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Order Making Findings and Imposing Sanctions

In the Matter of MJF & Associates, APC and Miguel J. Figueroa, CPA,

Respondents.

PCAOB Release No. 105-2021-003

April 22, 2021

By this Order, the Public Company Accounting Oversight Board (“Board” or “PCAOB”) is imposing sanctions upon MJF & Associates, APC (“MJF” or “Firm”) and Miguel J. Figueroa, CPA (“Figueroa”) (collectively, “Respondents”). The Board is:

- (1) revoking the registration of MJF, a registered public accounting firm;¹
- (2) barring Figueroa from being associated with a registered public accounting firm;²
and
- (3) imposing a \$10,000 civil money penalty jointly and severally upon Respondents.

The Board is imposing these sanctions on the basis of its findings that: (a) MJF violated PCAOB rules and quality control standards, as well as the Sarbanes-Oxley Act of 2002, as amended (“Act”) by failing to take adequate steps to prevent a person subject to a Board-ordered bar from becoming an associated person of the Firm; and (b) Figueroa violated PCAOB rules and auditing standards by substantially contributing to MJF’s violations and by violating the two-year cooling off period for engagement quality reviewers.

¹ MJF may reapply for registration after one year from the date of this Order.

² Figueroa may file a petition for Board consent to associate with a registered public accounting firm after one year from the date of this Order.

I.

The Board instituted non-public disciplinary proceedings against Respondents on December 19, 2019.³ Pursuant to PCAOB Rule 5205, Respondents have submitted Offers 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 Respondents and the subject matter of these proceedings, which is admitted, Respondents consent to the entry of this Order Making Findings and Imposing Sanctions (“Order”) as set forth below.⁴

II.

On the basis of Respondents’ Offers, the Board finds that:⁵

A. Respondents

1. **MJF & Associates, APC** is a professional corporation organized under the laws of the State of California and headquartered in Los Angeles. MJF is licensed by the California Board of Accountancy (Lic. No. 6236). At all relevant times, MJF was registered with the Board pursuant to Section 102 of the Act and PCAOB rules.

2. **Miguel J. Figueroa** is a certified public accountant licensed by the California Board of Accountancy (Lic. No. 87686) and the Florida Board of Accountancy (Lic. No. AC43301). At all relevant times, Figueroa was the managing partner and sole owner of MJF. Figueroa was,

³ Section 105(c)(2) of the Act provides that litigated disciplinary proceedings shall not be public, “unless otherwise ordered by the Board for good cause shown, with the consent of the parties.” Although the Board found good cause for making the proceedings public, Respondents did not consent, as permitted by Section 105(c)(2) of the Act and PCAOB Rule 5203.

⁴ The findings herein are made pursuant to Respondents’ Offers and are not binding on any other person or entity in this or any other proceeding.

⁵ The Board finds that Respondents’ 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: (1) intentional or knowing conduct, including reckless conduct, that results in a violation of the applicable statutory, regulatory, or professional standard; or (2) repeated instances of negligent conduct, each resulting in a violation of the applicable statutory, regulatory, or professional standard.

at all relevant times, 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. Other Relevant Individual

3. Partner A joined MJF in February 2015 and remained with the Firm until July 2019. Pursuant to a Board order, Partner A was barred from associating with a registered public accounting firm for a period of over a year during the time Partner A was employed by MJF. During that bar period, therefore, MJF was prohibited from permitting Partner A to associate with the Firm, including by participating in the preparation or issuance of any audit report for MJF's issuer clients, without the consent of the Board or the Securities and Exchange Commission ("Commission").⁶

C. Issuers

4. Issuer A is a Nevada corporation with its principal offices located in China. Issuer A's business focused on mining and processing direct reduced iron feed stock for the Chinese steel industry until it shifted its focus to the provision of digital displays for exhibition booths and real estate in late 2018. At all relevant times, Issuer A was an issuer as defined by Section 2(a)(7) of the Act and PCAOB Rule 1001(i)(iii).

5. Issuer B is a Nevada corporation with its principal offices in China. Issuer B's business focuses on developing waste energy recycling projects for industrial application. At all relevant times, Issuer B was an issuer as defined by Section 2(a)(7) of the Act and PCAOB Rule 1001(i)(iii).

6. Issuer C is a Nevada corporation with its principal offices in China. Issuer C's business focused on the sale in China of imported consumer products until the first quarter of 2017, when it pivoted to operating an upscale restaurant and catering business. At all relevant times, Issuer C was an issuer as defined by Section 2(a)(7) of the Act and PCAOB Rule 1001(i)(iii).

7. Issuer D is a Nevada corporation with its principal offices in China. Issuer D's business focuses on the design and manufacturing of heat pumps for commercial applications. At all relevant times, Issuer D was an issuer as defined by Section 2(a)(7) of the Act and PCAOB Rule 1001(i)(iii).

⁶ See Act § 105(c)(7)(A); PCAOB Rule 5301(b). No such consent was provided by the Board or Commission.

