

ORDER INSTITUTING DISCIPLINARY  
PROCEEDINGS, MAKING FINDINGS,  
AND IMPOSING SANCTIONS

*In the Matter of Mark Shelley CPA,  
Mark A. Shelley, CPA, and  
Allan J. Ricks,*

*Respondents.*

PCAOB Release No. 105-2015-010

May 28, 2015

By this Order, the Public Company Accounting Oversight Board ("Board" or "PCAOB") is censuring Mark Shelley CPA ("Firm") and revoking the Firm's registration; censuring Mark A. Shelley, CPA ("Shelley") and barring Shelley from being an associated person of a registered public accounting firm; and censuring Allan J. Ricks ("Ricks") and barring Ricks from being an associated person of a registered public accounting firm.<sup>1</sup> The Board is imposing these sanctions on the basis of its findings that: (a) Shelley and the Firm violated PCAOB rules and auditing standards in connection with the Firm's audits of an issuer client's financial statements; (b) the Firm violated Section 10(b) of the Securities Exchange Act of 1934 ("Exchange Act") and Rule 10b-5 thereunder in connection with one of those audits; (c) Shelley directly and substantially contributed to the Firm's violations of the Exchange Act and Rule 10b-5 thereunder; and (d) Ricks violated PCAOB rules and auditing standards in connection with his engagement quality reviews ("EQRs") of the Firm's 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 pursuant to Section 105(c) of the Sarbanes-Oxley Act of 2002, as amended ("Act"), and PCAOB Rule 5200(a)(1) against the Firm, Shelley, and Ricks (collectively "Respondents").

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<sup>1</sup> Ricks 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 the institution of these proceedings, and pursuant to PCAOB Rule 5205, Respondents have each 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 them and the subject matter of these proceedings, which are admitted, Respondents consent to the entry of this Order Instituting Disciplinary Proceedings, Making Findings, and Imposing Sanctions ("Order") as set forth below.<sup>2</sup>

**III.**

On the basis of Respondents' Offers, the Board finds<sup>3</sup> that:

**A. Respondents**

1. Mark Shelley CPA, is, and at all relevant times was, a sole proprietorship organized and licensed under the laws of the state of Arizona (registration no. 4242), and located in Mesa, Arizona. The Firm has been registered with the Board pursuant to Section 102 of the Act and PCAOB rules since October 14, 2003.<sup>4</sup> The Firm has one

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<sup>2</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>3</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 Respondents' conduct described in this Order meets the conditions set out in Section 105(c)(5), which provides that such sanctions may be imposed in the event of (A) intentional or knowing conduct, including reckless conduct, that results in 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>4</sup> The Firm was previously registered with the PCAOB under the name Shelley International CPA. See PCAOB Form 3 at 1, 10 (May 6, 2014) (reporting change of legal name from "Shelley International CPA" to "Mark Shelley CPA" effective July 1, 2014).



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issuer audit client (identified below) and no registered broker-dealer audit clients. At all relevant times, the Firm was the independent auditor for the issuer identified herein.<sup>5</sup>

2. Mark A. Shelley, CPA, 63, of Mesa, Arizona, is the sole owner of Mark Shelley CPA, and a certified public accountant ("CPA") licensed by the Arizona State Board of Accountancy (certificate no. 3115). Shelley had final responsibility for, and authorized the issuance of reports on, the Firm's audits of the financial statements of Unilava Corporation ("Unilava"), identified below, for the years ended December 31, 2012 and 2013. At all relevant times, Shelley 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. Allan J. Ricks, 62, of Mesa, Arizona, was a full-time employee of the Firm until December 2012, when he left the Firm and joined one of its non-issuer clients as the company's financial controller. Ricks thereafter continued to assist Shelley and the Firm with client work, including by performing EQRs of Unilava audits. Ricks served as the engagement quality reviewer, and provided his concurring approval of issuance, for the Firm's audits of Unilava's financial statements for the years ended December 31, 2012 and 2013. At all relevant times, Ricks 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**

4. This matter concerns violations by Respondents of PCAOB rules and auditing standards in connection with the Firm's audits of Unilava's financial statements for 2012 and 2013 ("Unilava Audits").<sup>6</sup> As detailed below, Shelley and the Firm failed repeatedly, among other things, to obtain sufficient appropriate audit evidence, exercise due professional care, and exercise professional skepticism in connection with those audits.

