



Public Company Accounting Oversight Board

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| ORDER INSTITUTING DISCIPLINARY                 | ) |                                |
| PROCEEDINGS, MAKING FINDINGS,                  | ) |                                |
| AND IMPOSING SANCTIONS                         | ) | PCAOB Release No. 105-2015-034 |
|  | ) |                                |
| <i>In the Matter of David A. Aronson, CPA,</i> | ) | October 2, 2015                |
| <i>P.A., and David A. Aronson, CPA,</i>        | ) |                                |
|  | ) |                                |
| <i>Respondents.</i>                            | ) |                                |
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By this Order, the Public Company Accounting Oversight Board ("Board" or "PCAOB") is censuring David A. Aronson, CPA, P.A. ("Firm"), a registered public accounting firm, and revoking the Firm's registration; and censuring David A. Aronson, CPA ("Aronson"), and barring him from being an associated person of a registered public accounting firm. The Board is imposing these sanctions on the basis of its findings that the Firm and Aronson (collectively, "Respondents") repeatedly violated PCAOB rules and standards in connection with ten audits of issuer 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 Respondents.

II.

In anticipation of institution of these proceedings, and pursuant to PCAOB Rule 5205, Respondents have each submitted an Offer of Settlement ("Offers") that the Board has determined to accept. Respondents admit the facts, findings, and violations set forth below, and consent to entry of this Order Instituting Disciplinary Proceedings, Making Findings, and Imposing Sanctions ("Order").<sup>1</sup>

<sup>1</sup> The findings herein are made pursuant to the Respondents' Offers and are not binding on any other person or entity in this or any other proceeding.



## ORDER

### III.

On the basis of Respondents' Offers, the Board finds<sup>2</sup> that:

#### A. Respondents

1. David A. Aronson, CPA, P.A. is, and at all relevant times was, a professional association organized under Florida law, and headquartered in North Miami Beach, Florida. 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 by the Florida Department of Business and Professional Regulation (license no. AD64119). At all relevant times, the Firm was the external auditor for each of the issuers identified below.

2. David A. Aronson, CPA, age 55, is, and at all relevant times was, a certified public accountant licensed by the Florida Department of Business and Professional Regulation (license no. AC0029792). At all relevant times, Aronson was the sole owner of the Firm and was the Firm's sole member. Aronson 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

3. This matter concerns the Firm's repeated failure to comply with Auditing Standard No. 7, *Engagement Quality Review* ("AS 7"), PCAOB rules and standards in connection with ten issuer audit engagements from 2011 through 2014. In the case of each client, the Firm failed to obtain an engagement quality review of each audit engagement even though it was required to be performed. For eight of these audits, the Firm failed to obtain engagement quality reviews despite being on notice of the requirement from PCAOB inspectors and, in one case, despite also being on notice from the PCAOB's Division of Enforcement and Investigations ("DEI").

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<sup>2</sup> The sanctions that the Board is imposing on Respondents in this Order may be imposed only if a respondent's conduct meets one of the conditions set out in Section 105(c)(5) of the Act, 15 U.S.C. § 7215(c)(5). The Board finds that each Respondent's conduct described in this Order meets the conditions set out in Section 105(c)(5)(A), which provides that certain sanctions may be imposed in the event of intentional or knowing conduct, including reckless conduct, that results in a violation of the applicable statutory, regulatory, or professional standard.



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4. This matter also concerns Aronson's direct and substantial contribution to the Firm's violations of PCAOB rules and standards concerning the requirement for engagement quality reviews. With respect to each of the ten audit engagements in which the Firm failed to have an engagement quality review, Aronson took or omitted to take actions knowing, or recklessly not knowing, that his acts and omissions would directly and substantially contribute to the Firm's violations of PCAOB rules and standards.

5. Additionally, for five of the above audit engagements, Respondents issued audit reports related to issuers for which Aronson's son had acted in an accounting role during the period under audit. In doing so, Respondents violated independence requirements that prohibit auditors from having certain employment relationships with an audit client.

### **C. Respondents Violated PCAOB Rules and Standards**

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>3</sup>

#### The Firm Failed to Obtain Engagement Quality Reviews

7. For audits of financial statements for years beginning on or after December 15, 2009, AS 7 requires that an engagement quality review be performed on audits and interim reviews conducted pursuant to PCAOB standards.<sup>4</sup> AS 7 also provides that a firm may grant permission to a client to use the engagement report only after an engagement quality reviewer provides concurring approval of issuance of the report.<sup>5</sup>

8. In addition, PCAOB rules prohibit an associated person of a registered public accounting firm from "tak[ing] or omit[ting] 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

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<sup>3</sup> PCAOB Rule 3100, *Compliance with Auditing and Related Professional Practice Standards*, and PCAOB Rule 3200T, *Interim Auditing Standards*. This Order applies PCAOB auditing standards in effect at the time of the conduct described herein.

