



1666 K Street NW  
Washington, DC 20006

Office: 202-207-9100  
Fax: 202-862-8430

[www.pcaobus.org](http://www.pcaobus.org)

## Order Instituting Disciplinary Proceedings, Making Findings, and Imposing Sanctions

*In the Matter of BMKR LLP and Joseph Mortimer,  
CPA,*

Respondents.

PCAOB Release No. 105-2022-003

February 24, 2022

By this Order Instituting Disciplinary Proceedings, Making Findings, and Imposing Sanctions (“Order”), the Public Company Accounting Oversight Board (“Board” or “PCAOB”) is:

- (1) revoking the registration of BMKR LLP (“BMKR” or the “Firm”), a registered public accounting firm;<sup>1</sup>
- (2) imposing a \$20,000 civil money penalty on BMKR;
- (3) barring Joseph Mortimer (“Mortimer”) from being associated with a registered public accounting firm;<sup>2</sup> and
- (4) imposing a \$10,000 civil money penalty on Mortimer.

The Board is imposing these sanctions on BMKR and Mortimer (collectively, “Respondents”) on the basis of its findings that: (a) Respondents violated PCAOB rules and auditing standards in connection with the audits of two issuers; (b) BMKR violated PCAOB rules

---

<sup>1</sup> BMKR may reapply for registration after two years from the date of this Order.

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

and quality control standards; and (c) Mortimer violated PCAOB Rule 3502 by directly and substantially contributing to BMKR's violations of PCAOB rules and quality control standards.<sup>3</sup>

## 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 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 as set forth below.<sup>4</sup>

## III.

On the basis of Respondents' Offers, the Board finds that:<sup>5</sup>

### A. Respondents

1. **BMKR LLP** is a limited liability partnership organized under the laws of the State of New York with headquarters in Hauppauge, New York. The Firm was, at all relevant times,

---

<sup>3</sup> All references to PCAOB rules and standards in this Order are to the versions of those rules and standards, and to their organization and numbering, in effect at the time of the audits and reviews discussed herein.

<sup>4</sup> 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.

<sup>5</sup> 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.

licensed in the state of New York (License No. 058798). The Firm is, and at all relevant times was, registered with the PCAOB pursuant to Section 102 of the Act and PCAOB rules.

2. **Joseph Mortimer** is a partner of the Firm. He is a certified public accountant licensed by the State of New York (License No. 055916). Mortimer 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. Issuers

3. Issuer A is, and at all relevant times was, a Florida corporation headquartered in Hicksville, New York. Its public filings disclosed that it develops and sells products containing Cannabidiol, produces hemp biomass, licenses medical devices, and sells non-CBD products such as sunscreen and lip balm. 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).

4. Issuer B was, at all relevant times, a Nevada corporation headquartered in Mississauga, Ontario. Its public filings disclosed that it manages e-commerce transportation and logistics for third parties. 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).

## C. Summary

5. This matter concerns Respondents' violations of PCAOB rules and standards in connection with the audits of Issuer A for the fiscal year ended ("FYE") December 31, 2019, and Issuer B for the FYE July 31, 2019 (the "2019 Audits"). Mortimer, as the only Firm partner performing issuer audits at the time, led the Firm's issuer audit practice and served as engagement partner on the 2019 Audits. As detailed below, Respondents violated PCAOB rules and standards by failing to: (1) properly evaluate whether the issuers' accounting for certain significant transactions was in conformity with U.S. Generally Accepted Accounting Principles ("GAAP") and (2) perform any testing of certain equity transactions.

6. This matter also concerns the Firm's violations of PCAOB rules and quality control standards between 2016 and 2019, and Mortimer's direct and substantial contribution to certain of those violations. Specifically, the Firm failed to: (1) maintain a system of quality control sufficient to provide the Firm with reasonable assurance that the engagement teams performed issuer audits in accordance with applicable professional standards and regulatory requirements; and (2) establish policies and procedures to provide the firm with reasonable assurance that its quality control policies and procedures were suitably designed and were being effectively applied.

