



Public Company Accounting Oversight Board

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ORDER INSTITUTING DISCIPLINARY  
PROCEEDINGS, MAKING FINDINGS,  
AND IMPOSING SANCTIONS

PCAOB Release No. 105-2015-029

July 23, 2015

*In the Matter of Keith K. Zhen, CPA and  
Keith Zhen, CPA*

*Respondents.*

By this Order, the Public Company Accounting Oversight Board ("Board" or "PCAOB") is censuring Keith K. Zhen, CPA ("Firm"), a registered public accounting firm, revoking the Firm's registration,<sup>1</sup> and imposing a civil money penalty in the amount of \$15,000 upon the Firm; and censuring Keith Zhen, CPA ("Zhen") barring him from being an associated person for a registered public accounting firm.<sup>2</sup> The Board is imposing these sanctions on the basis of its findings that the Firm and Zhen (collectively, "Respondents") violated PCAOB rules and standards in connection with the audit of five 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 Respondents.

<sup>1</sup> The Firm may reapply for registration after two (2) years from the date of this Order.

<sup>2</sup> Zhen may file a petition for Board consent to associate with a registered public accounting firm after two (2) years from the date of this Order.

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**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. 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 them and the subject matter of these proceedings, which is admitted, Respondents consent to entry of this Order Instituting Disciplinary Proceedings, Making Findings, and Imposing Sanctions ("Order") as set forth below.<sup>3</sup>

**III.**

On the basis of Respondents' Offers, the Board finds<sup>4</sup> that:

**A. Respondents**

1. Keith K. Zhen, CPA, is, and at all relevant times was, a sole proprietorship headquartered in Brooklyn, New York. The Firm is registered with the Board pursuant to Section 102 of the Act and PCAOB rules. The Firm is not licensed. At all relevant times, the Firm was the external auditor for each of the issuers identified below.

2. Keith Zhen, CPA, 45, of Brooklyn, New York, is a certified public accountant licensed by the New York State Education Department (license no. 085787). At all relevant times, Zhen was the sole owner of the Firm. At all relevant times, he was an associated person of a registered public accounting firm, Keith K. Zhen, CPA, as that term is defined in Section 2(a)(9) of the Act and PCAOB Rule 1001(p)(i).

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<sup>3</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.

<sup>4</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), 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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### B. Summary

3. This matter concerns the Firm's repeated failure to comply with Auditing Standard No. 7, *Engagement Quality Review* ("AS 7"), with respect to five issuer audit clients and for multiple audits for some. In the case of each client, the Firm failed to obtain an engagement quality review of each audit even though it was required to be performed.

4. This matter also concerns Zhen's direct and substantial contribution to the Firm's violations of PCAOB rules and standards with respect to the Firm's audits of five issuer clients. Zhen took or omitted to take actions knowing, or recklessly not knowing, that his acts or omissions would directly and substantially contribute to the Firm's violations of PCAOB rules and auditing standards.

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

5. 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>5</sup>

6. 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>6</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.<sup>7</sup>

7. 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 provisions of the securities laws relating to the preparation and issuance of audit reports

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<sup>5</sup> PCAOB Rule 3100, *Compliance with Auditing and Related Professional Practice Standards*.

<sup>6</sup> See AS 7 ¶ 1.

<sup>7</sup> Id. at ¶ 13.



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and the obligations and liabilities of accountants with respect thereto, including the rules of the Commission issued under the Act, or professional standards."<sup>8</sup>

8. As described below, the Firm and Zhen 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.

### Audits of China Northern's Financial Statements

9. At all relevant times, China Northern Medical Device, Inc. ("China Northern") was a Nevada corporation headquartered in the People's Republic of China. The company's public filings disclose that it is in the business of developing portable medical devices designed for home treatments. At all relevant times, China Northern was an "issuer" as defined in Section 2(a)(7) of the Act and PCAOB Rule 1001(i)(iii).

