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

*In the Matter of Yichien Yeh, CPA and Yichien Yeh,*  
  
Respondents.

PCAOB Release No. 105-2021-011

September 29, 2021

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 Yichien Yeh, CPA (the “Firm”), a registered public accounting firm;<sup>1</sup>
- (2) Barring Yichien Yeh (“Yeh”) (with the Firm collectively, “Respondents”) from being associated with a registered public accounting firm;<sup>2</sup> 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 Respondents violated PCAOB rules and standards in connection with the Firm’s audit of the financial statements of AmericaTowne Holdings, Inc. (“AmericaTowne” or the “Company”) for the year ended December 31, 2018 (the “2018 Audit”).

### 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)

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

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

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 each 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 are admitted, Respondents consent to the entry of this Order as set forth below.<sup>3</sup>

## III.

On the basis of Respondents’ Offers, the Board finds that:<sup>4</sup>

### A. Respondents

1. **Yichien Yeh, CPA** is a sole proprietorship headquartered in Oakland Gardens, New York. At all relevant times, the Firm was registered with the Board pursuant to Section 102 of the Act and PCAOB rules.

2. **Yichien Yeh** is a certified public accountant licensed by the New York State Board for Public Accountancy (License No. 096015). At all relevant times, Yeh was the sole owner of the Firm and 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). Yeh was the engagement partner on the 2018 Audit.

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<sup>3</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>4</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.

## B. Issuer

3. AmericaTowne<sup>5</sup> was, at all relevant times, a Nevada corporation headquartered in Raleigh, North Carolina, and an issuer as that term is defined in Section 2(a)(7) of the Act and PCAOB Rule 1001(i)(iii). Its public filings disclose that AmericaTowne is an emerging growth company that provides “Made in the USA” goods and services to China and African countries, and engages in the development and exporting of modular energy efficient technology and processes to China and elsewhere.

## C. Summary

4. This matter concerns Respondents’ violations of PCAOB rules and standards in connection with the 2018 Audit.<sup>6</sup> As detailed below, Respondents failed to exercise due professional care, including professional skepticism; failed to evaluate whether revenue was recognized in accordance with the applicable financial reporting framework; and failed to obtain sufficient appropriate audit evidence concerning service fee revenues, related party relationships and transactions, accounts receivable, and the allowance for doubtful accounts.

## D. Respondents Violated PCAOB Rules and Standards in Connection with the 2018 Audit

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.<sup>7</sup> An auditor may express an unqualified opinion on an issuer’s financial statements 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>8</sup> Among other things, PCAOB standards require an auditor to exercise due professional care, exercise professional skepticism, and plan and perform audit

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<sup>5</sup> Effective on August 1, 2018, AmericaTowne, f/k/a ATI Modular Technology Corp. (“ATI”), became the surviving entity following a merger with its subsidiary, AmericaTowne, Inc.

<sup>6</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 audit discussed herein.

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

<sup>8</sup> See AS 3101.02, *The Auditor’s Report on an Audit of Financial Statements When the Auditor Expresses an Unqualified Opinion*.

procedures to obtain sufficient appropriate audit evidence to provide a reasonable basis for the auditor's opinion.<sup>9</sup>

6. PCAOB standards state that the auditor must evaluate whether the financial statements are presented fairly, in all material respects, in conformity with the applicable financial reporting framework.<sup>10</sup> As part of the evaluation of the presentation of the financial statements, the auditor should 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>11</sup>

**i. Respondents Failed to Evaluate Whether AmericaTowne's Revenue Was Recognized in Conformity With the Applicable Financial Reporting Framework**

7. In FY 2018, AmericaTowne reported total revenue of \$377,000. The Company recognized \$262,000 in revenue from four service provider agreements with related parties, and \$110,000 in revenue from two agreements with unrelated parties (collectively, the "Agreements"). The Agreements were entered into during FY 2018.

8. Approximately 99% of the Company's FY 2018 revenue was from nonrefundable service fees charged by AmericaTowne pursuant to the Agreements. The service fees were fixed and payable over a period in excess of five years, with approximately 4% of the total fee due upon signing, 44% due in monthly installments over a period of 60 months, and 52% due in equal parts in months 61 and 62. AmericaTowne recognized the total amount of service fees in FY 2018, even though approximately 92% of the fees were not due for payment as of year-end.