5. The Firm also violated Section 10(b) of the Exchange Act, and Rule 10b-5 thereunder, by issuing an audit report stating that the audit of Unilava's 2013 financial

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<sup>5</sup> The Firm issued the relevant audit reports while operating under the name Shelley International CPA, before it changed its name to Mark Shelley CPA effective July 1, 2014.

<sup>6</sup> All references to PCAOB auditing standards in this Order are to the versions of those standards in effect for the audits described herein.

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statements had been performed in accordance with PCAOB standards when it knew, or was reckless in not knowing, that the statement was false. Shelley took or omitted to take actions that he knew, or was reckless in not knowing, would directly and substantially contribute to the Firm's violations of Section 10(b) and Rule 10b-5, and thereby violated PCAOB Rule 3502, *Responsibility Not to Knowingly or Recklessly Contribute to Violations*.

6. The Firm also violated Auditing Standard No. 7, *Engagement Quality Review* ("AS 7"), by failing to have EQRs performed for those audits by an engagement quality reviewer possessing the level of knowledge and competence relating to accounting, auditing, and financial reporting required by that standard. Shelley took or omitted to take actions that he knew, or was reckless in not knowing, would directly and substantially contribute to the Firm's violations of AS 7, and thereby violated PCAOB Rule 3502.

7. Ricks violated AS 7 by providing his concurring approval of issuance without performing with due professional care the EQRs required by that standard for the Unilava Audits.

**C. Shelley and the Firm Violated PCAOB Rules and Auditing Standards in Connection with the Audits**

8. In connection with the preparation or issuance of any 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>7</sup> 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 PCAOB standards.<sup>8</sup> Among other things, those standards require that an auditor exercise due professional care, exercise professional skepticism, and obtain appropriate audit evidence that is sufficient to provide a reasonable basis for the opinion expressed in the auditor's report.<sup>9</sup>

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<sup>7</sup> See PCAOB Rule 3100, *Compliance with Auditing and Related Professional Practice Standards*; PCAOB Rule 3200T, *Interim Auditing Standards*.

<sup>8</sup> See AU § 508.07, *Reports on Audited Financial Statements*.

<sup>9</sup> See AU § 150.02, *Generally Accepted Auditing Standards*; AU § 230, *Due Professional Care in the Performance of Work*; Auditing Standard No. 13, *The Auditor's*

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9. As detailed below, Respondents failed to comply with the aforementioned rules and standards, among others, in connection with the Unilava Audits.

The 2012 Unilava Audit

10. Unilava is a Wyoming corporation headquartered in San Francisco, California. Unilava's public filings disclose that it provides communication services, products, and equipment that address the needs of small to medium enterprise businesses and consumers. Its common stock is registered under Section 12(g) of the Exchange Act and is quoted on the OTC Pink marketplace. At all relevant times, Unilava was an issuer as that term is defined by Section 2(a)(7) of the Act and PCAOB Rule 1001(i)(iii).

11. In November 2012, the Firm became Unilava's external auditors. The Firm issued an audit report dated April 15, 2013, expressing an unqualified opinion with a going concern explanatory paragraph on Unilava's financial statements for the year ended December 31, 2012. The Firm's audit report was included in Unilava's Form 10-K filed with the U.S. Securities and Exchange Commission ("Commission" or "SEC") on April 16, 2013. Shelley had final responsibility for the audit of Unilava's 2012 financial statements ("2012 Audit") and authorized issuance of the Firm's audit report.

12. Shelley and the Firm violated PCAOB rules and auditing standards in conducting the 2012 Audit. Among other things, Shelley and the Firm failed to plan the 2012 Audit by failing to develop an overall strategy for the audit that set the scope, timing, and direction of the audit,<sup>10</sup> or to develop and document an audit plan that included a description of the nature, timing, and extent of the risk assessment procedures, tests of controls, and substantive procedures.<sup>11</sup> Shelley and the Firm also failed to perform sufficient procedures necessary to identify, assess, and respond to the risks of material misstatement due to fraud, including performing journal entry testing.<sup>12</sup>

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*Responses to the Risks of Material Misstatement* ("AS 13"); Auditing Standard No. 15, *Audit Evidence* ("AS 15").

<sup>10</sup> See Auditing Standard No. 9, *Audit Planning* ("AS 9"), ¶ 8.