<sup>4</sup> See AS 7 ¶ 1.

<sup>5</sup> Id. at ¶ 13.



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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 [Securities and Exchange] Commission issued under the Act, or professional standards."<sup>6</sup>

9. As described below, the Firm and Aronson failed to obtain an engagement quality review for each of the audits described below even though an engagement quality review was required to be performed.

### *Audit of Yellow7, Inc. for FY 2010*

10. At all relevant times, Yellow7, Inc. ("Yellow7") was a corporation with its headquarters in Little Elm, Texas. Yellow 7's public filings disclosed that its business was to provide online marketing and advertising services. At all relevant times, Yellow7 was an issuer as that term is defined by Section 2(a)(7) of the Act and PCAOB Rule 1001(i)(iii).

11. The Firm was engaged as Yellow7's external auditor for fiscal year ended December 31, 2010. On March 31, 2011, Yellow7 filed a Form 10-K for fiscal year ended December 31, 2010 with the Securities and Exchange Commission ("Commission" or "SEC"). The Firm improperly permitted the issuance of its unqualified audit report dated March 30, 2011, which was included in Yellow7's Form 10-K filing, without obtaining an engagement quality review and concurring approval of issuance. As a result, the Firm violated AS 7.<sup>7</sup>

### *Audit of VDO-PH International, Inc. for FY 2010*

12. At all relevant times, VDO-PH International, Inc. ("VDO") was a corporation with its headquarters in Las Vegas, Nevada. VDO's public filings disclosed that its business was developing a software program to allow businesses to operate telephone, computer, and Internet services from one appliance. At all relevant times, VDO was an issuer as that term is defined by Section 2(a)(7) of the Act and PCAOB Rule 1001(i)(iii).

13. The Firm was engaged as VDO's external auditor for fiscal year ended December 31, 2010. On April 13, 2011, VDO filed with the Commission a Form 10-K for

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<sup>6</sup> PCAOB Rule 3502, *Responsibility Not to Knowingly or Recklessly Contribute to Violations*.

<sup>7</sup> See AS 7 ¶ 13.

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fiscal year ended December 31, 2010. The Firm improperly permitted the issuance of its unqualified audit report dated April 10, 2011, which was included in VDO's Form 10-K filing, without obtaining an engagement quality review and concurring approval of issuance. As a result, the Firm violated AS 7.<sup>8</sup>

*The Firm Continues to Fail to Obtain Engagement Quality Reviews after the PCAOB's Inspection Staff Put the Firm on Notice of the Failures*

14. In connection with a June 2011 inspection of the Firm, the PCAOB's Inspections staff brought to the Firm's attention apparent failures by the Firm to comply with AS 7 regarding the performance of an engagement quality review in connection with certain audits. In the Firm's response, it agreed that AS 7 requires an engagement quality review and concurring approval of issuance for audit engagements conducted pursuant to PCAOB standards. Despite this acknowledgment, the Firm continued to fail to comply with AS 7 regarding the performance of engagement quality reviews in connection with its subsequent issuer audits.

*Audits of Frozen Food Gift Group, Inc. for FY 2011 and FY 2012*

15. At all relevant times, Frozen Food Gift Group, Inc. ("FFG")<sup>9</sup> was a corporation with its headquarters in La Jolla, California, and in Kansas City, Missouri. FFG's public filings disclosed that its business was an e-commerce retailer that sells and ships frozen desserts, ice cream, and associated food products throughout the United States. At all relevant times, FFG was an issuer as that term is defined by Section 2(a)(7) of the Act and PCAOB Rule 1001(i)(iii).

16. The Firm was engaged as FFG's external auditor for fiscal year ended December 31, 2011. On March 30, 2012, FFG filed with the Commission a Form 10-K for fiscal year ended December 31, 2011. The Firm improperly permitted the issuance of its unqualified audit report dated March 22, 2012, which was included in FFG's Form 10-K filing, without obtaining an engagement quality review and concurring approval of issuance. As a result, the Firm violated AS 7.<sup>10</sup>

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<sup>8</sup> Id.

<sup>9</sup> After March 2012, FFG filed a Form 8-K announcing that it had changed its name to APT MotoVox Group, Inc.

<sup>10</sup> See AS 7 ¶ 13.

