requests that she had helped the engagement team design. She also learned that, at management’s suggestion, the engagement team had performed related party procedures that were significantly more limited

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<sup>4</sup> See also *Marcum LLP*, PCAOB Release No. 105-2020-012 (Sept. 24, 2020); *John E. Klenner*, PCAOB Release No. 105-2020-013 (Sept. 24, 2020).

<sup>5</sup> There have been changes to the numbering, organization, and, in some cases, content of PCAOB rules and standards since the 2013 and 2014 Issuer audits and the events described in this Order. This Order cites only those rules and standards that were in effect for the 2013 and 2014 audits. Current and archived versions of PCAOB standards are available at [www.pcaobus.org/standards](http://www.pcaobus.org/standards).

than had been planned. As a result, Liao was aware that the engagement team had failed to adequately respond to the fraud risks associated with the significant unusual transactions, which resulted in significant engagement deficiencies. Liao provided concurring approval to issue the audit report despite these significant deficiencies. As a result, she violated AS No. 7.

## **E. Background of the Significant Unusual Transactions in China**

### **i. Liao Understood the Details and Fraud Risks of the Significant Unusual Transactions**

12. Liao knew the engagement team had identified significant unusual transactions between the Subsidiary and the Agent in 2013 and 2014.<sup>6</sup> Details of those transactions were set forth in a client-prepared memo included in the audit documentation. Those details—which were known to Liao during the Audits—are summarized below.

13. The transactions involved the Subsidiary's transfers of loan proceeds to the Agent. The Subsidiary had obtained loans (totaling \$38.1 million)<sup>7</sup> from two Chinese lending institutions (collectively, "Lenders"), to help finance the purchases of equipment and raw materials specified in purchase orders ("POs") issued to the Agent. The Subsidiary submitted the POs to the Lenders as evidence that the borrowed funds were being used in accordance with the loan agreements.

14. When the Lenders' released the borrowed funds, the Subsidiary transferred all of the loan proceeds to the Agent purportedly as prepayments for the specified equipment and raw materials. But the Agent returned portions of the prepayments to the Subsidiary and never delivered any of the goods.

15. In the fall of 2014, the Subsidiary and the Agent cancelled the POs and the Agent agreed to refund \$27.5 million of prepayments, representing the balance of the loan proceeds

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<sup>6</sup> PCAOB standards describe significant unusual transactions as "significant transactions that are outside the normal course of business for the entity, or that otherwise appear to be unusual given the auditor's understanding of the entity and its environment." AU § 316.66.

<sup>7</sup> For purposes of this Order, all transactions originally denominated in Chinese Yuan have been converted into U.S. Dollars, which have been approximated using the then-current Chinese Yuan to U.S. Dollar exchange rate.

purportedly still held by the Agent.<sup>8</sup> The Agent, however, did not return the money. Instead, a Chinese company affiliated with the Issuer (“Affiliate”)<sup>9</sup> agreed to settle the Agent’s obligation to return the \$27.5 million by delivering electric buses of equivalent value to the Subsidiary.<sup>10</sup>

16. The Subsidiary and the Agent later engaged in three unusual, round-trip cash transfers, also involving loan proceeds. After the POs were cancelled, the Subsidiary received an additional \$24.4 million from one of the Lenders in two loan transactions. Soon after receiving the proceeds, the Subsidiary sent them all to the Agent in three cash transfers from its account at the Lender. In each instance, the Agent returned the money to the Subsidiary the same day, but not to the Subsidiary’s account at the Lender. Instead, the Agent directed the money to the Subsidiary’s account at a different financial institution.

17. Both the engagement team and Liao understood that there was a risk that management may have entered into these significant unusual transactions to engage in fraudulent financial reporting.<sup>11</sup> In particular, Liao understood that material misstatements due to fraud could have arisen from these transactions if, among other things, (1) the Subsidiary had defrauded its Lenders through its transactions with the Agent, or (2) the Agent were an undisclosed related party.

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<sup>8</sup> The Subsidiary had prepaid the Agent a total of \$38.1 million from funds it borrowed from the Lenders. But by the time the POs were cancelled, the Agent had returned a net amount of \$10.6 million to the Subsidiary.

<sup>9</sup> The Issuer and the Affiliate were under common control of the Controlling Shareholder, which held a majority of the Issuer’s shares and wholly owned the Affiliate. The Issuer disclosed the Affiliate and the Controlling Shareholder as related parties in its Form 10-K. See FASB Accounting Standards Codification (“ASC”) 850-10-20, *Related Party Disclosures* (glossary definitions of “affiliate,” “control,” and “related parties”).

<sup>10</sup> Thereafter, the Affiliate and the Controlling Shareholder delivered buses to the Subsidiary in satisfaction of the Affiliate’s obligation.