<sup>11</sup> See *id.* ¶ 10.

<sup>12</sup> See AU § 316, *Consideration of Fraud in a Financial Statement Audit*; Auditing Standard No. 12, *Identifying and Assessing Risks of Material Misstatement* ("AS 12"); AS 13; Auditing Standard No. 14, *Evaluating Audit Results* ("AS 14").

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13. In performing the 2012 Audit, Shelley and the Firm failed to exercise due professional care and obtain sufficient appropriate audit evidence concerning significant balances and transactions in Unilava's financial statements.<sup>13</sup> Unilava reported total revenue of \$3.1 million during 2012. During the 2012 Audit, Shelley and the Firm failed to perform sufficient audit procedures concerning revenue. Specifically, Shelley and the Firm failed to identify the risks of material misstatement at the assertion level or to perform procedures to address those risks.<sup>14</sup> This included a failure to assess whether there was a fraud risk involving improper revenue recognition and evaluate which types of revenue, revenue transactions, or assertions may have given rise to a fraud risk.<sup>15</sup> In addition, Shelley and the Firm failed to perform substantive procedures, including tests of details, that were specifically responsive to that fraud risk.<sup>16</sup>

14. Other than tracing deposits from bank records to Unilava's general ledger for one month during the year and examining several revenue contracts, Shelley and the Firm did not perform any procedures relating to revenue. Shelley and the Firm failed to perform procedures sufficient to test the existence and valuation of revenue reported by the company throughout the year. Furthermore, Shelley and the Firm failed to evaluate whether Unilava's revenue recognition complied with generally accepted accounting principles in the United States ("US GAAP"). Shelley and the Firm accordingly failed to obtain sufficient appropriate audit evidence regarding Unilava's 2012 revenue.<sup>17</sup>

15. Shelley and the Firm also failed to perform sufficient audit procedures concerning the valuation of goodwill in Unilava's December 31, 2012 financial statements. Unilava reported goodwill of \$767,873, which accounted for approximately 29 percent of its total reported assets as of December 31, 2012. Unilava disclosed in its 2012 Form 10-K that it annually reviews the carrying value of goodwill to determine whether an impairment, as measured by a change in fair market value, may exist.<sup>18</sup>

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<sup>13</sup> See AU § 230; AS 15.

<sup>14</sup> See AS 12; AS 13.

<sup>15</sup> See AS 12 ¶¶ 59, 68.

<sup>16</sup> See AS 13 ¶¶ 13, 36.

<sup>17</sup> See AS 13; AS 14; AS 15.

<sup>18</sup> According to US GAAP, goodwill shall be tested for impairment on an annual basis and between annual tests in certain circumstances. An entity may first



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Unilava also disclosed that there was substantial doubt about its ability to continue as a going concern due to various factors, including operating losses during 2012, as well as negative working capital and an accumulated deficit as of year-end. Furthermore, Unilava recorded a goodwill impairment charge in the previous year's financial statements. Shelley and the Firm failed to perform any audit procedures to evaluate whether Unilava's goodwill was properly valued including obtaining any impairment analyses prepared by Unilava and, therefore, failed to obtain sufficient appropriate audit evidence with respect to Unilava's goodwill.<sup>19</sup>

16. Unilava reported total long-lived assets, net of accumulated depreciation, of \$1.5 million, accounting for approximately 57 percent of total reported assets as of December 31, 2012. Unilava disclosed in its 2012 Form 10-K that during a prior year it had acquired microwave towers, representing approximately 78 percent of total long-lived assets, in exchange for an ownership interest in one of its subsidiaries. In addition, Unilava disclosed that it had an arrangement with the seller of the towers, a related entity, whereby Unilava had the right to a specified number of towers and the ability to exchange towers with the related entity if a tower was sold or was not deemed suitable. The only procedures performed by Shelley and the Firm with respect to Unilava's long-lived assets consisted of reading the predecessor auditor's related work papers and searching an internet website to locate a number of the towers listed on an issuer-prepared depreciation schedule. The website searches did not provide any audit evidence with respect to ownership of, rights to, or valuation of the towers. Shelley and the Firm accordingly failed to obtain sufficient appropriate audit evidence.<sup>20</sup>

17. Finally, Shelley and the Firm failed to perform sufficient audit procedures to test the existence and valuation of accounts receivable. Unilava reported accounts receivable, net of an allowance for doubtful accounts, of \$246,438—which accounted for approximately nine percent of total reported assets at the end of the year. To test the

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assess qualitative factors to determine whether it is necessary to perform a goodwill impairment test but has an unconditional option to bypass the qualitative assessment in any period and proceed to a two-step process for determining impairment. See Financial Accounting Standards Board's Accounting Standards Codification Subtopic 350, *Intangibles – Goodwill and Other*. Unilava disclosed in its 2012 financial statements that it used this two-step process to determine if goodwill was impaired.

