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Order Instituting Disciplinary Proceedings, Making Findings, and Imposing Sanctions

In the Matter of Edward Turner, CPA,

Respondent.

PCAOB Release No. 105-2023-009

July 18, 2023

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

- (1) censuring Edward Turner, CPA (“Turner” or “Respondent”);
- (2) barring Turner from being associated with a registered public accounting firm; and
- (3) imposing a civil money penalty in the amount of \$50,000 on Turner.

The Board is imposing these sanctions on the basis of its findings that Turner failed to cooperate with the Board’s 2022 inspection of a broker-dealer audit and review by improperly altering audit documentation and providing the altered documentation, and other misleading information, to PCAOB inspectors.

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 (“Act”), and PCAOB Rule 5200(a)(1) against Respondent.

II.

In anticipation of institution of these proceedings, and pursuant to PCAOB Rule 5205, Respondent submitted an Offer of Settlement (“Offer”) that the Board has determined to accept. Respondent admits to the facts, findings, and violations set forth below, and consents

to the entry of this Order.¹ Respondent also admits to the Board’s jurisdiction over him and the subject matter of these proceedings.

III.

On the basis of Respondent’s Offer, the Board finds that:²

A. Respondent

1. **Edward Turner, CPA** is, and at all relevant times was, a certified public accountant licensed by the Texas State Board of Public Accountancy (license no. 018002). Turner is a founding partner of Turner, Stone & Company, L.L.P. (“Turner Stone” or the “Firm”), which is, and at all relevant times was, registered with the Board pursuant to Section 102 of the Act and PCAOB rules. Turner was the engagement partner for Turner Stone’s audit of the financial statements and accompanying supplemental information, and review of the exemption report, for Broker-Dealer A for the fiscal year (“FY”) ended May 31, 2021 (the “Audit and Review”). Turner was, at all relevant times, 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. Broker-Dealer

2. **Broker-Dealer A**, at all relevant times, was a Florida corporation headquartered in Fort Myers, Florida. At all relevant times, Broker-Dealer A was registered with the U.S. Securities and Exchange Commission (“Commission”) as a broker and dealer in securities. At all relevant times, Broker-Dealer A was a “broker” and “dealer,” as those terms are defined in Section 110(3) and (4) of the Act and PCAOB Rule 1001(b)(iii) and (d)(iii). At all relevant times,

¹ The findings herein are made pursuant to Respondent’s Offer and are not binding on any other person or entity in this or any other proceeding.

² The Board finds that Respondent’s 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 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.

Broker-Dealer A was a “non-carrying” broker-dealer (*i.e.*, a broker-dealer that does not maintain custody of customer funds or securities).³

C. Summary

3. This matter concerns Respondent’s failure to cooperate with the Board’s 2022 inspection of Turner Stone’s Audit and Review of Broker-Dealer A, and Respondent’s violations of PCAOB audit documentation standards in connection with the Audit and Review.

4. After the completion of the Firm’s Audit and Review of Broker-Dealer A, and over six months after the documentation completion date,⁴ Respondent learned that the PCAOB’s Division of Registration and Inspections (“DRI”) would be inspecting the Audit and Review. In the days that followed leading up to the inspection, Respondent obtained a document from Broker-Dealer A that the engagement team had not obtained previously, used it to create a new work paper, added the new work paper to the audit file, and deleted from the audit file a work paper that had been prepared and signed off on during the Audit and Review. Respondent then backdated the new work paper to create the impression that it had been prepared, and signed off on by both Respondent and the engagement quality reviewer (“EQR Reviewer”), during the Audit and Review.

5. Respondent provided the altered audit file to DRI without identifying the improper alterations and deletion. When DRI asked about the new work paper during the inspection, Respondent acknowledged the conduct described above only in part, and made additional misrepresentations to DRI.

6. As a result, and as further described below, Respondent violated PCAOB Rule 4006, *Duty to Cooperate with Inspectors*, and AS 1215.

³ Broker-Dealer A claimed an exemption pursuant to paragraph (k)(1) of Rule 15c3-3 under the Securities Exchange Act of 1934 (“Exchange Act”), 17 C.F.R. § 240.15c3-3(k)(1).

⁴ See AS 1215.15, *Audit Documentation* (defining “documentation completion date” as a date not more than 45 days after an auditor releases an audit report).