D. Summary

8. This matter concerns MJF's and Figueroa's failure to take adequate steps to ensure that MJF would not permit Partner A to associate with the Firm while barred. Figueroa, MJF's sole owner and managing partner, was aware of the PCAOB order barring the individual from associating with any registered public accounting firm ("Bar Order") and understood that it precluded Partner A from remaining in a position that allowed Partner A to participate in any activity of MJF connected to the preparation or issuance of issuer audit reports.

9. However, while Partner A was barred, MJF did not take adequate steps to prevent Partner A from participating in year-end 2017 audits of Issuers A, B, and C, as well as quarterly reviews of those issuers during 2017. By failing to implement sufficient measures to preclude Partner A's participation in issuer audits and reviews while barred, MJF violated provisions of the Act and PCAOB rules prohibiting a registered public accounting firm that knows an individual is barred from allowing that person to become or remain associated with the firm. The Firm also violated the Board's quality control standards. Figueroa violated PCAOB rules by directly and substantially contributing to MJF's violations.

10. In addition, Figueroa violated AS 1220 in three separate instances by serving as the engagement quality reviewer ("EQR") for Issuers B and D within two years of serving as the engagement partner in audits of Issuers B and D.⁷

E. MJF Violated the Act, PCAOB Rules, and Quality Control Standards

i. Registered Firms May Not Permit Barred Individuals to Associate and Must Have Adequate Systems of Quality Control

11. Under the Act and PCAOB rules, a registered public accounting firm that knows, or in the exercise of reasonable care should have known, an individual is barred from being an associated person of a registered public accounting firm may not permit that person to become or remain an associated person of the firm without the consent of the Board or Commission.⁸ A person becomes (or remains) associated with a registered public accounting firm when, among other things, that person is an "accountant" who "in connection with the preparation or

⁷ AS 1220, *Engagement Quality Review*. All references to PCAOB rules and standards are to the versions of those rules and standards in effect at the time of the relevant audits.

⁸ Act § 105(c)(7)(A); PCAOB Rule 5301(b), *Effect of Sanctions*.

issuance of any audit report . . . participates as agent or otherwise on behalf of such accounting firm in any activity of that firm.”⁹

12. Additionally, PCAOB rules require that a registered public accounting firm comply with the Board’s quality control standards,¹⁰ which provide that a registered public accounting firm “shall have a system of quality control for its accounting and auditing practice.”¹¹ PCAOB quality control standards specify that “[p]olicies and procedures should be established to provide the firm with reasonable assurance that the work performed by engagement personnel meets applicable professional standards, regulatory requirements, and the firm’s standards of quality.”¹²

13. PCAOB quality control standards also provide that policies and procedures for monitoring “should be established to provide the firm with reasonable assurance that the policies and procedures established by the firm for each of the other elements of quality control . . . are suitably designed and are being effectively applied,”¹³ and that the firm’s “system of quality control is effective.”¹⁴

ii. MJF Failed to Take Adequate Steps to Not Permit Partner A to Associate with the Firm While Barred

14. Partner A informed Figueroa of the impending Bar Order prior to its issuance and Figueroa received a copy of the Bar Order after it was formally issued by the Board. Figueroa understood that the Bar Order meant Partner A could not participate in MJF’s audits and reviews of issuer clients.

15. After the Board issued the Bar Order, however, MJF permitted Partner A to become or remain associated with the Firm by having Partner A remain in a position that allowed Partner A to engage in activities in connection with the preparation or issuance of issuer audit reports. Although MJF took certain steps to restrict Partner A’s activity, the Firm

⁹ Act § 2(a)(9); PCAOB Rule 1001(p)(i), *Definitions of Terms Employed in Rules*.

¹⁰ PCAOB Rule 3400T, *Interim Quality Control Standards*.

¹¹ PCAOB Interim Quality Control Standard (“QC”) § 20.01, *System of Quality Control for a CPA Firm’s Accounting and Auditing Practice*.

¹² QC § 20.17.

¹³ QC § 20.20.

¹⁴ QC § 30.01, *Monitoring a CPA Firm’s Accounting and Auditing Practice*.

failed to develop sufficient policies or procedures designed to ensure that Partner A did not associate with the Firm while barred.¹⁵

16. MJF continued to employ Partner A while barred, and MJF decided that it would continue performing audit work for issuer clients, many of which Partner A had brought to the Firm when Partner A joined MJF.

17. In response to the Bar Order, Respondents removed Partner A from the engagement teams conducting audits and reviews for issuer clients and assigned Partner A to engagements for non-issuers. Figueroa and Partner A informed MJF's issuer clients that Partner A would not act as engagement partner.

18. Respondents also blocked Partner A's access to MJF's electronic audit software as well as its electronic portal for receiving and storing client documents. Figueroa informed MJF staff about the Bar Order and continued his practice of conducting general periodic inquiries of Firm staff to ask if anything significant had occurred that he should know about. Figueroa, however, did not specifically inquire about whether Partner A had continued to participate in activities related to issuer audits.

