
ORDER INSTITUTING DISCIPLINARY
PROCEEDINGS, MAKING FINDINGS,
AND IMPOSING SANCTIONS

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) PCAOB Release No. 105-2014-005
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) May 6, 2014
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*In the Matter of Jeffrey & Company and
Robert G. Jeffrey, CPA,*

Respondents.

By this Order, the Public Company Accounting Oversight Board ("Board" or "PCAOB") is censuring the registered public accounting firm Jeffrey & Company^{1/} ("J&C" or the "Firm"), and revoking the Firm's registration;^{2/} and censuring Robert G. Jeffrey, CPA ("Jeffrey") and barring him from being an associated person of a registered public accounting firm.^{3/} The Board is imposing these sanctions on the basis of its findings that the Firm and Jeffrey (collectively, "Respondents") repeatedly violated Section 10A(j) of the Securities Exchange Act of 1934 ("Exchange Act"), Exchange Act Rule 10A-2, and PCAOB rules and auditing standards in connection with the Firm's audits for three issuer 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/} Jeffrey & Company originally registered with the Board and issued audit reports under the name "Robert G. Jeffrey, CPA."

^{2/} The Firm may reapply for registration after three (3) years from the date of this Order.

^{3/} Jeffrey may file a petition for Board consent to associate with a registered public accounting firm after three (3) years 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 Respondents 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.^{4/}

III.

On the basis of Respondents' Offers, the Board finds^{5/} that:

A. Respondents

1. Jeffrey & Company is, and at all relevant times was, a sole proprietorship organized under the laws of the state of New Jersey, and headquartered in Wayne, New Jersey. J&C is registered with the Board pursuant to Section 102 of the Act and PCAOB rules. J&C is licensed to practice public accountancy by the New Jersey State Board of Accountancy (license no. 20CB00477200). At all relevant times, the Firm was the external auditor for each of the issuers identified below.

2. Robert G. Jeffrey, 80, of Wayne, New Jersey, is a certified public accountant licensed under the laws of the states of New Jersey (license no. 20CC01588100) and New York (license no. 021496). He is the sole owner and managing partner of J&C. Jeffrey is an associated person of a registered public

^{4/} 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.

^{5/} 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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accounting firm as that term is defined in Section 2(a)(9) of the Act and PCAOB Rule 1001(p)(i).

B. Summary

3. This matter concerns Respondents' repeated violations of Section 10A(j) of the Exchange Act, Exchange Act Rule 10A-2, and PCAOB rules and auditing standards that require a registered public accounting firm and its associated persons be independent of the firm's audit client throughout the audit and professional engagement period.^{6/} As detailed below, Respondents were not independent with respect to two issuer clients because Jeffrey served as the lead audit partner for more than five consecutive years during the audits of the 2008-2009 financial statements of Asia Electrical Power International Group, Inc. ("AEP") and the 2010-2011 financial statements of Amanasu Techno Holdings Corp. ("Amanasu Techno"). In addition, Respondents were not independent with regard to another issuer client because Jeffrey served as the lead audit partner during the audits of the 2010 financial statements of Amanasu Environment Corp. ("Amanasu Environment") within the five consecutive year period following the performance of services as the lead audit partner for the maximum permitted period, and then Jeffrey continued to serve as the lead audit partner on Amanasu Environment's 2011 financial statements.

C. Respondents Violated PCAOB Rules and Auditing Standards, Independence Standards and the Exchange Act

4. PCAOB rules and standards require that a registered public accounting firm and its associated persons be independent of the firm's audit client throughout the audit and professional engagement period.^{7/} "[A] registered public accounting firm or associated person's independence obligation with respect to an audit client that is an issuer encompasses not only an obligation to satisfy the independence criteria set out in the rules and standards of the PCAOB, but also an obligation to satisfy all other independence criteria applicable to the engagement, including the independence criteria set out in the rules and regulations of the U.S. Securities and Exchange Commission ("Commission") under the federal securities laws."^{8/}

^{6/} See Section 10A(j) of the Exchange Act; Exchange Act Rule 10A-2, *Auditor Independence*; PCAOB Rule 3520, *Auditor Independence*; and AU §§ 220.01-02, *Independence*.

^{7/} See PCAOB Rule 3520; see also AU §§ 220.01-02.

^{8/} See PCAOB Rule 3520, Note 1.