9. AmericaTowne's public filings disclosed that revenue was recognized when the following criteria have been met: (i) persuasive evidence of an arrangement exists, (ii) delivery has occurred or services have been rendered, (iii) the price is fixed or determinable, and (iv) collectability is reasonably assured.<sup>12</sup>

10. During the 2018 Audit, Respondents failed to evaluate whether AmericaTowne appropriately recognized revenue in conformity with U.S. Generally Accepted Accounting Principles (GAAP). While they obtained the Agreements, Respondents failed to perform any procedures to evaluate whether the revenue recognition criteria had been met prior to

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<sup>9</sup> See AS 1015.01 and .07, *Due Professional Care in the Performance of Work*; AS 1105.04, *Audit Evidence*.

<sup>10</sup> See AS 2810.30, *Evaluating Audit Results*.

<sup>11</sup> *Id.* at .31.

<sup>12</sup> See FASB Topic ASC 605, *Revenue Recognition*.

AmericaTowne's recognition of the total amount of service fees as revenue. As a result, Respondents failed to evaluate whether AmericaTowne's revenue was presented fairly, in all material respects, in conformity with U.S. GAAP.<sup>13</sup>

**ii. Respondents Failed to Obtain Sufficient Appropriate Audit Evidence Concerning AmericaTowne's Service Fee Revenue**

11. During the 2018 Audit, Respondents identified a fraud risk related to improper revenue recognition. To test revenue, Respondents agreed the service fee revenue amounts recorded in the FY 2018 financial statements to the amounts reflected in the Agreements, but failed to perform any other procedures regarding revenue. As a result, they failed to exercise due professional care, including professional skepticism, and failed to obtain sufficient appropriate audit evidence to determine whether the services were provided to a customer, recorded in the proper period, and properly valued in the FY 2018 financial statements.<sup>14</sup>

**iii. Respondents Failed to Obtain Sufficient Appropriate Audit Evidence Related to AmericaTowne's Related Party Relationships and Transactions**

12. As noted above, AmericaTowne disclosed related party transactions of \$262,000 in service provider agreement revenue in its FY 2018 financial statements, and also disclosed associated related party receivables owed to the company of \$1.3 million. Respondents identified related party transactions as a significant risk during the 2018 Audit.

13. PCAOB standards require that an auditor obtain sufficient appropriate audit evidence to determine whether related parties and relationships and transactions with related parties have been properly, identified, accounted for, and disclosed in the financial statements.<sup>15</sup> For each related party transaction that is either required to be disclosed in the financial statements or determined to be a significant risk, the auditor should, among other things, evaluate whether the terms and other information about the transaction are consistent with explanations from inquiries and other audit evidence about the business purpose (or lack thereof) of the transaction, and evaluate the financial capability of the related parties.<sup>16</sup> The auditor must also evaluate whether the financial statements contain the information regarding

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<sup>13</sup> See *id.*; AS 2810.30.

<sup>14</sup> See AS 1015.01 and .07; AS 1105.04.

<sup>15</sup> See AS 2410.02, *Related Parties*.

<sup>16</sup> See *id.* at .12.

relationships and transactions with related parties essential for a fair presentation in conformity with the applicable financial reporting framework.<sup>17</sup>

14. During the 2018 Audit, Respondents identified related party sales transactions from the service provider agreements and proposed an entry to reclassify those amounts as related party revenue. Respondents, nevertheless, performed no other procedures to evaluate whether AmericaTowne's revenue and receivables from related party transactions were properly identified, accounted for, and disclosed in the financial statements.<sup>18</sup> Specifically, Respondents failed to perform any procedures to: (i) obtain an understanding of the business purpose of the related party transactions; (ii) evaluate the financial capability of the related parties with respect to significant uncollected accounts receivable balances; and (iii) evaluate whether AmericaTowne had properly disclosed the nature of each material relationship in accordance with U.S. GAAP.<sup>19</sup>

15. As a result of these deficiencies, Respondents failed to obtain sufficient appropriate audit evidence to determine whether related parties and relationships and transactions with related parties had been properly identified, accounted for, and disclosed in the financial statements.<sup>20</sup>

**iv. Respondents Failed to Obtain Sufficient Appropriate Audit Evidence Related to AmericaTowne's Sales and Support Services Agreement with Yilaime**

16. AmericaTowne's FY 2018 financial statements disclosed that in 2016, ATI, AmericaTowne's predecessor entity, entered into a sales and support services agreement with Yilaime Corporation ("Yilaime"). Yilaime, a Nevada corporation, was a related party entity, AmericaTowne's majority shareholder, and was controlled by AmericaTowne's sole officer and director. Under the 2016 agreement, Yilaime agreed to provide ATI with marketing, sales, and support services related to ATI's business in China in exchange for a commission equal to 10% of the gross amount of monies procured for ATI through Yilaime's services. In consideration of the right to receive the commission, Yilaime agreed to pay ATI a quarterly fee of \$250,000 starting on July 1, 2016.

