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Order Instituting Disciplinary Proceedings, Making Findings, and Imposing Sanctions

In the Matter of Jack Shama and Jack Shama, CPA,

Respondents.

PCAOB Release No. 105-2024-004

January 23, 2024

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

- (1) censuring Jack Shama (“Firm”) and Jack Shama, CPA (“Shama”) (collectively, “Respondents”);
- (2) permanently revoking the Firm’s registration; and
- (3) permanently barring Shama from being an associated person of a registered public accounting firm.

The Board is imposing these sanctions on the basis of its findings that: (a) Respondents violated PCAOB rules and standards in connection with the audits of the financial statements of six issuer clients; (b) the Firm violated PCAOB standards concerning engagement quality reviews in connection with those audits; (c) the Firm violated PCAOB quality control standards; and (d) Shama directly and substantially contributed to the Firm’s violations of PCAOB rules and standards.¹

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

¹ The Board determined to accept Respondents’ offers of settlement, which do not require them to pay a civil money penalty, after considering their financial resources. Based on Respondents’ conduct, the Board would have imposed a joint and several civil money penalty of \$50,000 on them in this settlement, if it had not taken their financial resources into consideration.

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 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 is admitted, Respondents consent to the entry of this Order as set forth below.²

III.

On the basis of Respondents’ Offers, the Board finds that:³

A. Respondents

1. **Jack Shama** is a sole proprietorship located in Brooklyn, New York. The Firm registered with the Board on February 5, 2019. At all relevant times, the Firm was registered with the Board pursuant to Section 102 of the Act and PCAOB rules.

2. **Jack Shama, CPA** is a certified public accountant licensed by the state of New York (license no. 050909). At all relevant times, Shama 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). Shama was the engagement partner for each of the audits discussed below.

² 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.

³ The Board finds that the 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. Issuers

3. **Cyber Apps World Inc.** (“Cyber Apps”) was, at all relevant times, incorporated under the laws of Nevada and headquartered in Las Vegas, Nevada. Cyber Apps’ public filings disclose that, at the time of the relevant audits, the company was involved in the development of mobile software applications. At all relevant times, Cyber Apps was an “issuer” as that term is defined by Section 2(a)(7) of the Act and PCAOB Rule 1001(i)(iii).

4. **Limitless Projects Inc.** (“Limitless”) was, at all relevant times, incorporated under the laws of Wyoming and headquartered in Las Vegas, Nevada. Limitless’ public filings disclose that, at the time of the relevant audits, the company was involved in the development of computer software systems and mobile device applications for commercial and consumer use. At all relevant times, Limitless was an “issuer” as that term is defined by Section 2(a)(7) of the Act and PCAOB Rule 1001(i)(iii).

5. **WarpSpeed Taxi Inc.** (“WarpSpeed”) was, at all relevant times, incorporated under the laws of the state of Wyoming and headquartered in Las Vegas, Nevada. WarpSpeed’s public filings disclose that, at the time of the relevant audits, the company was engaged in the development of a ride-hailing and food delivery application. At all relevant times, WarpSpeed was an “issuer” as that term is defined by Section 2(a)(7) of the Act and PCAOB Rule 1001(i)(iii).⁴

6. **DongFang City Holding Group Company Limited** (“DongFang”) was, at all relevant times, incorporated under the laws of the state of Delaware and headquartered in New York, New York. DongFang’s public filings disclose that, at the time of the relevant audits, DongFang was a development stage company that was not conducting business operations. At all relevant times, DongFang was an “issuer” as that term is defined by Section 2(a)(7) of the Act and PCAOB Rule 1001(i)(iii).⁵

7. **Galaxy Enterprises Inc.** (“Galaxy”) was, at all relevant times, incorporated under the laws of Wyoming and headquartered in Las Vegas, Nevada. Galaxy’s public filings disclose that, at the time of the relevant audits, the company was focused on raising capital to fund its

⁴ WarpSpeed was a consolidated subsidiary of Cyber Apps as of the end of the fiscal year ended July 31, 2021, and became a consolidated subsidiary of Limitless during the fiscal year ended July 31, 2022.

⁵ The U.S. Securities and Exchange Commission (“Commission”) revoked DongFang’s registration on October 24, 2023.

business plan of offering real estate management services. At all relevant times, Galaxy was an “issuer” as that term is defined by Section 2(a)(7) of the Act and PCAOB Rule 1001(i)(iii).

8. **Privacy and Value Inc.** (“Privacy and Value”) was, at all relevant times, incorporated under the laws of Wyoming and headquartered in Las Vegas, Nevada. Privacy and Value’s public filings disclose that, at the time of the relevant audits, the company was involved in the development of computer monitoring software. At all relevant times, Privacy and Value was an “issuer” as that term is defined by Section 2(a)(7) of the Act and PCAOB Rule 1001(i)(iii).⁶

C. Summary

9. This matter concerns Respondents’ numerous and repeated violations of PCAOB rules and standards in connection with the Firm’s audits of the financial statements of Cyber Apps for the fiscal years ended July 31, 2021 and 2022, Limitless for the fiscal years ended July 31, 2021 and 2022, WarpSpeed for the fiscal years ended July 31, 2021 and 2022, DongFang for the fiscal year ended October 31, 2020, Galaxy for the fiscal year ended July 31, 2021, and Privacy and Value for the fiscal year ended July 31, 2021 (collectively, “Issuer Audits”).