<sup>11</sup> To address fraud risks related to significant unusual transactions, PCAOB standards provided that the auditor “should gain an understanding of the business rationale for such transactions and whether that rationale (or the lack thereof) suggests that the transactions may have been entered into to engage in fraudulent financial reporting or conceal misappropriation of assets.” AU § 316.66. In understanding the business rationale for the transactions, the auditor should consider a number of factors, including whether the form of the transactions is overly complex and whether the transactions involve previously unidentified related parties. AU § 316.67.

**ii. Liao Was Aware of Management’s Representations about the Significant Unusual Transactions**

18. During the Audits, Liao was aware of management’s representations to the engagement team about the purported business rationale for the significant unusual transactions between the Subsidiary and the Agent. Management of the Issuer and the Controlling Shareholder told the engagement team that the POs had been submitted to the Lenders in order to secure release of the borrowed funds, and that the funds (including those round-tripped back to the Subsidiary) were transferred to the Agent to show the Lenders that the proceeds were being used in accordance with the loan agreements.

19. However, management also represented that the transfers of borrowed funds to the Agent were mere formalities. According to management, the Lenders did not care whether the Subsidiary procured from the Agent or some other party, as long as the loan proceeds were used to purchase the equipment and raw materials specified in the POs and the loan agreements (management represented that the goods were eventually purchased from other sources for a better price). In addition, management represented that the Agent was not a related party and that the transactions with the Agent did not have to be disclosed as related party transactions in the Issuer’s financial statements.

**F. Liao Violated the Board’s Engagement Quality Review Standard in Connection with the Audits**

**i. Relevant Provisions of PCAOB Standards**

20. 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>12</sup> An EQR is required for all audits and reviews under PCAOB standards.<sup>13</sup> The EQR is intended to “serve as a meaningful check on the work performed by the engagement team.”<sup>14</sup> To achieve that objective, AS No. 7 imposes a number of requirements on the EQR reviewer, including that the reviewer maintain objectivity in performing the review.<sup>15</sup> To maintain objectivity, the reviewer

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<sup>12</sup> See PCAOB Rule 3100, *Compliance with Auditing and Related Professional Practice Standards*; PCAOB Rule 3200T, *Interim Auditing Standards*.

<sup>13</sup> AS No. 7 ¶ 1.

<sup>14</sup> PCAOB Rel. No. 2009-004 (July 28, 2009) at 2.

<sup>15</sup> AS No. 7 ¶¶ 4, 6.

should not make decisions on behalf of the engagement team or assume any of the team's responsibilities.<sup>16</sup>

21. In an audit engagement, the EQR 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 audit report. To evaluate those judgments and conclusions, the EQR reviewer should, to the extent necessary, hold discussions with the engagement partner and other members of the engagement team and review audit documentation. The EQR reviewer should also evaluate the team's assessment of, and audit responses to, significant risks (including fraud risks) of material misstatement.<sup>17</sup>

22. The EQR reviewer, after performing a review with due professional care,<sup>18</sup> may provide concurring approval of issuance of an audit report only if the reviewer is not aware of any significant engagement deficiencies.<sup>19</sup> Significant engagement deficiencies include the engagement team's failure to obtain sufficient appropriate evidence in accordance with PCAOB standards.<sup>20</sup>

23. As described below, Liao violated AS No. 7 in performing an EQR of the Audits.

**ii. Liao Improperly Assumed Engagement Team Responsibilities for, and Was Aware of a Significant Engagement Deficiency Resulting From, the Design and Execution of Audit Procedures to Test Compliance with Loan Agreements**

24. To assess whether the Subsidiary's transfers of loan proceeds to the Agent violated the agreements with its Lenders, the engagement team decided to send customized confirmation requests to the Lenders.<sup>21</sup> Liao actively participated in this process, providing

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<sup>16</sup> *Id.* ¶ 7.

<sup>17</sup> *Id.* ¶¶ 9, 10b, 14.

<sup>18</sup> *Id.* ¶ 12. To perform an EQR with due professional care, the reviewer must exercise professional skepticism, which is an attitude that includes a questioning mind and a critical assessment of audit evidence. See AU § 230.07, *Due Professional Care in the Performance of Work*.

<sup>19</sup> AS No. 7 ¶ 12.

<sup>20</sup> *Id.* Note to ¶ 12.