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17. The Firm also was engaged as FFG's external auditor for fiscal year ended December 31, 2012. On April 15, 2013, FFG filed with the Commission a Form 10-K for fiscal year ended December 31, 2012. The Firm released its audit report dated February 22, 2013, along with a similarly-dated consent to use the audit report in FFG's Form 10-K. The consent was included in FFG's Form 10-K filing, and the audit report was included in a Form 10-K/A filed on April 18, 2013. The Firm improperly permitted the issuance of its unqualified audit report without obtaining an engagement quality review and concurring approval of issuance. As a result, the Firm violated AS 7.<sup>11</sup>

### *Audit of Medifirst Solutions, Inc. for FY 2012*

18. At all relevant times, Medifirst Solutions, Inc. ("Medifirst") was a corporation with its headquarters in Boca Raton, Florida, and in Freehold, New Jersey. Medifirst's public filings disclosed that its business included selling an electronic cigarette product and developing an on-line healthcare directory and social media site for both professionals and consumers. At all relevant times, Medifirst was an issuer as that term is defined by Section 2(a)(7) of the Act and PCAOB Rule 1001(i)(iii).

19. The Firm was engaged as Medifirst's external auditor for fiscal year ended December 31, 2012. On April 1, 2013, Medifirst filed with the Commission a Form 10-K for fiscal year ended December 31, 2012. The Firm improperly permitted the issuance of its unqualified audit report dated March 9, 2013, which was included in Medifirst's Form 10-K filing, without obtaining an engagement quality review and concurring approval of issuance. As a result, the Firm violated AS 7.<sup>12</sup>

### *Audit of Flow Tech Solutions, Inc. for FY 2013*

20. At all relevant times, Flow Tech Solutions, Inc. ("Flow Tech")<sup>13</sup> was a corporation with its headquarters in Portland, Oregon. Flow Tech's public filings disclosed that it was a development stage company planning to open a massage clinic in Carson, California. At all relevant times, Flow Tech was an issuer as that term is defined by Section 2(a)(7) of the Act and PCAOB Rule 1001(i)(iii).

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<sup>11</sup> Id.

<sup>12</sup> Id.

<sup>13</sup> Three times since July 2013, Flow Tech filed Forms 8-K announcing that it had changed its name: first to World Stevia Corp., then to Cannabis Capital Corp., and then to Crown Baus Capital Corp.

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21. The Firm was engaged as Flow Tech's external auditor for fiscal year ended March 31, 2013. On July 26, 2013, Flow Tech filed with the Commission a Form 10-K for fiscal year ended March 31, 2013. The Firm improperly permitted the issuance of its unqualified audit report dated July 18, 2013, which was included in Flow Tech's Form 10-K filing, without obtaining an engagement quality review and concurring approval of issuance. As a result, the Firm violated AS 7.<sup>14</sup>

*The Firm Still Fails to Obtain Engagement Quality Reviews after Again Being Put on Notice during a Second PCAOB Inspection*

22. In connection with another inspection of the Firm in early March 2014, the PCAOB inspection staff again notified Respondents about the engagement quality review requirements in AS 7, and notified Respondents of the Firm's apparent failures to fulfill those requirements with respect to the inspected audits.

*Audit of Sipup Corporation for FY 2013*

23. At all relevant times, Sipup Corporation ("Sipup") was a corporation with its headquarters in New York, New York. Sipup's public filings disclosed that the company was formed to produce, pack, and sell flavored yogurts. At all relevant times, Sipup was an issuer as that term is defined by Section 2(a)(7) of the Act and PCAOB Rule 1001(i)(iii).

24. The Firm was engaged as Sipup's external auditor for fiscal year ended November 30, 2013. On March 17, 2014, Sipup filed with the Commission a Form 10-K for fiscal year ended November 30, 2013. The Firm improperly permitted the issuance of its unqualified audit report dated March 12, 2014, which was included in Sipup's Form 10-K filing, without obtaining an engagement quality review and concurring approval of issuance. As a result, the Firm violated AS 7.<sup>15</sup>

*Audit of Medifirst Solutions, Inc. for FY 2013*

25. The Firm was engaged as Medifirst's external auditor for fiscal year ended December 31, 2013. On April 15, 2014, Medifirst filed with the Commission a Form 10-K for fiscal year ended December 31, 2013. The Firm improperly permitted the issuance of its unqualified audit report dated April 11, 2014, which was included in Medifirst's

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<sup>14</sup> AS 7 ¶ 13.

<sup>15</sup> Id.

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Form 10-K filing, without obtaining an engagement quality review and concurring approval of issuance. As a result, the Firm violated AS 7.<sup>16</sup>

*Audit of Frozen Food Gift Group, Inc. for FY 2013*

26. The Firm was engaged as FFG's external auditor for fiscal year ended December 31, 2013. On April 15, 2014, FFG filed with the Commission a Form 10-K for fiscal year ended December 31, 2013. The Firm improperly permitted the issuance of its unqualified audit report dated April 11, 2014, which was included in FFG's Form 10-K filing, without obtaining an engagement quality review and concurring approval of issuance. As a result, the Firm violated AS 7.<sup>17</sup>

*The Firm Commits Yet Another AS 7 Violation after Notice of a Board Investigation: Audit of Medifirst Solutions, Inc. for FY 2014*