D. Respondent Violated PCAOB Rules and Standards in Connection with the Board's 2022 Inspection of the Audit and Review of Broker-Dealer A

i. Relevant Rules and Standards

7. Exchange Act Rule 17a-5⁵ ("Rule 17a-5") generally requires a broker-dealer that claims it was exempt from Exchange Act Rule 15c3-3⁶ throughout the most recent fiscal year to file annually with the Commission: (a) a financial report containing certain financial statements and supporting schedules (*i.e.*, supplemental information);⁷ (b) an exemption report;⁸ (c) a report prepared by an independent public accountant based on an examination of the financial report;⁹ and (d) a report prepared by an independent public accountant based on a review of the statements made by the broker-dealer in the exemption report.¹⁰ Rule 17a-5 also requires that audits and reviews of broker-dealers be performed in accordance with PCAOB standards.¹¹

8. PCAOB rules require that registered public accounting firms and their associated persons comply with the Board's auditing and related professional practice standards.¹²

9. PCAOB Rule 4006 requires registered public accounting firms and their associated persons to "cooperate with the Board in the performance of any Board inspection."¹³ Implicit in that cooperation requirement is a requirement that auditors provide accurate and truthful information to DRI.¹⁴

⁵ 17 C.F.R. § 240.17a-5.

⁶ 17 C.F.R. § 240.15c3-3.

⁷ See Rule 17a-5(d)(1)(i)(A), (d)(2); see also SEC Form X-17A-5; 17 C.F.R. § 249.617.

⁸ See Rule 17a-5(d)(1)(i)(B)(2), (d)(4).

⁹ See Rule 17a-5(d)(1)(i)(C), (g)(1).

¹⁰ See Rule 17a-5(d)(1)(i)(C), (g)(2)(ii).

¹¹ See Rule 17a-5(g).

¹² See PCAOB Rule 3100, *Compliance with Auditing and Related Professional Practice Standards*; see also PCAOB Rule 3200, *Auditing Standards*.

¹³ PCAOB Rule 4006.

¹⁴ See *Kabani & Co., Inc.*, Rel. No. 34-80201, 2017 WL 947229, at *12 (SEC Mar. 10, 2017), *petition for review denied*, *Kabani & Co., Inc. v. SEC*, 733 F. App'x 918 (9th Cir. 2018); see also PCAOB Staff Audit Practice Alert No. 14, at *3 (Apr. 21, 2016) ("Th[e] duty to cooperate [under PCAOB Rule 4006] includes

10. The Board’s audit documentation standard states, in part: “A complete and final set of audit documentation should be assembled for retention as of a date not more than 45 days after the report release date (*documentation completion date*).”¹⁵ The Board’s documentation standard also states that “[a]udit documentation must not be deleted or discarded after the documentation completion date,” and with respect to any documentation added the auditor must “indicate the date the information was added, the name of the person who prepared the additional documentation, and the reason for adding it.”¹⁶

ii. Respondent Failed to Cooperate with the Board’s 2022 Inspection of the Audit and Review and Violated PCAOB Audit Documentation Standards

11. Broker-Dealer A filed its annual report on Form X-17A-5 Part III for the 2021 FY with the Commission on July 29, 2021. Included in that annual report were (a) Broker-Dealer A’s financial report, including financial statements and supplemental information; (b) Broker-Dealer A’s exemption report; (c) Turner Stone’s audit report dated July 16, 2021, which expressed an unqualified opinion on Broker-Dealer A’s financial statements and supplemental information; and (d) Turner Stone’s review report dated July 16, 2021, which stated that the Firm was not aware of any material modifications that should be made to the statements made by Broker-Dealer A in its exemption report for them to be fairly stated, in all material respects.

12. Turner was the engagement partner for Turner Stone’s FY 2021 Audit and Review of Broker-Dealer A, and authorized the Firm’s issuance of Turner Stone’s audit and review reports dated July 16, 2021 (the “Audit and Review Reports”), which stated that the Audit and Review were conducted in accordance with PCAOB standards.

13. The documentation completion date for the Audit and Review was August 30, 2021 (45 days after the July 16, 2021 release date for the Firm’s Audit and Review Reports).