## **D. Respondents Violated PCAOB Rules and Auditing Standards in Connection with the 2019 Audits**

7. 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>6</sup> An auditor may express an unqualified opinion on an issuer's financial statements only when the auditor has conducted an audit in accordance with PCAOB standards and concludes that the financial statements, taken as a whole, are presented fairly, in all material respects, in conformity with the applicable financial reporting framework.<sup>7</sup> Among other things, PCAOB standards require an auditor to exercise due professional care in the planning and performance of the audit and the preparation of the report, exercise professional skepticism, and plan and perform audit procedures to obtain sufficient appropriate audit evidence to provide a reasonable basis for the auditor's opinion.<sup>8</sup>

8. PCAOB standards further require that auditors evaluate whether the financial statements contain the information essential for a fair presentation of the financial statements in conformity with the applicable financial reporting framework.<sup>9</sup> In addition, PCAOB standards require that the auditor evaluate whether the fair value measurements and disclosures in the financial statements are in conformity with GAAP.<sup>10</sup>

### **i. Audit of Issuer A's 2019 Financial Statements**

9. The Firm issued an audit report dated March 26, 2020, containing an unqualified audit opinion on Issuer A's financial statements for the FYE December 31, 2019. Mortimer, as the engagement partner, authorized the Firm's issuance of the audit report, which was included in Issuer A's Form 10-K filed with the Commission on April 2, 2020.

10. In its Form 10-K, Issuer A reported net intangible assets, total assets, revenues, and net loss of approximately \$1.1 million, \$6.9 million, \$2.3 million, and \$4.6 million, respectively. It also disclosed that in January 2019, it purchased technology from a company in

---

<sup>6</sup> See PCAOB Rule 3100, *Compliance with Auditing and Related Professional Practice Standards*; PCAOB Rule 3200, *Auditing Standards*.

<sup>7</sup> See AS 3101.02, *The Auditor's Report on an Audit of Financial Statements When the Auditor Expresses an Unqualified Opinion*.

<sup>8</sup> See AS 1015.01, .07, *Due Professional Care in the Performance of Work*; AS 2301.07, *The Auditor's Responses to the Risks of Material Misstatement*; AS 1105.04, *Audit Evidence*.

<sup>9</sup> See AS 2810.31, *Evaluating Audit Results*.

<sup>10</sup> See AS 2502.15, *Auditing Fair Value Measurements and Disclosures*.

exchange for 7.5 million shares of Issuer A's common stock. The shares were issued to the owner of the company and valued at \$131,625, reflecting the book value of those shares. Issuer A recorded \$131,625 of intangible assets in its financial statements.

11. During the 2019 audit, Respondents failed to evaluate whether Issuer A's accounting for the acquired technology was recorded in conformity with GAAP. GAAP requires that assets acquired be measured at either the fair value of the consideration given or the fair value of the assets acquired, whichever is more clearly evident.<sup>11</sup> Respondents obtained the relevant agreement and agreed the purchase price to that agreement. In addition, Respondents determined that the fair value of the common stock issued was \$510,000, a difference of \$378,375 from book value. Respondents failed, however, to evaluate whether the assets acquired, recorded by Issuer A at the book value of the shares, were accounted for in conformity with GAAP.<sup>12</sup>

12. In its Form 10-K, Issuer A also disclosed that in December 2019, it acquired 51% of the issued and outstanding equity interest of a business in exchange for 37.5 million shares of common stock. Although Issuer A acquired 51% of the outstanding equity, it recorded only inventory, totaling \$487,500, related to this acquisition in its 2019 financial statements. In addition, the acquisition agreement required that if the 37.5 million shares issued were valued at less than \$1 million, Issuer A would issue additional shares to ensure that the total value of the shares issued equaled \$1 million.

13. During the 2019 audit, Respondents failed to evaluate whether Issuer A's accounting for the acquisition was recorded in conformity with GAAP. Generally, GAAP requires that an acquisition be treated as a business combination when the acquirer obtains control of the business.<sup>13</sup> If the acquisition is not determined to be a business combination, then it is recorded as an asset acquisition and the entity applies the acquisition method.<sup>14</sup> Although Respondents obtained the share purchase agreement and recalculated the value of inventory acquired, they failed to evaluate whether the acquisition, accounted for as a purchase of inventory and documented in the workpapers as "essentially purchas[ing] . . . inventory," was recorded in conformity with GAAP.<sup>15</sup>

---

<sup>11</sup> See Financial Accounting Standards Board Accounting Standards Codification Topic ("ASC") 805-50-30-2, *Business Combinations*.

