



Public Company Accounting Oversight Board

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ORDER INSTITUTING DISCIPLINARY
PROCEEDINGS, MAKING FINDINGS,
AND IMPOSING SANCTIONS

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)
) PCAOB Release No. 105-2015-026
)

) July 23, 2015
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*In the Matter of Timothy Alan Coons,
CPA and Timothy Coons, CPA*

Respondents.

By this Order, the Public Company Accounting Oversight Board ("Board" or "PCAOB") is censuring Timothy Alan Coons, CPA ("Firm"), a registered public accounting firm, imposing a civil money penalty in the amount of \$7,500 upon the Firm, and requiring the Firm to undertake certain remedial measures, including to establish policies and procedures, directed toward ensuring compliance with the engagement quality review requirements applicable to audits and reviews of issuers; and censuring Timothy Coons, CPA ("Coons"). The Board is imposing these sanctions on the basis of its findings that the Firm and Coons (collectively, "Respondents") violated PCAOB rules and standards in connection with the Firm's audits of two issuer audit 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.

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 them and the subject matter of these proceedings, which is admitted,

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Respondents consent to entry of this Order Instituting Disciplinary Proceedings, Making Findings, and Imposing Sanctions ("Order") as set forth below.¹

III.

On the basis of Respondents' Offers, the Board finds that:

A. Respondents

1. Timothy Alan Coons, CPA, is, and at all relevant times was, a sole proprietorship headquartered in La Jolla, California. The Firm is registered with the Board pursuant to Section 102 of the Act and PCAOB rules. At all relevant times, the Firm was the external auditor for each of the issuers identified below.

2. Timothy Coons, CPA, 54, of La Jolla, California, is a certified public accountant licensed by the California Board of Accountancy (license no. 82466). At all relevant times, Coons was the sole owner of the Firm and was the Firm's sole accountant. At all relevant times, he was, an associated person of a registered public accounting firm, Timothy Alan Coons, CPA, 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 the Firm's failure to comply with Auditing Standard No. 7, *Engagement Quality Review* ("AS 7"), with respect to two issuer clients. In the audits of each client, the Firm failed to obtain an engagement quality review of the two audits even though an engagement quality review was required under AS 7.

4. This matter also concerns Coons's failure to comply with PCAOB Rules with respect to the same two issuer clients. Coons took or omitted to take actions knowing, or recklessly not knowing, that his acts and omissions would directly and substantially contribute to the Firm's violations of PCAOB standards.

¹ 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.

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C. Respondents Violated PCAOB Rules and Auditing Standards

5. 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.²

6. For audits of financial statements for years beginning on or after December 15, 2009, AS 7 requires that an engagement quality review be performed on audits and interim reviews conducted pursuant to PCAOB standards.³ AS 7 also provides that a firm may grant permission to a client to use the engagement report only after an engagement quality reviewer provides concurring approval of issuance.⁴

7. 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."⁵

8. As described below, Respondents failed to comply with PCAOB rules and standards.

Audit of Boxceipsts' Financial Statements

9. At all relevant times, Boxceipsts was a Nevada corporation headquartered in Overland Park, Kansas. Boxceipsts' public filings disclosed that it was in the business of developing a system that allows retail companies the option of emailing customer transactions receipts. At all relevant times, Boxceipsts was an issuer as that term is defined by Section 2(a)(7) of the Act and PCAOB Rule 1001(i)(iii).

² PCAOB Rule 3100, *Compliance with Auditing and Related Professional Practice Standards*.

³ See AS 7 ¶ 1.

⁴ Id. at ¶ 13.

⁵ See PCAOB Rule 3502, *Responsibility Not to Knowingly or Recklessly Contribute to Violations*.



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10. The Firm was engaged as Boxcepts' external auditor in 2011. Respondents were engaged to audit the financial statements of Boxcepts for the period from October 25, 2010 to August 31, 2011.

11. Respondents issued their audit report dual dated "September 19, 2011" and "November 29, 2011," which was included in Boxcepts' December 1, 2011 amended Form S-1 filing, without obtaining an engagement quality review and concurring approval of issuance. As a result, the Firm violated AS 7.