<sup>19</sup> See AS 13; AS 14; AS 15.

<sup>20</sup> See AU § 315.12-.13, *Communications Between Predecessor and Successor Auditors*; AU § 334.11, *Related Parties*; AS 13; AS 14; AS 15.

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existence of accounts receivable, Shelley and the Firm sent confirmation request letters to customers with balances that, in aggregate, represented approximately 95 percent of year-end gross accounts receivable. Prior to the Firm's issuance of its audit report regarding Unilava's 2012 financial statements, Shelley and the Firm did not receive any responses to the confirmation request letters. Nor did Shelley and the Firm perform alternative procedures to test the accounts receivable balances for which confirmation responses were not received. Shelley and the Firm accordingly failed to perform sufficient procedures to test the existence of accounts receivable.<sup>21</sup> Additionally, Shelley and the Firm failed to perform any procedures relating to the valuation of Unilava's accounts receivable.<sup>22</sup>

18. Furthermore, on April 17, 2013, two days after the date of the Firm's audit report regarding Unilava's 2012 financial statements, the Firm received a response to one of its confirmation request letters. The response, sent by a Unilava customer, stated that the customer did not owe any amounts to Unilava. That customer had a reported accounts receivable balance of \$172,499 (approximately 70 percent of total reported gross accounts receivable) as of December 31, 2012. Shelley and the Firm failed to perform sufficient audit procedures with respect to the information in that confirmation request response, including to determine whether the information was reliable, to discuss the matter with Unilava, or to evaluate whether the Firm's report would have been affected if the information had been known to Shelley and the Firm at the date of the Firm's report.<sup>23</sup>

The 2013 Unilava Audit

19. The Firm issued an audit report dated April 12, 2014, expressing an unqualified opinion with a going concern explanatory paragraph on Unilava's financial statements for the year ended December 31, 2013. The Firm's audit report was included in Unilava's Form 10-K filed with the Commission on April 14, 2014. The audit report stated that the audit was conducted in accordance with PCAOB standards and that Unilava's financial statements presented fairly, in all material respects, Unilava's financial position and the results of its operations in conformity with US GAAP. Shelley

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<sup>21</sup> See AU § 330.31-.32, *The Confirmation Process*; AS 13; AS 14; AS 15.

<sup>22</sup> See AS 13; AS 14; AS 15.

<sup>23</sup> See AU § 561, *Subsequent Discovery of Facts Existing at the Date of the Auditor's Report*.



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had final responsibility for the audit of Unilava's 2013 financial statements ("2013 Audit") and authorized issuance of the Firm's audit report.

20. In performing the 2013 Audit, Shelley and the Firm again failed to exercise due professional care and obtain sufficient appropriate audit evidence.<sup>24</sup> During the 2013 Audit, Shelley and the Firm failed to plan the audit, performed few audit procedures overall, and performed no audit procedures relating to certain significant balances and transactions in Unilava's financial statements. Shelley and the Firm: (a) failed to plan the audit in accordance with PCAOB standards; (b) failed to perform sufficient procedures necessary to identify, assess, and respond to the risks of material misstatement due to fraud, including performing journal entry testing; (c) failed to perform any procedures relating to Unilava's reported revenue of \$2.7 million; and (d) failed to perform any audit procedures relating to the existence and valuation of Unilava's significant reported assets including goodwill of \$767,873 (approximately 30 percent of reported total assets), net long-lived assets of \$1.4 million (approximately 55 percent of reported total assets), and net accounts receivable of \$294,150 (approximately 11 percent of reported total assets).<sup>25</sup>

**D. The Firm Violated Section 10(b) of the Exchange Act and Rule 10b-5 Thereunder, and Shelley Violated PCAOB Rule 3502, in Connection with the 2013 Audit**

21. Section 10(b) of the Exchange Act and Rule 10b-5 thereunder prohibit a person, in connection with the purchase or sale of a security, from making an untrue statement of a material fact or from omitting to state a material fact necessary to make statements made, in light of the circumstances under which they were made, not misleading.<sup>26</sup> To violate Section 10(b) or Rule 10b-5, a respondent must act with scienter,<sup>27</sup> which the Supreme Court has defined as "a mental state embracing intent to

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<sup>24</sup> See AU § 230; AS 15.