<sup>21</sup> See AU § 330.08, *The Confirmation Process*, which addresses confirming the terms of unusual or complex transactions that are associated with high levels of inherent and control risk; see also AU § 330.25 ("auditor should consider requesting confirmation of the terms of unusual agreements or transactions . . .").

detailed input on the design of the confirmation requests and how the responses should be obtained. Liao thus assumed engagement team responsibilities and violated AS No. 7 by failing to maintain objectivity in performing the EQR.<sup>22</sup>

25. The written confirmation requests, prepared by the team with the engagement partner and Liao's guidance, included specific factual details of the Subsidiary's dealings with the Agent. Among other things, the customized requests detailed that: (a) the Subsidiary used POs issued to the Agent to secure release of borrowed funds; (b) the Subsidiary disbursed the loan proceeds to the Agent; (c) the Agent returned certain of the funds to the Subsidiary; (d) the POs were cancelled; and (e) the Subsidiary never purchased any goods from the Agent. The requests asked the Lenders to confirm in writing that they were aware of these facts and that the Subsidiary had nonetheless complied with the loan agreements.

26. Liao then told an audit director at MarcumBP in China to obtain in-person, written responses to the customized confirmation requests from the Lenders. But before he had an opportunity to obtain the Lenders' confirmation responses, the MarcumBP director informed Liao and the engagement partner that Issuer management had unilaterally approached the Lenders about the requests, and that, according to management, the Lenders would not confirm the requests as written. Management revised the confirmation requests to delete all details about the Agent transactions. The MarcumBP director then forwarded the client-revised requests to Liao and the engagement partner, telling them that management believed the Lenders were willing to confirm the revised requests in writing.

27. Although Liao and the engagement partner objected to the client-revised confirmation requests, the MarcumBP director dispatched a junior staff member to the Lenders with the revised requests. An Issuer employee accompanied the junior staff member and directed him to a particular respondent at each Lender from whom he obtained written confirmations on the client-revised requests.<sup>23</sup> When meeting with the Lender respondents, the junior staff member also orally reviewed with them the specific details about the Agent transactions that had been deleted from the original confirmation requests. Although the Lenders purportedly were unwilling to confirm their knowledge of those specific details in writing, the Lenders' respondents orally acknowledged the details and stated that they did not

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<sup>22</sup> AS No. 7 ¶¶ 6-7.

<sup>23</sup> Under PCAOB standards governing the confirmation process, the auditor should direct a confirmation request to "a third party who the auditor believes is knowledgeable about the information to be confirmed." AU § 330.26. The standards use the term "respondent" to refer to the third-party recipient of a confirmation request. See AU § 330.27.

present a loan compliance issue. The MarcumBP junior staff member contemporaneously documented the oral acknowledgements, which were then summarized in the work papers.

28. Management's interference, which Liao knew about, raised serious questions about whether the confirmation responses obtained by the junior staff member were reliable evidence of the Subsidiary's compliance with its lending agreements. Management's deletion of information about the Agent transactions from the written requests was particularly suspect in light of the round-trip cash transfers, whose structure suggested a possible motive to conceal from the Lender the Agent's returns of loan proceeds.<sup>24</sup> In each round-trip transfer, the Subsidiary sent loan proceeds to the Agent from its account at the Lender, and the Agent returned them the same day to a Subsidiary account at a different financial institution. The engagement team never obtained, and did not provide Liao with, audit evidence to support a legitimate business rationale for the round-trip transfers.

29. In addition, management's direction of the MarcumBP junior staff member to particular individuals at each Lender raised serious questions about whether the confirmation requests had been directed to respondents with the appropriate competence, knowledge, motivation, objectivity, and freedom from bias as to the Issuer.<sup>25</sup> In such cases, "the auditor should consider whether there is sufficient basis for concluding that the confirmation request is being sent to a respondent from whom the auditor can expect the response will provide meaningful and appropriate evidence."<sup>26</sup> But as Liao knew, the engagement team failed to adequately evaluate whether the respondents were capable of providing meaningful and appropriate evidence of the Subsidiary's compliance with its loan agreements.

30. Liao also was aware that the engagement partner, after conferring with the Issuer's management, accepted and relied on the Lender respondents' confirmations on the client-revised requests, together with their oral acknowledgments documented by the junior staff member, as evidence of the Subsidiary's compliance with its loan agreements. As a result, she was aware of a significant engagement deficiency because the engagement team had failed to obtain appropriate evidence of the Subsidiary's compliance with the loan agreements and failed to adequately evaluate the business rationale (or the lack thereof) for the significant

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<sup>24</sup> As a result of management unilaterally approaching the Lenders and changing the confirmation requests, Liao understood that, contrary to PCAOB standards, the engagement team had failed to maintain control over the confirmation requests and responses. See AU § 330.28.

<sup>25</sup> See AU § 330.27.

