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Order Instituting Disciplinary Proceedings, Making Findings, and Imposing Sanctions

In the Matter of RH CPA,

Respondent.

PCAOB Release No. 105-2023-035

November 14, 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 RH CPA (“RH,” the “Firm,” or “Respondent”);
- (2) imposing a civil money penalty in the amount of \$45,000 upon the Firm; and
- (3) requiring the Firm to undertake certain remedial actions as described in Section IV of this Order.

The Board is imposing these sanctions on the basis of its findings that the Firm failed to make certain required communications to the audit committee of its issuer audit client Sunrise Real Estate Group, Inc. (“Sunrise”), in violation of AS 1301, *Communications with Audit Committees*, and failed to file an accurate Form AP regarding an audit of Sunrise, in violation of PCAOB Rule 3211, *Auditor Reporting of Certain Audit Participants*.

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 against Respondent pursuant to Section 105(c) of the Sarbanes-Oxley Act of 2002, as amended (the “Act”), and PCAOB Rule 5200(a)(1).

II.

In anticipation of the institution of these proceedings, and pursuant to PCAOB Rule 5205, RH has submitted an Offer of Settlement (“Offer”) 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 Respondent and the subject matter of these proceedings, which is admitted, Respondent consents to the entry of this Order as set forth below.¹

III.

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

A. Respondent

1. **RH CPA** is a sole proprietorship headquartered in Bayside, New York. RH is licensed by the state of New York (lic. no. 115377). At all relevant times, RH was registered with the Board pursuant to Section 102 of the Act and PCAOB rules. During the period covered by this Order, the Firm annually served as the principal auditor for three issuer clients.

B. Issuer

2. **Sunrise Real Estate Group, Inc.** is a corporation with principal executive offices in Shanghai, the People’s Republic of China (“PRC”). Its public filings disclose that it provides property brokerage services, including real estate marketing, property management, and property leasing, and that it also engages in real estate development. At all relevant times, Sunrise was an issuer as that term is defined in Section 2(a)(7) of the Act and PCAOB Rule 1001(i)(iii). On September 29, 2020, RH issued an audit report on Sunrise’s financial statements that Sunrise included in its Form 10-K filed with the U.S. Securities and Exchange Commission for fiscal year 2019 (the “2019 Audit”).

C. Other Relevant Entity

3. **Beijing Haohe Zhongtian CPA (“BHZ”)** is a limited liability corporation headquartered in Beijing, PRC. BHZ is a public accounting firm, as that term is defined in Section 2(a)(11) of the Act and PCAOB Rule 1001(p)(iii). BHZ is not now, and never has been, registered with the Board. BHZ participated in the 2019 Audit.

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

D. RH Failed to Make Required Audit Committee Communications in Violation of AS 1301

4. Pursuant to PCAOB auditing standards, an auditor must communicate with a client’s audit committee regarding certain matters related to the conduct of an audit and obtain certain information from the audit committee relevant to the audit.² The auditor should communicate to the audit committee an overview of the overall audit strategy, including the timing of the audit, and discuss with the audit committee the significant risks identified during the auditor’s risk assessment procedures.³

5. PCAOB standards specify that each auditor, as part of communicating the overall audit strategy, should communicate with the audit committee the names, locations, and planned responsibilities of other independent public accounting firms or other persons, who were not employed by the auditor, that performed audit procedures in the current period audit.⁴

6. In connection with the 2019 Audit, RH failed to inform Sunrise’s audit committee of the name, location, and planned responsibilities of two personnel employed by BHZ, other persons who were not employed by RH who performed audit procedures in the 2019 Audit.

7. Accordingly, RH violated AS 1301.10d in connection with the 2019 Audit.

² AS 1301.01, *Communications with Audit Committees*.

³ *Id.* at .09. In the adopting release for Auditing Standard No. 16 (now known as AS 1301) (“AS 1301 Adopting Release”), the Board indicated that “[c]ommunications between the auditor and the audit committee allow the audit committee to be well-informed about accounting and disclosure matters, including the auditor’s evaluation of matters that are significant to the financial statements, and to be better able to carry out its oversight role.” See Auditing Standard No. 16, *Communications With Audit Committees; Related Amendments to PCAOB Standards; and Transitional Amendments to AU Sec. 380*, PCAOB Rel. No. 2012-004, at 2 (August 15, 2012).