<sup>25</sup> See AS 9; AU § 316; AS 12; AS 13; AS 14; AS 15.

<sup>26</sup> See Section 10(b) of the Exchange Act; Exchange Act Rule 10b-5, *Employment of Manipulative and Deceptive Practices*, 17 C.F.R. § 240.10b-5(b).

<sup>27</sup> *Aaron v. SEC*, 446 U.S. 680, 695, 701-02 (1980).

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deceive, manipulate, or defraud."<sup>28</sup> *Scienter* encompasses knowing or intentional conduct, or recklessness.<sup>29</sup>

22. An auditor violates Section 10(b) of the Exchange Act and Rule 10b-5 thereunder by issuing an audit report stating that the audit has been performed in accordance with PCAOB standards when it knows, or is reckless in not knowing, that the statement is false.<sup>30</sup> These statements are clearly material, as "[f]ew matters could be more important to investors than that of whether an issuer's financial statements, contained in its filings with the Commission, had, in fact, been subjected to an annual audit conducted in accordance with [PCAOB standards] in all material respects."<sup>31</sup>

23. As detailed above, Shelley and the Firm did not plan the audit, performed few audit procedures, and performed no audit procedures relating to certain significant balances and transactions to provide support for the Firm's unqualified opinion that Unilava's 2013 financial statements were fairly presented in accordance with US GAAP. The Firm nevertheless issued its audit report regarding Unilava's 2013 financial statements, and Shelley authorized the issuance of that audit report.

24. The Firm violated Section 10(b) of the Exchange Act and Rule 10b-5 thereunder by issuing an audit report that falsely stated that the 2013 Audit had been conducted in accordance with PCAOB standards when the Firm knew, or was reckless in not knowing, that no planning, few audit procedures, and no audit procedures relating to certain significant balances and transactions had been performed prior to the issuance of the Firm's audit opinion.

25. Shelley knew, or was reckless in not knowing, that he was directly and substantially contributing to the Firm's violations of Section 10(b) of the Exchange Act and Rule 10b-5 thereunder when he improperly authorized the issuance of the Firm's

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<sup>28</sup> *Ernst & Ernst v. Hochfelder*, 425 U.S. 185, 193 n.12 (1976).

<sup>29</sup> See, e.g., *IIT v. Cornfeld*, 619 F.2d 909, 923 (2d Cir. 1980).

<sup>30</sup> See *Lawrence H. Wolfe, CPA*, PCAOB Rel. No. 105-2012-005, at \*5 (Sep. 7, 2012); *The Blackwing Group, LLC and Sara L. Jenkins, CPA*, PCAOB Rel. No. 105-2009-007, at \*9-10 (Dec. 22, 2009); *Moore & Associates, Chartered*, PCAOB Rel. No. 105-2009-006, at \*16 (Aug. 27, 2009); *Richard P. Scalzo, CPA*, Exchange Act Rel. No. 48328, 2003 SEC LEXIS 1915, at \*1 (Aug. 13, 2003).

<sup>31</sup> *Scalzo*, 2003 SEC LEXIS 1915, at \*52-53.

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audit report regarding Unilava's 2013 financial statements. Shelley accordingly violated PCAOB Rule 3502.

**E. Respondents Violated PCAOB Rules and Auditing Standards in Connection with Engagement Quality Reviews**

26. AS 7 provides that an EQR and concurring approval of issuance are required for any audit conducted pursuant to PCAOB standards.<sup>32</sup> Shelley and the Firm assigned Ricks to perform the EQRs for the 2012 and 2013 Audits.