19. Despite their awareness that Partner A had relationships with many of MJF's issuer clients and had previously served as engagement partner on those clients' audits, Respondents took no additional steps designed to ensure Partner A's compliance with the Bar Order. For instance, MJF did not enact any policies or procedures in response to the Bar Order. Nor did MJF institute any steps designed to directly monitor whether the Firm was permitting Partner A to associate while barred.

iii. MJF Permitted Partner A to Associate with the Firm While Barred

20. As a result of the above conduct, MJF permitted Partner A, while subject to the Bar Order and employed by MJF, to participate in MJF's year-end 2017 audits of Issuers A, B, and C, as well as quarterly reviews of those issuers during 2017.

21. Partner A's participation included communications with MJF engagement team members and issuer client personnel. For example, Partner A provided specific comments on audit work papers for issuer audits, raised substantive accounting issues for the engagement teams to consider, offered his professional opinion on accounting issues, and commented on

¹⁵ See, e.g., *Pritchett, Siler & Hardy, P.C. and Douglas W. Child, CPA*, PCAOB Release No. 105-2019-014 (June 5, 2019); *Deloitte & Touche LLP*, PCAOB Release No. 105-2013-008 (Oct. 22, 2013).

specific language for issuer clients' public filings. Figueroa was not made aware of any of these communications.

22. Accordingly, MJF permitted Partner A to become an associated person of the Firm by engaging in activities on MJF's behalf in connection with the preparation or issuance of audit reports for MJF's issuer audit clients in violation of the Act and PCAOB rules.¹⁶ Moreover, MJF's failure to implement adequate policies and procedures to ensure that the Firm would not permit Partner A's association while barred violated PCAOB quality control standards.¹⁷

F. Figueroa Violated PCAOB Rules and Auditing Standards

i. Figueroa Directly and Substantially Contributed to MJF's Violations

23. PCAOB Rule 3502 states that, "[a] person associated with a registered public accounting firm shall not take or omit 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, the Rules of the Board, the 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 Commission issued under the Act, or professional standards."¹⁸

24. Throughout the time MJF employed Partner A, Figueroa was MJF's sole owner and managing partner. He was responsible for MJF's response to the Bar Order, including whether to continue to employ Partner A, what restrictions to place on Partner A while barred, and how to monitor Partner A's compliance with the Bar Order. Figueroa was also responsible for implementing quality control policies and procedures at MJF.

25. All of MJF's conduct described above was either conduct of Figueroa's, or omissions to act for which Figueroa was responsible, that Figueroa knew, or was reckless in not knowing, would directly and substantially contribute to MJF's violations of the Act, PCAOB rules, and quality control standards described above. Figueroa thereby violated PCAOB Rule 3502.

¹⁶ Act § 105(c)(7)(A); PCAOB Rule 5301(b).

¹⁷ QC §§ 20.01, 20.17, 20.20, 30.01.

¹⁸ PCAOB Rule 3502, *Responsibility Not to Knowingly or Recklessly Contribute to Violations*.

ii. Figueroa Violated Auditing Standards by Serving as EQR within Two Audits of Serving as Engagement Partner

26. AS 1220 requires that “[t]he person who served as the engagement partner during either of the two audits preceding the audit subject to the engagement quality review may not be the engagement quality reviewer.”¹⁹

27. MJF audited Issuer B’s financial statements as of and for the years ended December 31, 2015, and December 31, 2016. Figueroa served as the engagement partner for the year-end 2015 audit of Issuer B and EQR for the year-end 2016 audit of Issuer B.

28. MJF audited Issuer D’s financial statements as of and for the years ended December 31, 2015, December 31, 2016, and December 31, 2017. Figueroa served as the engagement partner for the year-end 2015 audit of Issuer D and EQR for the year-end 2016 and 2017 audits of Issuer D.

29. Therefore, on three separate occasions, Figueroa served as EQR on an issuer audit after having served as engagement partner within the prior two audits of that issuer in violation of PCAOB auditing standards.

III.

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)(A) of the Act and PCAOB Rule 5300(a)(1), the registration of MJF & Associates, APC is revoked;
- B. After one year from the date of this Order, MJF & Associates, APC may reapply for registration by filing an application pursuant to PCAOB Rule 2101;
- C. Pursuant to Section 105(c)(4)(B) of the Act and PCAOB Rule 5300(a)(2), Miguel J. Figueroa 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);²⁰

¹⁹ AS 1220.08.

²⁰ As a consequence of the bar, the provisions of Section 105(c)(7)(B) of the Act will apply with respect to Figueroa. 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

- D. After one year from the date of this Order, Figueroa may file a 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)(D) of the Act and PCAOB Rule 5300(a)(4), a civil money penalty in the amount of \$10,000 is imposed jointly and severally upon MJF and Figueroa. 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. Respondents 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 Office of Finance, Public Company Accounting Oversight Board, 1666 K Street, N.W., Washington, D.C. 20006; and (e) submitted under a cover letter which identifies MJF and Figueroa as Respondents 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. ***Respondents understand 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, or any reapplication for registration pursuant to PCAOB Rule 2101.***

ISSUED BY THE BOARD.

/s/ Phoebe W. Brown

Phoebe W. Brown
Secretary

April 22, 2021

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.”