⁴ AS 1301.10d. In the AS 1301 Adopting Release, the Board explained the rationale for identifying other independent public accounting firms for the audit committee as follows: “The audit committee should be aware of all the participants in the audit. This communication regarding other participants in the audit would enable the audit committee to inquire or otherwise determine, for example, whether the other participants are registered with the Board and are subject to PCAOB inspections and whether they have disciplinary history with the Board or other regulators.” AS 1301 Adopting Release at Appendix 4, p. A4-15.

E. RH Failed to File an Accurate Form AP in Violation of PCAOB Rule 3211

8. PCAOB Rule 3211, which took effect for issuer audit reports issued on or after January 31, 2017, provides that each registered public accounting firm must provide information about engagement partners and other accounting firms that participate in audits of issuers by filing a Form AP, *Auditor Reporting of Certain Audit Participants*, for each audit report issued by the firm for an issuer.

9. In particular, Rule 3211(a) provides that, “[f]or each audit report it issues for an issuer, a registered public accounting firm must file with the Board a report on Form AP in accordance with the instructions to that form.”

10. The Form AP Instructions for “Part IV – Responsibility for the *Audit* Is Not Divided” require that an auditor who uses an “other accounting firm” that incurs more than 5% of the total audit hours “[s]tate the legal name of *other accounting firms* and the extent of participation in the *audit*”⁵ in its Form AP.⁶

11. The Form AP General Instructions⁷ explain that an other accounting firm participated in the audit if “the other accounting firm or any of its principals or professional employees was subject to supervision under AS 1201, *Supervision of the Audit Engagement*.”

12. During the 2019 Audit, RH used two BHZ personnel, subject to RH’s supervision under AS 1201, for 216 of the 513 total hours (approximately 40%) on the 2019 Audit. Following the 2019 Audit, RH filed a Form AP that failed to identify BHZ as a participant in the audit.

13. Accordingly, RH violated PCAOB Rule 3211(a) in connection with the 2019 Audit.

⁵ *Improving the Transparency of Audits: Rules to Require Disclosure of Certain Audit Participants on a New PCAOB Form and Related Amendments to Auditing Standards*, PCAOB Rel. No. 2015-008, Appendix 1 at p. A1-7 (Dec. 15, 2015) (“December 15, 2015, Release”).

⁶ In the December 15, 2015, Release, the Board indicated that information provided on Form AP was intended to “help investors understand how much of the audit was performed by the accounting firm signing the auditor’s report and how much was performed by other accounting firms,” and allow investors to “research publicly available information about the firms identified in the form, such as whether a participating firm is registered with the PCAOB, whether it has been inspected and, if so, what the results were and whether it has any publicly available disciplinary history.” *Id.* at 4.

⁷ *Form AP – Auditor Reporting of Certain Audit Participants General instructions*, Part III - Item 3.2, Note, available at <https://pcaobus.org/about/rules-rulemaking/rules/form-ap-instructions>.

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 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), the Firm is 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 \$45,000 is imposed upon the Firm.
 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. The Firm 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 the Firm 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.
 3. If timely payment is not made, additional 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.
 4. With respect to any civil money penalty amounts that Respondent shall pay pursuant to this Order, Respondent shall not, directly or indirectly, (a) see 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.

5. Respondent understands that failure to pay the civil money penalty described above may result in summary suspension of Respondent's registration, pursuant to PCAOB Rule 5304(a), following written notice to Respondent at the address on file with the PCAOB at the time of the issuance of this Order.
- C. Pursuant to Section 105(c)(4)(G) of the Act and PCAOB Rule 5300(a)(9), the Firm is required:
1. Within 90 days of the entry of this Order, to establish, revise, or supplement, as necessary, policies and procedures, including monitoring procedures, to provide the Firm with reasonable assurance that Firm personnel will communicate to audit committees all matters required by AS 1301 and file accurate and timely Form APs; and
 2. Within 120 days of the entry of this Order, to provide a certification, signed by its CEO, to the Director of the PCAOB's Division of Enforcement and Investigations, stating that the Firm has complied with paragraph IV.C.1 above. The certification shall identify the actions undertaken to satisfy the conditions specified above (including any remedial actions taken prior to the date of this Order), provide written evidence of compliance in the form of a narrative, and be supported by exhibits sufficient to demonstrate compliance. The Firm shall also submit such additional evidence of, and information concerning, compliance as the staff of the Division of Enforcement and Investigations may reasonably request. The Firm understands that the failure to satisfy these conditions may constitute a violation of PCAOB Rule 5000 that could provide a basis for the imposition of additional sanctions in a subsequent disciplinary proceeding.

ISSUED BY THE BOARD.

/s/ Phoebe W. Brown

Phoebe W. Brown
Secretary

November 14, 2023