27. AS 7 provides that the engagement quality reviewer must possess the level of knowledge and competence relating to accounting, auditing, and financial reporting required to serve as the engagement partner on the engagement under review.<sup>33</sup> At the time he provided his concurring approvals of issuance of the Firm's audit reports for the 2012 and 2013 Audits, Ricks was not a CPA, had issuer-audit experience consisting only of a few weeks' audit staff work for a single issuer client in a different industry than Unilava, had received no training in PCAOB auditing standards or SEC reporting requirements, and was not otherwise familiar with those standards and requirements. The Firm nonetheless assigned Ricks to perform the EQRs for the 2012 and 2013 Audits, even though Ricks lacked the required level of knowledge and competence relating to accounting, auditing, and financial reporting. The Firm accordingly violated AS 7.

28. Shelley knew, or was reckless in not knowing, that he was directly and substantially contributing to the Firm's violations of AS 7 when he assigned an engagement quality reviewer who did not possess the required level of knowledge and competence to perform the EQRs for the 2012 and 2013 audits. Shelley accordingly violated PCAOB Rule 3502.

29. Moreover, under AS 7, the engagement quality reviewer may provide concurring approval of issuance for an audit report only if, after performing with due professional care the review required by AS 7, he or she is not aware of a significant engagement deficiency.<sup>34</sup> AS 7 states that a significant engagement deficiency in an audit exists when: "(1) the engagement team failed to obtain sufficient appropriate

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<sup>32</sup> AS 7 ¶ 1.

<sup>33</sup> AS 7 ¶ 5.

<sup>34</sup> AS 7 ¶ 12.

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evidence in accordance with the standards of the PCAOB, (2) the engagement team reached an inappropriate overall conclusion on the subject matter of the engagement, (3) the engagement report is not appropriate in the circumstances, or (4) the firm is not independent of its client."<sup>35</sup>

30. An engagement quality 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 engagement report.<sup>36</sup> In performing an EQR for an audit, the engagement quality reviewer should, among other things, evaluate the engagement team's assessment of, and audit responses to, significant risks, including fraud risks, identified by the engagement team or other significant risks identified by the engagement quality reviewer.<sup>37</sup> The engagement quality reviewer should also evaluate whether the engagement documentation that he or she reviewed indicates that the engagement team responded appropriately to significant risks and whether the engagement documentation that he or she reviewed supports the conclusions reached by the engagement team with respect to matters reviewed.<sup>38</sup> Finally, the engagement quality reviewer should review the engagement completion document.<sup>39</sup>

31. In connection with each of the 2012 and 2013 Audits, Ricks failed to evaluate the significant judgments made, and the related conclusions reached, by the engagement team with respect to significant audit areas including revenue, goodwill, long-lived assets, and accounts receivable. In addition, Ricks failed to obtain and evaluate any audit documentation with respect to those audit areas. As noted above, Shelley and the Firm failed to obtain sufficient appropriate audit evidence relating to those audit areas during the 2012 and 2013 Audits, and Ricks failed to perform EQRs sufficient to discover those significant engagement deficiencies. Furthermore, Ricks failed to review the engagement completion document. Ricks provided his concurring approvals of issuance without performing the EQRs with due professional care and accordingly violated AS 7.

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<sup>35</sup> AS 7 ¶ 12, Note.

<sup>36</sup> AS 7 ¶ 9.

<sup>37</sup> AS 7 ¶ 10.

<sup>38</sup> AS 7 ¶ 11.

<sup>39</sup> AS 7 ¶ 10.

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**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 the 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), Mark Shelley CPA, Mark A. Shelley, CPA, and Allan J. Ricks are hereby censured;
- B. Pursuant to Section 105(c)(4)(A) of the Act and PCAOB Rule 5300(a)(1), the registration of Mark Shelley CPA is revoked;
- C. Pursuant to Section 105(c)(4)(B) of the Act and PCAOB Rule 5300(a)(2), Mark A. Shelley, 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>40</sup>
- D. Pursuant to Section 105(c)(4)(B) of the Act and PCAOB Rule 5300(a)(2), Allan J. Ricks 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>41</sup> and

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<sup>40</sup> As a consequence of the bar, the provisions of Section 105(c)(7)(B) of the Act will apply with respect to Shelley. 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."

<sup>41</sup> As a consequence of the bar, the provisions of Section 105(c)(7)(B) of the Act will also apply with respect to Ricks.

**ORDER**

- E. After one (1) year from the date of this Order, Allan J. Ricks may file a petition, pursuant to PCAOB Rule 5302(b), for Board consent to associate with a registered public accounting firm.

ISSUED BY THE BOARD.

/s/ Phoebe W. Brown

Phoebe W. Brown  
Secretary

May 28, 2015