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Order Instituting Disciplinary Proceedings, Making Findings, and Imposing Sanctions

*In the Matter of Robert C. Duncan Accountancy
Corp. and Robert C. Duncan, CPA,*

Respondents.

PCAOB Release No. 105-2022-010
(Corrected Copy)

June 22, 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 Robert C. Duncan Accountancy Corporation (the “Firm”), a registered public accounting firm;¹
- (2) barring Robert C. Duncan, CPA (“Duncan”) from being associated with a registered public accounting firm;² and
- (3) imposing a \$30,000 civil money penalty jointly and severally upon the Firm and Duncan (collectively, “Respondents”).

The Board is imposing these sanctions on the Respondents on the basis of its findings that they violated PCAOB rules and standards in connection with three audit and attestation engagements by the Firm of a broker-dealer client for the fiscal years ended 2017, 2020, and 2021.

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

¹ The Firm may reapply for registration after two years from the date of this Order.

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

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.³

III.

On the basis of Respondents’ Offers, the Board finds that:⁴

A. Respondents

1. **Robert C. Duncan Accountancy Corporation** is a corporation organized under the laws of the State of California, with headquarters in Roseville, California. The Firm was, at all relevant times, licensed in the state of California (License No. 6271). The Firm is, and at all relevant times was, registered with the PCAOB pursuant to Section 102 of the Act and PCAOB rules.

2. **Robert C. Duncan, CPA** is the Firm’s president and sole shareholder. He is a certified public accountant licensed by the State of California (License No. 60174). Duncan 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).

³ 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.

⁴ 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.

B. Broker-Dealer

3. Seedchange Execution Services Inc. (“SESI”) (a/k/a Yosemite Execution Partners, Inc.) was, at all relevant times, a Delaware corporation headquartered in San Francisco, California. SESI’s public filings disclose that it is registered with the Commission as a broker-dealer. SESI also claimed an exemption from Rule 15c3-3 under the Securities Exchange Act of 1934 (“Exchange Act”), *Customer protection - reserves and custody of securities* (“Rule 15c3-3”).⁵ At all relevant times, SESI was a broker-dealer as defined in Section 110(3) and (4) of the Act and PCAOB Rule 1001(b)(iii) and (d)(iii).

C. Summary

4. This matter concerns the Firm’s failure to comply with AS 1220, *Engagement Quality Review*, with respect to three audit and attestation engagements for SESI for the fiscal years ended 2017, 2020, and 2021. With respect to each of these broker-dealer audit and attestation engagements, the Firm failed to obtain an engagement quality review and concurring approval of issuance even though an engagement quality review was required pursuant to AS 1220.

5. This matter also concerns Duncan’s direct and substantial contribution to the Firm’s violations of PCAOB rules and standards concerning the requirements for engagement quality reviews. With respect to each of the audit and attestation engagements, Duncan took or omitted to take actions knowing, or recklessly not knowing, that his actions and omissions would directly and substantially contribute to the Firm’s violations of AS 1220.

D. The Firm Violated PCAOB Rules and Auditing Standards Relating to Engagement Quality Reviews

6. In connection with the preparation or issuance of an audit report,⁶ PCAOB rules require that a registered public accounting firm and its associated persons comply with the Board’s auditing and related professional practice standards.⁷

⁵ 17 C.F.R. § 240.15c3-3.

⁶ Rule 17a-5(d) of the Exchange Act, 17 C.F.R. § 240.17a-5(d), *Annual Filing of Audited Financial Statements*, requires every broker or dealer registered pursuant to Section 15 of the Exchange Act to file annually a report audited by an independent public accountant. Rule 17a-5(g) requires that audits of broker-dealers be performed in accordance with PCAOB standards.

⁷ See PCAOB Rule 3100, *Compliance with Auditing and Related Professional Practice Standards*; PCAOB Rule 3200, *Auditing Standards*.

7. AS 1220 requires that an engagement quality review be performed on all audits, reviews of interim financial information, and certain attestation engagements conducted pursuant to PCAOB standards.⁸ In addition, a firm may grant permission to a client to use an engagement report only after an engagement quality reviewer provides concurring approval of issuance.⁹

8. An engagement quality reviewer must be independent of the company, perform the engagement quality review with integrity, and maintain objectivity in performing the review.¹⁰ To maintain objectivity, the engagement quality reviewer and others who assist the reviewer should not make decisions on behalf of the engagement team or assume any of the responsibilities of the engagement team.¹¹ The engagement partner remains responsible for the engagement and its performance, notwithstanding the involvement of the engagement quality reviewer and others who assist the reviewer.¹²

9. The Firm failed to obtain an engagement quality review that complied with AS 1220 for the three SESI audit and attestation engagements for fiscal years 2017, 2020 and 2021.¹³ In each instance, the audit and attestation engagement was for a broker-dealer, as defined in Sections 110(3) and 110(4) of the Act and PCAOB Rules 1001(b)(iii) and 1001(d)(iii). And in each instance, the Firm improperly permitted the issuance of its audit report containing an unqualified opinion and review report without obtaining an engagement quality review and concurring approval of issuance. As a result, the Firm repeatedly violated AS 1220.

E. Duncan Contributed to the Firm's Violations of PCAOB Rules and Auditing Standards

10. 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

⁸ AS 1220.01.

⁹ AS 1220.13, .18C.

¹⁰ AS 1220.06.

¹¹ AS 1220.07.

¹² AS 1220.07.

¹³ Duncan represented that, while serving as the engagement partner on these audits and attestation engagements, he simultaneously acted as the engagement quality reviewer. However, Duncan could not serve as the engagement quality reviewer on these engagements while also serving as the engagement partner. *See* AS 1220.06-.08. As a result, no engagement quality review was performed for the 2017, 2020, and 2021 audit and attestation engagements.

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.”¹⁴

11. Duncan was the Firm’s principal and sole shareholder, as well as the engagement partner for all three of the SESI audits and attestation engagements at issue. Accordingly, Duncan was responsible for ensuring that the Firm complied with PCAOB rules and standards. Duncan knew, or was reckless in not knowing, that his acts and omissions would directly and substantially contribute to the Firm’s violations of AS 1220, as described above. As a result, Duncan 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)(A) of the Act and PCAOB Rule 5300(a)(1), the registration of Robert C. Duncan Accountancy Corporation is revoked;
- B. After two years from the date of this Order, Robert C. Duncan Accountancy Corporation 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), Robert C. Duncan, 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);¹⁵

¹⁴ PCAOB Rule 3502, *Responsibility Not to Knowingly or Recklessly Contribute to Violations*.

¹⁵ As a consequence of the bar, the provisions of Section 105(c)(7)(B) of the Act will apply with respect to Duncan. 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

- D. After two years from the date of this Order, Robert C. Duncan, CPA 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 \$30,000 is imposed jointly and severally upon Robert C. Duncan Accountancy Corporation and Robert C. Duncan, CPA. 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. 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

June 22, 2022

care should have known, of such suspension or bar, to permit such an association, without the consent of the Board or the Commission.”