17. Related to the agreement with Yilaime, AmericaTowne's FY 2018 financial statements disclosed a receivable of approximately \$2 million (42% of total assets) and a corresponding deferred revenue balance of approximately \$2.2 million (89% of total liabilities),

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<sup>17</sup> See *id.* at .17.

<sup>18</sup> See *id.* at .02.

<sup>19</sup> See *id.* at .12 and .17.

<sup>20</sup> See *id.* at .02, .12, .14 and .17.

and recorded \$950,000 in quarterly fees as “accounts receivable, net-related parties” and as deferred revenue.

18. AmericaTowne’s financial statements also disclosed that: (1) AmericaTowne’s sole officer and director previously entered felony *nolo contendere* pleas for fraudulent misappropriation; and (2) as a result of his failure to disclose the pleas, he received a desist and refrain order from the California Department of Corporations relating to the offer and sale of securities.

19. To test the related party transactions with Yilaime, Respondents obtained written representations from AmericaTowne’s sole officer and director regarding the gross outstanding receivable balance, and traced the quarterly fees due from Yilaime to invoices. Despite knowledge of the sole officer and director’s prior convictions, Respondents performed no other procedures to evaluate AmericaTowne’s relationship and transactions with Yilaime. Respondents failed to evaluate the business purpose (or lack thereof) of the transactions with Yilaime, and the financial capability of Yilaime to make payments with respect to the \$2 million outstanding receivable.<sup>21</sup> As a result, Respondents failed to obtain sufficient appropriate audit evidence to determine whether AmericaTowne’s relationship and transactions with Yilaime had been properly identified, accounted for, and disclosed in the financial statements.<sup>22</sup>

**v. Respondents Failed to Evaluate AmericaTowne’s Accounts Receivable and Allowance for Doubtful Accounts**

20. At year-end, AmericaTowne’s accounts receivable for service fees from the Agreements was \$2.58 million (54% of total assets), with a corresponding allowance for doubtful accounts of \$800,000.

21. To test the allowance for doubtful accounts, Respondents obtained AmericaTowne’s accounts receivable aging schedule by customer, including the allowance for bad debt. Respondents understood that AmericaTowne estimated its allowance for doubtful accounts by applying an uncollectable percentage based on past collection experience to each aged receivable group.

22. Respondents failed, however, to perform any procedures to test AmericaTowne’s allowance for doubtful accounts to determine whether it was properly valued in the financial statements.<sup>23</sup> More specifically, Respondents failed to perform any procedures

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<sup>21</sup> See *id.* at .12.

<sup>22</sup> See *id.* at .02, .12, .14 and .17.

<sup>23</sup> See AS 2501.04, .07, and .09-.14, *Auditing Accounting Estimates*.

to evaluate AmericaTowne's collection history or the reasonableness of the estimated uncollectable percentages applied to accounts receivable to obtain the estimated allowance for bad debt and the bad debt expense.<sup>24</sup>

23. Furthermore, Respondents failed to perform procedures to evaluate whether AmericaTowne's accounts receivable was properly presented and disclosed on the consolidated balance sheet in accordance with U.S. GAAP.<sup>25</sup> For example, Respondents failed to perform procedures to evaluate AmericaTowne's classification of accounts receivable from service fees as a current asset, even though amounts due for payment extended beyond 12 months.

24. As a result, Respondents failed to perform sufficient procedures to obtain sufficient appropriate audit evidence to determine whether AmericaTowne's allowance for doubtful accounts was properly valued and to determine whether AmericaTowne's accounts receivable was properly presented and disclosed.<sup>26</sup>

#### 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 Yichien Yeh, CPA is revoked;
- B. After two years from the date of this Order, Yichien Yeh, CPA 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), Yichien Yeh 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>27</sup>

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<sup>24</sup> See *id.*

<sup>25</sup> See AS 2810.31.

<sup>26</sup> See *id.*; AS 2501.04, .07, and .09-.14.

<sup>27</sup> As a consequence of the bar, the provisions of Section 105(c)(7)(B) of the Act will apply with respect to Yeh. Section 105(c)(7)(B) of the Act provides that "[i]t shall be unlawful for any person that is suspended or barred from being associated with a registered public accounting firm under this



- D. After two years from the date of this Order, Yichien Yeh 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 Yichien Yeh, CPA and Yichien Yeh. 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 Yichien Yeh, CPA and Yichien Yeh 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

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Phoebe W. Brown  
Secretary

September 29, 2021

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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.”