10. Respondents were engaged to audit the 2010 year-end financial statements of China Northern. On March 31, 2011, China Northern filed a Form 10-K with the Securities and Exchange Commission ("Commission" or "SEC"). Respondents improperly permitted the issuance of the Firm's audit report dated March 31, 2011, which was included in China Northern's Form 10-K filing, without obtaining an engagement quality review and concurring approval of issuance. As a result, the Firm violated AS 7.

11. Respondents were engaged to audit the 2011 year-end financial statements and obtained an engagement quality review and concurring approval of issuance of the audit report.

12. Respondents were engaged to audit the 2012 year-end financial statements of China Northern. On April 16, 2013, China Northern filed a Form 10-K with the Commission. Respondents improperly permitted the issuance of the Firm's audit report dated April 16, 2013, which was included in China Northern's Form 10-K filing, without obtaining an engagement quality review and concurring approval of issuance. As a result, the Firm violated AS 7.

13. Respondents were engaged to audit the 2013 year-end financial statements of China Northern. On April 15, 2014, China Northern filed a Form 10-K with the Commission. Respondents improperly permitted the issuance of the Firm's audit

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<sup>8</sup> See PCAOB Rule 3502, *Responsibility Not to Knowingly or Recklessly Contribute to Violations*.

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report dated April 14, 2014, which was included in China Northern's Form 10-K filing, without obtaining an engagement quality review and concurring approval of issuance. As a result, the Firm violated AS 7.

14. Zhen knew, or was reckless in not knowing, that he was directly and substantially contributing to the Firm's violations of AS 7 when he caused the Firm to grant permission to the client to use the engagement report without obtaining an engagement quality review and concurring approval of issuance. As a result, Zhen violated PCAOB Rule 3502.

Audit of Smooth Global's Financial Statements

15. At all relevant times, Smooth Global (China) Holdings, Inc. ("Smooth Global") was a Nevada corporation headquartered in the People's Republic of China. The company's public filings disclose that it is in the business of manufacturing and distributing rechargeable polymer lithium-ion batteries. At all relevant times, Smooth Global was an "issuer" as defined in Section 2(a)(7) of the Act and PCAOB Rule 1001(i)(iii).

16. Respondents were engaged to audit the 2010 year-end financial statements of Smooth Global. On May 19, 2011, Smooth Global filed a Form 10-K with the Commission. Respondents improperly permitted the issuance of the Firm's audit report dated April 15, 2011, which was included in Smooth Global's Form 10-K filing, without obtaining an engagement quality review and concurring approval of issuance. As a result, the Firm violated AS 7.

17. Zhen knew, or was reckless in not knowing, that he was directly and substantially contributing to the Firm's violation when he improperly permitted the issuance of the audit report by the Firm without an engagement quality review and concurring approval of issuance. As a result, Zhen violated PCAOB Rule 3502.

Audits of China Du Kang's Financial Statements

18. At all relevant times, China Du Kang Co. Ltd. ("China Du Kang") was a Nevada corporation headquartered in the People's Republic of China. The company's public filings disclose that it is in the business of manufacturing, selling, licensing, and distributing a proprietary line of white wines and other spirits. At all relevant times, China Du Kang was an "issuer" as defined in Section 2(a)(7) of the Act and PCAOB Rule 1001(i)(iii).

19. Respondents were engaged to audit the 2010 year-end financial statements of China Du Kang. On April 15, 2011, China Du Kang filed a Form 10-K with

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the Commission. Respondents improperly permitted the issuance of the Firm's audit report dated April 15, 2011, which was included in China Du Kang's Form 10-K filing, without obtaining an engagement quality review and concurring approval of issuance. As a result, the Firm violated AS 7.

20. Respondents were engaged to audit the 2011 year-end financial statements and obtained an engagement quality review and concurring approval of issuance of the audit report.

21. Respondents were engaged to audit the 2012 year-end financial statements of China Du Kang. On April 16, 2013 China Du Kang filed a Form 10-K with the Commission. Respondents improperly permitted the issuance of the Firm's audit report dated April 15, 2013, which was included in China Du Kang's Form 10-K filing, without obtaining an engagement quality review and concurring approval of issuance. As a result, the Firm violated AS 7.