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5. Section 10A(j) of the Exchange Act provides, "[i]t shall be unlawful for a registered public accounting firm to provide audit services to an issuer if the lead (or coordinating) audit partner (having primary responsibility for the audit), or the audit partner responsible for reviewing the audit, has performed audit services for that issuer in each of the 5 previous fiscal years of that issuer."^{9/}

6. Exchange Act Rule 10A-2 provides that it shall be unlawful for an auditor not to be independent with respect to, among other requirements, the partner rotation requirements of the Commission Regulation S-X.^{10/}

7. Rule 2-01 of Commission Regulation S-X provides that an accountant is not independent of an audit client when an audit partner performs the services of lead or concurring audit partner for the same issuer for more than five consecutive years or within the five consecutive year period following the performance of services for the maximum period permitted.^{11/}

8. 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 and the obligations and liabilities of accountants with respect thereto, including the rules of the Commission issued under the Act, or professional standards."^{12/}

9. As described below, Respondents failed to comply with Exchange Act Rule 10A-2 and PCAOB rules and standards, the Firm failed to comply with Section 10A(j) of the Exchange Act, and Jeffrey directly and substantially contributed to the Firm's violations of Section 10A(j) of the Exchange Act.

^{9/} See Section 10A(j) of the Exchange Act.

^{10/} See Exchange Act Rule 10A-2.

^{11/} See Rule 2-01 of Commission Regulation S-X, 17 C.F.R. §§ 210.2-01(c)(6)(i)(A)(1) and (c)(6)(i)(B)(1). At all relevant times, the Firm had five or more issuer clients, and did not qualify for the small firm exemption. Id. at § 210.2-01(c)(6)(ii).

^{12/} See PCAOB Rule 3502, *Responsibility Not to Knowingly or Recklessly Contribute to Violations*.



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Audits of AEP's Financial Statements

10. At all relevant times, AEP was a Nevada corporation headquartered in the People's Republic of China. AEP's public filings disclose that it was engaged in the business of designing, manufacturing and marketing electrical switchgears, circuit breakers and branch cabinets. Its common stock was registered under Section 12(g) of the Exchange Act and quoted on the OTC Bulletin Board. At all relevant times, AEP was an issuer as that term is defined by Section 2(a)(7) of the Act and PCAOB Rule 1001(i)(iii). On October 20, 2010, following a 1-for-500 reverse stock split, AEP terminated the registration of its securities. The Firm was engaged as AEP's external auditor in 2004.

11. The Firm audited AEP's 2002 through 2007 financial statements over a period of five consecutive fiscal years,^{13/} and issued audit reports, which were included in Forms SB-2, SB-2/A, 10KSB and 10-K filed with the Commission, expressing unqualified opinions on those financial statements. Jeffrey served as the lead audit partner on each of the AEP audit engagements and authorized the issuance of all audit reports during this five year period.

12. After serving as lead audit partner for the aforementioned five year period, Jeffrey continued to serve as the lead audit partner on the audit of AEP's 2008 financial statements in violation of Section 10A(j) of the Exchange Act, Exchange Act Rule 10A-2, PCAOB Rule 3520 and AU § 220. Jeffrey also authorized the issuance of an audit report that was included in a Form 10-K filed with the Commission, expressing an unqualified opinion on the 2008 financial statements, even though the Firm and Jeffrey were not independent of the client.

13. The Firm continued to be the external auditor for AEP during the audit of its 2009 financial statements. While the Firm designated another auditor from outside the Firm (the "contract partner") as the "lead audit partner" for AEP, Jeffrey continued to perform the services of lead audit partner. Although he knew he was precluded from serving as the lead audit partner on the 2009 audit, Jeffrey: (1) participated in the planning of the audit, (2) travelled to China to supervise assistants performing the fieldwork, (3) performed in-depth reviews of the audit work papers, and (4) provided detailed review notes on that work to the assistants.

14. As a result of Jeffrey's services as described above, the Firm and Jeffrey were not independent during the audit of AEP's 2009 financial statements, in violation of

^{13/} The initial audit report, issued in 2004, covered AEP's 2002 and 2003 financial statements.



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Section 10A(j) of the Exchange Act, Exchange Act Rule 10A-2, PCAOB Rule 3520 and AU § 220. Although Jeffrey knew he was not permitted to serve as the lead audit partner on that audit, Jeffrey also authorized the issuance of an audit report that was included in a Form 10-K filed with the Commission, expressing an unqualified opinion on the 2009 financial statements, even though the Firm and Jeffrey were not independent of the client.

