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ORDER INSTITUTING DISCIPLINARY
PROCEEDINGS, MAKING FINDINGS,
AND IMPOSING SANCTIONS

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)
) PCAOB Release No. 105-2015-027
)

) July 23, 2015
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*In the Matter of R.R. Hawkins &
Associates, International A Professional
Corporation and R. Richard Hawkins, II,
CPA,
Respondents.*

By this Order, the Public Company Accounting Oversight Board ("Board" or "PCAOB") is censuring the registered public accounting firm R.R. Hawkins & Associates, International A Professional Corporation ("Firm"), revoking the Firm's registration,¹ and censuring R. Richard Hawkins, II, CPA ("Hawkins") and barring him from being an associated person for a registered public accounting firm.² The Board is imposing these sanctions on the basis of its findings that the Firm and Hawkins (collectively, "Respondents") violated PCAOB rules and standards in connection with the audits of two 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.

¹ The Firm may reapply for registration after one (1) year from the date of this Order.

² Hawkins may file a petition for Board consent to associate with a registered public accounting firm after one (1) year 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.³

III.

On the basis of Respondents' Offers, the Board finds⁴ that:

A. Respondents

1. R.R. Hawkins & Associates, International A Professional Corporation, is, and at all relevant times was, a sole proprietorship headquartered in Los Angeles, California. The firm is licensed to practice public accountancy by the California Board of Accountancy (license no. 6533). The Firm is registered with the Board pursuant to Section 102 of the Act and PCAOB rules. At all relevant times, the Firm was the external auditor for each of the issuers identified below.

2. R. Richard Hawkins, II, CPA, 63, of Los Angeles, California, was a certified public accountant licensed by the California Board of Accountancy (license no. 55450). At all relevant times, Hawkins was the sole owner of the Firm. At all relevant times, he 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).

³ 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.

⁴ 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 failure to comply with Auditing Standard No. 7, *Engagement Quality Review* ("AS 7"), with respect to two issuer audit clients. 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 Hawkins' direct and substantial contribution to the Firm's violations of AS 7 with respect to the Firm's audits of two issuer clients. Hawkins 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.⁵

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.⁶ 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.⁷

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

⁵ PCAOB Rule 3100, *Compliance with Auditing and Related Professional Practice Standards*.

⁶ See AS 7 ¶ 1.

⁷ 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."⁸

8. As described below, the Firm and Hawkins 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 Denali Concrete's Financial Statements

9. At all relevant times, Denali Concrete Management, Inc. ("Denali Concrete") was a Nevada corporation headquartered in Carson City, Nevada. The company's public filings disclose it was focusing on efforts to obtain a business opportunity, either through a merger or through the acquisition of a business opportunity. At all relevant times, Denali Concrete 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 Denali Concrete. On March 3, 2011, Denali Concrete 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 January 27, 2010, which was included in Denali Concrete'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. Hawkins knew, or was reckless in not knowing, that he was directly and substantially contributing to the Firm's violation 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, Hawkins violated PCAOB Rule 3502.

Respondents' Violations Continued After Notice from PCAOB Inspectors

12. In connection with a 2010 inspection of the Firm, the PCAOB Inspections staff reminded the Firm that it needed to comply with AS 7 for all audits and interim reviews performed by the Firm for fiscal years beginning on or after December 15, 2009.⁹

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

⁹ AS 7 was not effective for the audits reviewed as part of the 2010 inspection period.

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Audits of Pacific Software's Financial Statements

13. At all relevant times, Pacific Software, Inc. ("Pacific Software") was a Nevada corporation headquartered in Carson City, Nevada. The company's public filings disclose that it ceased operations in December 2009, and is focusing efforts on seeking a business opportunity, either through a merger or through the acquisition of a business opportunity. At all relevant times, Pacific Software was an "issuer" as defined in Section 2(a)(7) of the Act and PCAOB Rule 1001(i)(iii).

14. Respondents were engaged to audit the September 30, 2011 year-end financial statements of Pacific Software. On January 10, 2012, Pacific Software filed a Form 10-K with the Commission. Respondents improperly permitted the issuance of the Firm's audit report dated December 9, 2011, which was included in Pacific Software's Form 10-K filing, without obtaining an engagement quality review and concurring approval of issuance. Even though Hawkins was aware that an engagement quality review needed to be performed, the Firm failed to have an engagement quality review performed on the September 30, 2011 year-end audit of Pacific Software. As a result, the Firm violated AS 7.

15. Respondents were engaged to audit the September 30, 2012 year-end financial statements of Pacific Software. On December 12, 2012, Pacific Software filed a Form 10-K with the Commission. Respondents improperly permitted the issuance of the Firm's audit report dated November 28, 2012, which was included in Pacific Software's Form 10-K filing, without obtaining an engagement quality review and concurring approval of issuance. As a result, the Firm violated AS 7.

16. Hawkins 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, Hawkins 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.

ORDER

Accordingly, it is hereby ORDERED that:

- A. Pursuant to Section 105(c)(4)(E) of the Act and PCAOB Rule 5300(a)(5), R. Richard Hawkins, II, CPA and R.R. Hawkins & Associates, International A Professional Corporation are hereby censured;
- B. Pursuant to Section 105(c)(4)(B) of the Act and PCAOB Rule 5300(a)(2), R. Richard Hawkins, II, 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);¹⁰
- C. After one (1) year from the date of this Order, R. Richard Hawkins, II, 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 R.R. Hawkins & Associates, International A Professional Corporation is revoked; and
- E. After one (1) year from the date of this Order, R.R. Hawkins & Associates, International A Professional Corporation may reapply for registration by filing an application pursuant to PCAOB Rule 2101.

ISSUED BY THE BOARD.

/s/ Phoebe W. Brown

Phoebe W. Brown
Secretary

July 23, 2015

¹⁰ As a consequence of the bar, the provisions of Section 105(c)(7)(B) of the Act will apply with respect to Hawkins. 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."