<sup>12</sup> See AS 2810.30-.31.

<sup>13</sup> See ASC 805-10-25-1.

<sup>14</sup> *Id.*

<sup>15</sup> See AS 2810.30-.31.

14. In its Form 10-K, Issuer A disclosed that throughout the year it issued 17 million options of its common stock to a former officer and certain directors, which Issuer A valued in the aggregate at \$381,000. Respondents assessed the combined risk of material misstatement as high for equity transactions. Nevertheless, other than obtaining management representations, Respondents failed to perform any audit procedures to test whether the issued stock options were properly valued and properly disclosed in accordance with PCAOB standards.<sup>16</sup>

15. Accordingly, Respondents violated AS 1015, AS 1105, AS 2301, AS 2502, and AS 2810 by failing to: (1) exercise due professional care and professional skepticism; (2) evaluate whether the financial statements were presented fairly and in conformity with GAAP; and (3) perform audit procedures to test stock options.

## **ii. Audit of Issuer B's 2019 Financial Statements**

16. The Firm issued an audit report dated January 15, 2020, containing an unqualified audit opinion on Issuer B's financial statements for the FYE July 31, 2019. Mortimer, as the engagement partner, authorized the Firm's issuance of the audit report, which was included in Issuer B's Form 10-K filed with the Commission on January 16, 2020.

17. In its Form 10-K, Issuer B disclosed that it issued 8 million shares of Series D Preferred Stock, which Issuer B valued at approximately \$8,000, recorded at par value.<sup>17</sup> Generally, GAAP requires that share-based payment transactions be measured based on the fair value of the equity instruments issued.<sup>18</sup> Although Respondents obtained the relevant agreement and recalculated the par value of the issued stock, they failed to evaluate whether Issuer B's accounting for the preferred stock was in conformity with GAAP.<sup>19</sup>

18. Accordingly, Respondents violated AS 1015 and AS 2810 by failing to: (1) exercise due professional care and professional skepticism; and (2) evaluate whether the financial statements were presented fairly and in conformity with GAAP.

19. On November 17, 2020, Issuer B disclosed in its Form 10-K for the FYE July 31, 2020, that it had restated its financial statements for FYE July 31, 2019 "to correct the valuation

---

<sup>16</sup> See AS 2301.08; AS 2502.15; 1105.04; 1105.11.

<sup>17</sup> "Par value" (a/k/a "nominal value") is the value of a single share as set by a corporation's charter and is not typically related to the actual value of the share. For this particular transaction, the par value was \$0.001 per share.

<sup>18</sup> See ASC 718, *Compensation – Stock Compensation*.

<sup>19</sup> See AS 2810.30-.31.

of shares issued for services,” after having determined that the shares should have been recorded at fair value rather than par value. The restatement increased operating expenses and net loss by approximately \$4.77 million.

## **E. The Firm Violated PCAOB Rules and Quality Control Standards**

20. PCAOB rules and standards require that a registered firm have a system of quality control for its accounting and auditing practice.<sup>20</sup> A firm’s system of quality control encompasses the firm’s organizational structure and the policies adopted and procedures established to provide the firm with reasonable assurance of complying with professional standards.<sup>21</sup> A firm’s system of quality control should, among other things, include policies and procedures for engagement performance and monitoring.<sup>22</sup> Specifically, a firm should establish policies and procedures for engagement performance 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.<sup>23</sup> A firm should also establish policies and procedures for monitoring to provide the firm with reasonable assurance that its quality control policies and procedures are suitably designed and are being effectively applied.<sup>24</sup>

21. From 2016 through 2019, the Firm failed to establish and maintain policies and procedures that provided reasonable assurance that its personnel complied with applicable professional standards and regulatory requirements. Specifically, the Firm’s quality control system failed to ensure, in multiple instances, that Firm personnel evaluated whether its issuer clients’ financial statements were presented fairly and in conformity with GAAP. In addition, the Firm was aware of significant engagement deficiencies in its prior years’ audits inspected by the PCAOB in 2016 and 2018, related to its testing of purchase accounting and equity transactions. During the 2016 inspection, the PCAOB inspectors notified the Firm of significant engagement deficiencies related to the engagement team’s testing of, among other things, purchase accounting. During the 2018 inspection, the PCAOB inspectors notified the Firm of significant engagement deficiencies related to the engagement team’s testing of, among other things, equity transactions. Despite knowing about significant engagement deficiencies regarding these issues, the Firm failed to effectively implement policies and procedures to provide it with

---

<sup>20</sup> See PCAOB Rule 3400T, *Interim Quality Control Standards*; QC § 20.01, *System of Quality Control for a CPA Firm’s Accounting and Auditing Practice*.