12. Coons knew, or was reckless in not knowing, that he was directly and substantially contributing to the Firm's violations of AS 7 when he caused the Firm to grant permission to the client to use the engagement report without obtaining an engagement quality review and concurring approval of issuance. As a result, Coons violated PCAOB Rule 3502.

Audit of Offsite Docs' Financial Statements

13. At all relevant times, Offsite Docs was a Nevada corporation headquartered in Overland Park, Kansas. Offsite Docs' public filings disclosed that it was in the business of providing for a cloud-based document storage and security solution targeted at law firms, financial service companies and other businesses that store and manage a large number of documents. At all relevant times, Offsite Docs was an issuer as that term is defined by Section 2(a)(7) of the Act and PCAOB Rule 1001(i)(iii).

14. The Firm was engaged as Offsite Docs' external auditor in 2011. Respondents had been engaged to audit the financial statements of Offsite Docs for the period from March 30, 2011 to July 31, 2011.

15. Respondents issued their audit report dated October 7, 2011, which was included in Offsite Docs' October 11, 2011 amended Form S-1 filing, without obtaining an engagement quality review and concurring approval of issuance. As a result, the Firm violated AS 7.

16. Coons knew, or was reckless in not knowing, that he was directly and substantially contributing to the Firm's violations of AS 7 when he caused the Firm to grant permission to the client to use the engagement report without obtaining an engagement quality review and concurring approval of issuance. As a result, Coons violated PCAOB Rule 3502.



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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 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), Timothy Alan Coons, CPA and Timothy Coons, CPA are hereby censured;
- B. Pursuant to Section 105(c)(4)(D) of the Act and PCAOB Rule 5300(a)(4), a civil money penalty in the amount of \$7,500 is imposed upon Timothy Alan Coons, CPA. 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. Timothy Alan Coons, CPA 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 Controller, Public Company Accounting Oversight Board, 1666 K Street, N.W., Washington, D.C. 20006; and (e) submitted under a cover letter which identifies Timothy Alan Coons, CPA 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 the Office of the Secretary, Attention: Phoebe Brown, Secretary, Public Company Accounting Oversight Board, 1666 K Street, N.W., Washington, D.C. 20006; and

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- C. Pursuant to Section 105(c)(4)(G) of the Act and PCAOB Rule 5300(a)(9), the Firm is required:
1. within ninety (90) days from the date of this Order, to establish policies and procedures, or review and/or supplement existing policies and procedures, for the purpose of providing the Firm with reasonable assurance of compliance with Auditing Standard No. 7, *Engagement Quality Review*;
 2. within ninety (90) days from the date of this Order, to establish a policy of ensuring training, whether internal or external, on an annual or more frequent basis, concerning Auditing Standard No. 7, of any Firm audit personnel who participate in any way in the planning or performing of any audit services (as defined in PCAOB Rule 1001(a)(vii));
 3. within ninety (90) days from the date of this Order, and before the Firm's commencement of any audit services, to ensure training pursuant to the policy described in paragraph C(2) above on at least one occasion;
 4. to provide a copy of this Order—
 - a. within (30) days from the date of this Order, to all audit personnel employed by, or associated with (as defined in PCAOB Rule 1001(p)(i)), the Firm as of the date of this Order;
 - b. within (30) days from the date of this Order, to any client of the Firm as of the date of this Order for which the Firm has performed or has been engaged to perform audit services;
 - c. before the commencement of any audit services, to any future client for which the Firm is engaged within three (3) years of the date of this Order to perform such audit services; and
 5. to certify in writing to the Director of the Division of Enforcement and Investigations, Public Company Accounting Oversight Board, 1666 K Street, N.W., Washington D.C. 20006, the Firm's compliance with paragraphs C(1) through C(4)(b) above. The certification shall identify the undertakings, provide written evidence of compliance in the form of a narrative, and be supported by exhibits sufficient to demonstrate compliance. The Firm shall submit such certification within one hundred twenty (120) days from the date of this Order. The Firm shall also submit

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such additional evidence of and information concerning compliance as the staff of the Division of Enforcement and Investigations may reasonably request.

ISSUED BY THE BOARD.

/s/ Phoebe W. Brown

Phoebe W. Brown
Secretary

July 23, 2015