Audits of Amanasu Techno's Financial Statements

15. At all relevant times, Amanasu Techno was a Nevada corporation headquartered in New York, New York. Amanasu Techno's public filings disclose that it was a development stage company engaged in obtaining licenses to various environmental and other technologies and conducting preliminary marketing efforts. Its common stock is registered under Section 12(g) of the Exchange Act and is quoted on the OTC Bulletin Board. At all relevant times, Amanasu Techno was an issuer as that term is defined by Section 2(a)(7) of the Act and PCAOB Rule 1001(i)(iii). The Firm was engaged as Amanasu Techno's external auditor in 2002.

16. The Firm audited Amanasu Techno's 2005 through 2009 financial statements over a period of five consecutive years, and issued audit reports, which were included in Forms 10KSB and 10-K filed with the Commission, expressing unqualified opinions on those financial statements. Jeffrey served as the lead audit partner for each of the Amanasu Techno engagements and authorized the issuance of all audit reports during this five year period.

17. After serving as the lead audit partner for the aforementioned five year period, Jeffrey continued to serve as the lead audit partner on the audits of Amanasu Techno's 2010 and 2011 financial statements in violation of Section 10A(j) of the Exchange Act, Exchange Act Rule 10A-2, PCAOB Rule 3520 and AU § 220. Jeffrey was aware, prior to performing the audits of the 2010 and 2011 financial statements, that he had already served as the lead audit partner for Amanasu Techno for the maximum five consecutive year period by the conclusion of the 2009 audit. Nevertheless, Jeffrey authorized the issuance of audit reports on the 2010 and 2011 financial statements that were included in Forms 10-K and 10-K/A that Amanasu Techno filed with the Commission, expressing unqualified opinions on those financial statements, even though the Firm and Jeffrey were not independent of the client.

Audits of Amanasu Environment's Financial Statements

18. At all relevant times, Amanasu Environment was a Nevada corporation headquartered in New York, New York. Amanasu Environment's public filings disclose that it was a development stage company engaged in the development of environmental

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technology. Its common stock is registered under Section 12(g) of the Exchange Act and is quoted on the OTC Bulletin Board. At all relevant times, Amanasu Environment was an issuer as that term is defined by Section 2(a)(7) of the Act and PCAOB Rule 1001(i)(iii). The Firm was engaged as Amanasu Environment's external auditor in 2001.

19. The Firm audited Amanasu Environment's 2001 through 2005 financial statements over a period of five consecutive years, and issued audit reports, which were filed in Forms 10KSB with the Commission, expressing unqualified opinions on those financial statements. Jeffrey served as the lead audit partner for each of the Amanasu Environment engagements and authorized the issuance of all audit reports during this five year period.

20. After Jeffrey served as the lead audit partner for the aforementioned five year period, the Firm designated the contract partner to be the lead audit partner on the audits of Amanasu Environment's 2006 through 2009 financial statements. The Firm issued audit reports on the 2006 through 2009 financial statements, which were included in Forms 10KSB, 10-K and 10-K/A filed with the Commission, expressing unqualified opinions on those financial statements. In violation of Exchange Act Rule 10A-2, PCAOB Rule 3520 and AU § 220, Jeffrey resumed the role of lead audit partner on the audits of Amanasu Environment's 2010 financial statements within the five consecutive year period following the performance of services as lead audit partner for the maximum permitted period, and then continued to serve as the lead audit partner on the audit of the 2011 financial statements. Jeffrey was aware, prior to performing the audits of the 2010 and 2011 financial statements, that he had not rotated off of the Amanasu Environment audits for the required five consecutive year period prior to resuming the lead audit partner role on those audits. Nevertheless, Jeffrey authorized the issuance of audit reports on the 2010 and 2011 financial statements that were included in Forms 10-K and 10-K/A that Amanasu Environment filed with the Commission, expressing unqualified opinions on those financial statements, even though the Firm and Jeffrey were not independent of the client.

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)(E) of the Act and PCAOB Rule 5300(a)(5), Jeffrey & Company and Robert G. Jeffrey, CPA are hereby censured;

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- B. Pursuant to Section 105(c)(4)(B) of the Act and PCAOB Rule 5300(a)(2), Robert G. Jeffrey, 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);
- C. After three (3) years from the date of this Order, Robert G. Jeffrey, 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 Jeffrey & Company is revoked; and
- E. After three (3) years from the date of this Order, Jeffrey & Company 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

May 6, 2014