<sup>21</sup> See QC § 20.04.

<sup>22</sup> QC § 20.07.

<sup>23</sup> QC § 20.17.

<sup>24</sup> See QC § 20.20; QC § 30.02, *Monitoring a CPA Firm’s Accounting and Auditing Practice*.

reasonable assurance that its engagement personnel would comply with applicable professional standards in violation of QC § 20.

22. In addition, although the Firm's written policies in place during the 2019 Audits stated that an integral part of its monitoring process for its system of quality control would be annual internal inspections, since at least 2016, the Firm failed to undertake any internal inspections or other monitoring procedures with respect to its PCAOB issuer audits. As a result, the Firm violated QC §§ 20 and 30 by failing to have monitoring procedures to enable the Firm to obtain reasonable assurance that its system of quality control was effective.

#### **F. Mortimer Directly and Substantially Contributed to BMKR's Quality Control 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."<sup>25</sup>

24. At the time of the 2016 and 2018 PCAOB inspections, Mortimer served as one of three partners at BMKR and, since September 2019, was responsible for overseeing the Firm's system of quality control. Mortimer also performed engagement quality reviews on the Firm's prior years' audits inspected by the PCAOB in 2016 and 2018. In addition, Mortimer served as the engagement partner on the 2019 Audits. In his management roles, Mortimer was responsible, at least in part, for the Firm's system of quality control, and was aware of the PCAOB inspection findings identifying deficiencies discussed above. Yet Mortimer knowingly failed to take appropriate actions to provide reasonable assurance that the Firm's policies and procedures were suitably designed and being effectively applied. Specifically, Mortimer, as the partner in charge of the Firm's system of quality control and the engagement partner on the 2019 Audits, was in a position to ensure that the Firm complied with PCAOB rules and standards.

25. As a result, Mortimer knew, or was reckless in not knowing, that his acts and omissions would directly and substantially contribute to the Firm's violations of PCAOB quality control standards in violation of Rule 3502.

---

<sup>25</sup> PCAOB Rule 3502, *Responsibility Not to Knowingly or Recklessly Contribute to Violations*.

#### 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)(A) of the Act and PCAOB Rule 5300(a)(1), the registration of BMKR LLP is revoked;
- B. After two years from the date of this Order, BMKR LLP 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), Joseph Mortimer 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>26</sup>
- D. After two years from the date of this Order, Joseph Mortimer 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 \$20,000 is imposed upon BMKR LLP, and a civil money penalty in the amount of \$10,000 is imposed upon Joseph Mortimer. All funds collected by the Board as a result of the assessment of these civil money penalties will be used in accordance with Section 109(c)(2) of the Act. Respondents shall pay the civil money penalty within ten days of the issuance of this Order by (1) wire transfer in accordance with instructions furnished by Board staff; or (2) United States Postal Service money order, bank money order, certified check, or bank cashier's check (a) made payable to the Public Company Accounting Oversight Board, (b) delivered to the Office of Finance, Public Company Accounting Oversight Board, 1666 K Street, N.W., Washington D.C.

---

<sup>26</sup> As a consequence of the bar, the provisions of Section 105(c)(7)(B) of the Act will apply with respect to Mortimer. 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 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."

20006, and (c) submitted under a cover letter, which identifies the entity or person 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 Office of the Secretary, Attention: Phoebe W. Brown, Secretary, Public Company Accounting Oversight Board, 1666 K Street, N.W., Washington, D.C. 20006. ***By consenting to this Order, Respondents acknowledge that a failure to pay the civil money penalty described above may alone be grounds to deny any petition to terminate a bar pursuant to PCAOB Rule 5302(b) or a reapplication for registration pursuant to PCAOB Rule 2101.***

ISSUED BY THE BOARD.

/s/ Phoebe W. Brown

---

Phoebe W. Brown  
Secretary

February 24, 2022