<sup>26</sup> *Id.*

unusual transactions with the Agent.<sup>27</sup> Failing to perform her EQR with due professional care, Liao violated AS No.7 when she provided concurring approval to issue Marcum’s audit report despite this significant engagement deficiency.<sup>28</sup>

**iii. Liao Was Aware of a Significant Engagement Deficiency Resulting From the Related Party Audit Procedures**

31. Liao knew that the engagement team had identified and assessed related party transactions as a risk of material misstatement due to fraud. In identifying the risk, the team noted that “management might have [the] intention to omit or conceal significant and unusual related party transactions.” The team also assessed the risk of material misstatement as high for “related party transactions without proper approval or business rationale[,] and not properly or adequately disclosed.”

32. Although management represented that the Agent was not a related party, Liao and the engagement team were aware of contradictory audit evidence. For example, Liao reviewed audit evidence that caused her to question whether the Issuer’s Controlling Shareholder had the ability to control or significantly influence the Agent’s management or operating policies, which, if true, would render the Agent a related party of the Issuer.<sup>29</sup> She also was aware that the Agent and the Controlling Shareholder had engaged in transactions as “longtime business partners.”

33. During the Audits, Liao knew that the engagement team had requested evidence of the details of the transactions between the Controlling Shareholder and the Agent in order to evaluate whether those transactions were indicative of a related party relationship. Liao also knew that, in response, management had provided the engagement team with excerpts of the Controlling Shareholder’s audited financial statements, which did not disclose the Agent as a

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<sup>27</sup> See AS No. 15, *Audit Evidence*; AU § 316.66 and .67.

<sup>28</sup> AS No. 7 ¶ 12.

<sup>29</sup> If the Controlling Shareholder also controlled the Agent, the Agent would be an affiliate, and therefore a related party, of the Issuer. See ASC 850-10-20 (glossary definitions of “affiliate,” “control,” and “related parties”). In that case, U.S. GAAP would have required the Issuer to disclose the Subsidiary’s transactions with the Agent, which were material to the Issuer’s financial statements. See ASC 850-10-50.

related party.<sup>30</sup> And she knew that the engagement partner had accepted the audited financial statements of the Controlling Shareholder as evidence that the Agent was not a related party.

34. But reading excerpts of the Controlling Shareholder's audited financial statements was not an adequate response to this fraud risk,<sup>31</sup> particularly in light of inconsistent evidence suggesting that the Agent was a possible related party. As Liao understood, the engagement team failed to perform the audit procedures necessary to resolve the inconsistent audit evidence.<sup>32</sup> As a result, Liao was aware of another significant engagement deficiency because the engagement team had failed to obtain sufficient appropriate evidence to determine whether the significant unusual transactions with the Agent were related party transactions and, if so, to satisfy themselves concerning the adequacy of the Issuer's disclosures in its financial statements.<sup>33</sup> Liao thus violated AS No. 7 by providing concurring approval for issuance of Marcum's audit report while being aware of this significant engagement deficiency, and by failing to perform her EQR with due professional care.<sup>34</sup>

#### 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), Helen R. Liao is hereby censured;

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<sup>30</sup> The Controlling Shareholder's financial statements were audited by a firm unaffiliated with Marcum or MarcumBP.

<sup>31</sup> Among other things, the engagement team had no basis for knowing what procedures may have been performed by the Controlling Shareholder's auditor to identify related parties and related party transactions.

<sup>32</sup> See AS No. 15 ¶ 29.

<sup>33</sup> See AS No. 15; AU § 334.01 and .11, *Related Parties*.

<sup>34</sup> AS No. 7 ¶ 12.

- B. Pursuant to Section 105(c)(4)(B) of the Act and PCAOB Rule 5300(a)(2), Helen R. Liao 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;<sup>35</sup>
- C. After one year from the date of this Order, Helen R. Liao 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)(D) of the Act and PCAOB Rule 5300(a)(4), a civil money penalty in the amount of \$15,000 is imposed upon Helen R. Liao. 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. Liao 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 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 Liao 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. *Respondent understands that failure to pay the civil money penalty described above may alone be grounds to deny any petition, pursuant to PCAOB Rule 5302(b), for Board consent to associate with a registered public accounting firm;* and
- E. Pursuant to Section 105(c)(4)(F) of the Act and PCAOB Rule 5300(a)(6), Helen R. Liao is required to complete, before filing a petition for Board consent to associate with a registered firm, twenty hours of professional education and training directly related to the audits of issuer financial statements under PCAOB

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<sup>35</sup> As a consequence of the bar, the provisions of Section 105(c)(7)(B) of the Act will apply with respect to Liao. Section 105(c)(7)(B) 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.”

standards, covering, among other topics, the performance of engagement quality reviews in accordance with AS 1220, *Engagement Quality Review* (such hours shall be in addition to, and shall not be counted in, the continuing professional education Liao is required to obtain in connection with any professional license).

ISSUED BY THE BOARD.

/s/ Phoebe W. Brown

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Phoebe W. Brown  
Secretary

September 24, 2020