27. In connection with a DEI inquiry regarding Respondents' audits, DEI staff notified Respondents in March 2015 about the Firm's apparent repeated failure to comply with AS 7 with respect to the aforementioned issuer audits. The Firm was engaged as Medifirst's external auditor for fiscal year ended December 31, 2014. On April 15, 2015, Medifirst filed with the Commission a Form 10-K for fiscal year ended December 31, 2014. Despite being aware of DEI's inquiry and notice of the Firm's apparent prior violations of AS 7, the Firm improperly permitted the issuance of its unqualified audit report dated April 5, 2015, which was included in Medifirst's Form 10-K filing, without obtaining an engagement quality review and concurring approval of issuance. As a result, the Firm violated AS 7.<sup>18</sup>

Aronson Contributed to the Firm's Violations  
of PCAOB Rules and Standards

28. 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 firm of the Act, the rules of the Board, the provisions of the securities laws relating to the preparation and issuance of audit reports and the obligations and

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<sup>16</sup> Id.

<sup>17</sup> Id.

<sup>18</sup> Id.



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liabilities of accountants with respect thereto, including the rules of the Commission issued under the Act, or professional standards.

29. Aronson, the sole owner and only member of the Firm, was principally responsible for the audits conducted by the Firm. Accordingly, Aronson had overall responsibility for ensuring that the Firm complied with PCAOB rules and standards. Aronson knew, or was reckless in not knowing, that he was directly and substantially contributing to the Firm's violations of AS 7, described above. As a result, he violated PCAOB Rule 3502.

### Respondents Failed to Comply with Professional Standards Regarding Auditor Independence

30. PCAOB rules and standards require that a registered public accounting firm and its associated persons be independent of the firm's audit client throughout the audit and professional engagement period.<sup>19</sup> "[A] registered public accounting firm or associated person's independence obligation with respect to an audit client encompasses not only an obligation to satisfy the independence criteria applicable to the engagement set out in the rules and standards of the PCAOB, but also an obligation to satisfy all other independence criteria applicable to the engagement, including the independence criteria set out in the rules and regulations of the Commission under the federal securities laws."<sup>20</sup>

31. Rule 2-01 of the Commission's Regulation S-X provides that an accountant is not independent of an audit client when a close family member of the accountant serves in an accounting role at an audit client during the period covered by the audit.<sup>21</sup> An accounting role means a role in which a person is in a position to, or does, exercise more than minimal influence over the contents of the accounting records or anyone who prepares them.<sup>22</sup> Under Regulation S-X, "close family member" includes a person's nondependent child and any dependents.<sup>23</sup>

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<sup>19</sup> See PCAOB Rule 3520, *Auditor Independence*; AU § 220.02, *Independence*.

<sup>20</sup> PCAOB Rule 3520, Note 1.

<sup>21</sup> See Rule 2-01 of Regulation S-X, 17 C.F.R. § 220.2-01(c)(2)(ii).

<sup>22</sup> See *id.* at 17 C.F.R. § 220.2-01(f)(3)(i).

<sup>23</sup> See *id.* at 17 C.F.R. § 220.2-01(f)(9).



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32. During five of the above-mentioned audit engagements, Respondents failed to comply with PCAOB independence requirements because Aronson's son served in an accounting role at VDO during fiscal year 2010, at FFG during fiscal years 2011 and 2012, at Flow Tech during fiscal year 2013, and at Sipup during fiscal year 2013. Aronson was aware that these audit clients had hired a bookkeeping firm owned by his son because Aronson had recommended his son's firm to the audit clients.<sup>24</sup> Aronson's son's firm served as the primary bookkeeper (recording journal entries directly to the clients' general ledgers) and preparer of the financial statements for the clients. Respondents audited those financial statements, and issued unqualified audit reports by the Firm, in violation of PCAOB independence rules and standards.

## 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), David A. Aronson, CPA, P.A. and David A. Aronson, CPA are hereby censured;
- B. Pursuant to Section 105(c)(4)(B) of the Act and PCAOB Rule 5300(a)(2), David A. Aronson, 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>25</sup> and

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<sup>24</sup> Aronson's son's firm was not a public accounting firm registered with the PCAOB.

<sup>25</sup> As a consequence of the bar, the provisions of Section 105(c)(7)(B) of the Act will apply with respect to Aronson. Section 105(c)(7)(B) of the Act provides that "[i]t 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."

**ORDER**

- C. Pursuant to Section 105(c)(4)(A) of the Act and PCAOB Rule 5300(a)(1), the registration of David A. Aronson, CPA, P.A. is revoked.

ISSUED BY THE BOARD.

/s/ Phoebe W. Brown

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Phoebe W. Brown  
Secretary

October 2, 2015