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Order Instituting Disciplinary Proceedings, Making Findings, and Imposing Sanctions

In the Matter of UHY LLP,

Respondent.

PCAOB Release No. 105-2023-036

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 UHY LLP (“UHY,” 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 violated PCAOB rules relating to independence in connection with the audits of Mountain Crest Acquisition Corp. V. (“Mountain Crest”). The Firm also failed to make certain required communications to the audit committee of iPower Inc. (“iPower”) under AS 1301, *Communications with Audit Committees*.

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, UHY 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. **UHY LLP** is a professional limited liability partnership formed under New York law and headquartered in New York, New York. It is licensed to practice public accounting in multiple jurisdictions, including with the New York State Education Department (license no. 053132) and the District of Columbia Board of Accountancy (license no. CPC900636). At all relevant times, UHY was registered with the Board pursuant to Section 102 of the Act and PCAOB rules.

B. Issuers

2. **Mountain Crest Acquisition Corp. V.**, was, at all relevant times, an entity incorporated in Delaware and headquartered in New York, New York. It is a special acquisition company formed for the purpose of effecting a merger, capital stock exchange, asset acquisition, stock purchase, reorganization, or similar business combination with one or more businesses. At all relevant times, Mountain Crest was an issuer as that term is defined by Section 2(a)(7) of the Act and PCAOB Rule 1001(i)(iii). UHY issued an audit report that Mountain Crest included in its Form 10-K filed with the U.S. Securities and Exchange Commission (“Commission”) for the period from April 8, 2021 through December 31, 2021.

3. **iPower Inc.**, was, at all relevant times, an entity incorporated in Nevada and headquartered in Duarte, California. It is engaged in the marketing and sale of indoor and greenhouse gardening products with warehouses in the United States and China. At all relevant

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

times, iPower was an issuer as that term is defined by Section 2(a)(7) of the Act and PCAOB Rule 1001(i)(iii). UHY issued an audit report that iPower Inc. included in its Form 10-K filed with the Commission for the year ended June 30, 2021.

C. Other Relevant Entity

4. **UKW Advisors China Co., Ltd. (“UKW”)**, was at all relevant times an affiliate advisory company of UHY in China. UHY used a person affiliated with UKW to perform certain audit procedures in connection with the iPower audit.

D. UHY Failed to Obtain Audit Committee Pre-Approval of Services in Violation of PCAOB Rules 3520 and 3524

5. PCAOB rules require that a registered public accounting firm and its associated persons must be independent of the firm’s audit client throughout the audit and professional engagement period.² That requirement includes an obligation to satisfy the independence criteria set out in the rules and standards of the PCAOB and all other independence criteria set out in the Commission’s rules and regulations under the federal securities laws.³

6. Rule 3524, *Audit Committee Pre-approval of Certain Tax Services*, provides that, in connection with seeking audit committee pre-approval to perform for an issuer audit client any permissible tax service, a registered public accounting firm describe, in writing, to the audit committee of the issuer, among other things, the scope of the service, the fee structure of the engagement, and any side letter or other amendment to the engagement letter, or any other agreement between the firm and the audit client relating to the service.

7. Rule 2-01(c)(7)(i) of Commission Regulation S-X provides that “[a]n accountant is not independent of an issuer” unless, “[b]efore the accountant is engaged by the issuer . . . to render audit or non-audit services, the engagement is approved by the issuer’s . . . audit committee.”⁴

8. UHY audited Mountain Crest’s financial statements for the period from April 8, 2021 through December 31, 2021, issuing an audit report that the issuer included in its Form 10-K filed with the Commission in March 2022.

² See PCAOB Rule 3520, *Auditor Independence*.

³ See PCAOB Rule 3520, Note 1.

⁴ 17 C.F.R. § 210.2-01(c)(7).

9. During the time that UHY performed that audit, it also performed tax compliance and consulting services for Mountain Crest.

10. UHY failed to obtain pre-approval from Mountain Crest's audit committee to provide these additional services.

11. Accordingly, UHY violated Rule 3520 and Rule 3524 by not fulfilling the requirements of Rule 2-01(c)(7)(i) of Commission Regulation S-X, and thus was not independent of Mountain Crest.

E. UHY Failed to Communicate the Names, Locations, and Planned Responsibilities of UKW in Violation of AS 1301

12. 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.⁵ 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.⁶

13. 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 firms⁷ or other persons, who were not employed by the auditor, that performed audit procedures in the current period

⁵ AS 1301.01, *Communications with Audit Committees*.

⁶ *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).

⁷ The term "other independent public accounting firms" includes "firms that perform audit procedures in the current period audit regardless of whether they otherwise have any relationship with the auditor." AS 1301.10d, Note.

audit.⁸

14. UHY audited iPower's financial statements for the year ended June 30, 2021, issuing an audit report that the issuer included in its Form 10-K filed with the Commission in September 2021.

15. In connection with the audit of iPower, UHY failed to inform iPower's audit committee of the name, location, and planned responsibilities of UKW, which performed inventory physical observation procedures in assisting the Firm's audit of the iPower's financial statements for the year ended June 30, 2021.

16. Accordingly, UHY violated AS 1301.10d in connection with the Audit.

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 days of the issuance of this Order by: (1) wire transfer pursuant to instructions provided by Board

⁸ *Id.* 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.

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 NW, 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 NW, 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) 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; and
 5. Respondent understands that its failure to pay the civil money penalty described above may result in summary suspension of the Firm'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 PCAOB Rule 3520, PCAOB Rule 3524, and Rule 2-01(c)(7) of Commission Regulation S-X; 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