22. Respondents were engaged to audit the 2013 year-end financial statements of China Du Kang. On July 29, 2014 China Du Kang filed a Form 10-K with the Commission. Respondents improperly permitted the issuance of the Firm's audit report dated June 18, 2014, which was included in China Du Kang's Form 10-K filing, without obtaining an engagement quality review and concurring approval of issuance. As a result, the Firm violated AS 7.

23. Zhen knew, or was reckless in not knowing, that he was directly and substantially contributing to the Firm's violations when he improperly permitted the issuance of the audit reports by the Firm without an engagement quality review and concurring approval of issuance. As a result, Zhen violated PCAOB Rule 3502.

Audit of Anpulo Food's Financial Statements

24. At all relevant times, Anpulo Food Inc. ("Anpulo Food") was a British Virgin Islands corporation headquartered in the People's Republic of China. The company's public filings disclose that it is in the business of processing and distributing meat products. At all relevant times, Anpulo Food was an "issuer" as defined in Section 2(a)(7) of the Act and PCAOB Rule 1001(i)(iii).

25. Respondents were engaged to audit the year-end July 31, 2013, financial statements of Anpulo Food. On September 9, 2013, Anpulo Food filed a Form 10-K with the Commission. Respondents improperly permitted the issuance of the Firm's audit report dated September 6, 2013, which was included in Anpulo Food's Form 10-K filing, without obtaining an engagement quality review and concurring approval of issuance. As a result, the Firm violated AS 7.

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26. Zhen knew, or was reckless in not knowing, that he was directly and substantially contributing to the Firm's violations when he improperly permitted the issuance of the audit report by the Firm without an engagement quality review and concurring approval of issuance. As a result, Zhen violated PCAOB Rule 3502.

Audit of China Environmental Protection's Financial Statements

27. At all relevant times, China Environmental Protection, Inc. ("China Environmental Protection") was a Nevada corporation headquartered in the People's Republic of China. The company's public filings disclose that it is a water treatment equipment supplier and project contractor. At all relevant times, China Environmental was an "issuer" as defined in Section 2(a)(7) of the Act and PCAOB Rule 1001(i)(iii).

28. Respondents were engaged to audit the year-end September 30, 2010 financial statements of China Environmental Protection. On October 23, 2012, China Environmental Protection filed a Form 10-K with the Commission. Respondents improperly permitted the issuance of the Firm's audit report dated October 23, 2012, which was included in China Environmental Protection's Form 10-K filing, without obtaining an engagement quality review and concurring approval of issuance. As a result, the Firm violated AS 7.

29. Zhen knew, or was reckless in not knowing, that he was directly and substantially contributing to the Firm's violation when he improperly permitted the issuance of the audit report by the Firm without an engagement quality review and concurring approval of issuance. As a result, Zhen violated PCAOB Rule 3502.

**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), Keith K. Zhen, CPA and Keith Zhen, CPA are hereby censured;
- B. Pursuant to Section 105(c)(4)(B) of the Act and PCAOB Rule 5300(a)(2), Keith Zhen, CPA is barred from being an associated person of a

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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);<sup>9</sup>

- C. After two (2) years from the date of this Order, Keith Zhen, CPA 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)(A) of the Act and PCAOB Rule 5300(a)(1), the registration of Keith K. Zhen, CPA is revoked;
- E. After two (2) years from the date of this Order, Keith K. Zhen, CPA, may reapply for registration by filing an application pursuant to PCAOB Rule 2101; and
- F. 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 Keith K. Zhen, 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. Keith K. Zhen, CPA 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 Keith K. Zhen, CPA 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,

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<sup>9</sup> As a consequence of the bar, the provisions of Section 105(c)(7)(B) of the Act will apply with respect to Zhen. 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**

Secretary, Public Company Accounting Oversight Board, 1666 K Street,  
N.W., Washington, D.C. 20006.

ISSUED BY THE BOARD.

/s/ Phoebe W. Brown

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Phoebe W. Brown  
Secretary

July 23, 2015