14. On March 17, 2022, DRI informed the Firm and Turner that it would inspect the FY 2021 Audit and Review of Broker-Dealer A beginning on April 11, 2022.

15. On March 21, 2022, after learning that DRI would inspect the Audit and Review, Turner obtained from Broker-Dealer A’s management a statement of fees (“Fee Statement”), which Turner and the engagement team had not obtained during the Audit and Review. Turner

an obligation not to provide improperly altered documents or misleading information in connection with the Board’s inspection processes.” (citations omitted)).

¹⁵ AS 1215.15.

¹⁶ AS 1215.16.

added notations to the Fee Statement to prepare a new work paper addressing fees earned by Broker-Dealer A, but not yet paid, as of year-end. Turner added the new work paper to the audit file, and deleted from the audit file a less detailed work paper related to the same issue that the engagement team had prepared and signed off on during the Audit and Review.

16. Turner failed to document the date he added the new work paper to the audit file, the name of the person who prepared it, or the reason for adding it. To the contrary, also on March 21, 2022, Turner backdated his sign-off on the new work paper, and the sign-off of the EQR Reviewer, to July 8, 2021 and July 13, 2021, respectively—prior to the July 16, 2021 report release date. Turner added the EQR Reviewer’s sign-off by using the EQR Reviewer’s password to log in to the engagement software.

17. On April 6, 2022, Turner provided DRI with a copy of the altered audit file for the Audit and Review, including the new work paper and backdated sign-offs. Turner failed to disclose that he had obtained the Fee Statement, prepared and added the new work paper, deleted a work paper, and backdated the sign-offs after the documentation completion date.

18. During the inspection, DRI identified that the new work paper appeared to have been created or altered after the documentation completion date, and raised the issue with Turner. Turner acknowledged adding and backdating the new work paper after learning that DRI would inspect the Audit and Review, but falsely stated that the engagement team had obtained the Fee Statement during the Audit and Review, and had accidentally left the work paper out of the audit file. Turner failed to disclose to DRI that he had obtained the Fee Statement and prepared the new work paper only after learning the Audit and Review would be inspected, or that he had deleted a work paper from the audit file.

19. Turner’s conduct described above violated PCAOB Rule 4006 and AS 1215.

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 determined it appropriate to impose the sanctions agreed to in Respondent’s Offer. Accordingly, it is hereby ORDERED that:

- A. Pursuant to Section 105(c)(4)(E) of the Act and PCAOB Rule 5300(a)(5), Edward Turner, CPA is hereby censured.
- B. Pursuant to Section 105(c)(4)(B) of the Act and PCAOB Rule 5300(a)(2), Edward Turner, 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).¹⁷

- C. Pursuant to Section 105(c)(4)(D) of the Act and PCAOB Rule 5300(a)(4), a civil money penalty in the amount of \$50,000 is imposed upon Edward Turner, CPA.
1. 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.
 2. Respondent shall pay this civil money penalty within ten (10) days of the issuance of this Order by: (1) wire transfer pursuant to instructions provided 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 Edward Turner, CPA as the 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.
 3. Respondent understands that his failure to pay the civil money penalty described above may alone be grounds to deny any request for leave to petition to terminate a bar pursuant to PCAOB Rule 5302(c).
 4. If timely payment is not made, interest shall accrue at the federal debt collection rate set for the current quarter pursuant to 31 U.S.C. § 3717. Payments shall be applied first to post-order interest.

¹⁷ As a consequence of the bar imposed in this Order, the provisions of Section 105(c)(7)(B) of the Act will apply with respect to Turner. 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."

5. With respect to any civil money penalty amounts that Respondent shall pay pursuant to this Order, Respondent shall not, directly or indirectly, (a) seek or accept reimbursement or indemnification from any source including, but not limited to, any current or former affiliated firm or professional or any payment made pursuant to any insurance policy; (b) claim, assert, or apply for a tax deduction or tax credit in connection with any federal, state, local, or foreign tax; nor (c) seek or benefit by any offset or reduction of any award of compensatory damages, by the amount of any part of Respondent's payment of the civil money penalty pursuant to this Order, in any private action brought against Respondent based on substantially the same facts as set out in the findings in this Order.

ISSUED BY THE BOARD.

/s/ Phoebe W. Brown

Phoebe W. Brown
Secretary

July 18, 2023