10. The Firm issued audit reports for the Issuer Audits that contained unqualified audit opinions on the companies’ financial statements for the relevant periods. Shama served as engagement partner on the Issuer Audits and authorized the issuance of the Firm’s audit report for each of those audits.

11. As detailed below, in performing the Issuer Audits, Respondents failed to exercise due professional care and professional skepticism, failed to obtain sufficient appropriate audit evidence to support the opinions, and failed to properly assemble and retain audit documentation.

12. In addition, the Firm violated PCAOB standards by failing to have an engagement quality review performed for any of the Issuer Audits. The Firm also violated PCAOB quality control standards by failing to properly design and implement adequate quality control policies and procedures, including with respect to performing audits under PCAOB rules and standards, technical training and proficiency, and client acceptance and continuance.

⁶ Privacy and Value was a consolidated subsidiary of Limitless as of the end of the fiscal years ended July 31, 2021 and July 31, 2022.

13. Finally, Shama violated PCAOB rules by knowingly or recklessly, and directly and substantially, contributing to the Firm's violations of PCAOB standards related to engagement quality reviews and quality control.

D. Respondents Violated PCAOB Rules and Auditing Standards

14. In connection with the preparation or issuance of any 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.⁷ An auditor may express an unqualified opinion on an issuer's financial statements only when the auditor 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."⁸ PCAOB standards require an auditor to exercise due professional care and professional skepticism, obtain sufficient appropriate audit evidence to support the auditor's opinion, and properly document the audit.⁹

15. As described below, Respondents failed to comply with PCAOB rules and standards in performing the Issuer Audits.

i. Respondents Failed to Plan and Perform the Issuer Audits to Obtain Sufficient Appropriate Audit Evidence and Failed to Exercise Due Professional Care

16. Under PCAOB standards, the auditor should properly plan the audit.¹⁰ Proper planning includes "establishing the overall audit strategy for the engagement and developing an audit plan," which includes, in particular, "planned risk assessment procedures and planned responses to the risks of material misstatement."¹¹ PCAOB standards also require the auditor to consider materiality in planning and performing the audit.¹² The auditor should "establish a

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

⁸ AS 3101.02, *The Auditor's Report on an Audit of Financial Statements When the Auditor Expresses an Unqualified Opinion*.

⁹ See AS 1015.01, .07, *Due Professional Care in the Performance of Work*; AS 2301.07, *The Auditor's Responses to the Risks of Material Misstatement*; AS 1105.04, *Audit Evidence*; AS 1215.04, *Audit Documentation*.

¹⁰ See AS 2101.04, *Audit Planning*.

¹¹ *Id.* at .05.

¹² See AS 2105, *Consideration of Materiality in Planning and Performing an Audit*.

materiality level for the financial statements as a whole that is appropriate in light of the particular circumstances”¹³ and “determine the amount or amounts of tolerable misstatement for purposes of assessing risks of material misstatement and planning and performing audit procedures at the account or disclosure level.”¹⁴ PCAOB standards further require that the auditor perform “risk assessment procedures that are sufficient to provide a reasonable basis for identifying and assessing the risks of material misstatement, whether due to error or fraud, and designing further audit procedures.”¹⁵

17. The auditor must “plan and perform audit procedures to obtain sufficient appropriate audit evidence to provide a reasonable basis” for the auditor’s opinion.¹⁶ To be appropriate, audit evidence must be both relevant and reliable.¹⁷ When using information produced by the company as audit evidence, the auditor should evaluate whether the information is sufficient and appropriate for purposes of the audit by performing procedures to test the accuracy and completeness of the information, or test the controls over the accuracy and completeness of that information.¹⁸

18. “The auditor should perform substantive procedures for each relevant assertion of each significant account and disclosure, regardless of the assessed level of control risk.”¹⁹ Furthermore, “[i]f the auditor has not obtained sufficient appropriate audit evidence about a relevant assertion or has substantial doubt about a relevant assertion, the auditor should perform procedures to obtain further audit evidence to address the matter.”²⁰

19. In addition, PCAOB standards require “[d]ue professional care . . . to be exercised in the planning and performance of the audit and the preparation of the report.”²¹ Due

¹³ *Id.* at .06.

¹⁴ *Id.* at .08.

¹⁵ AS 2110.04, *Identifying and Assessing Risks of Material Misstatement*.

¹⁶ AS 1105.04; *see also* AS 2810.33, *Evaluating Audit Results* (“As part of evaluating audit results, the auditor must conclude on whether sufficient appropriate audit evidence has been obtained to support his or her opinion on the financial statements.”).

¹⁷ AS 1105.06.

¹⁸ *See id.* at .10.

¹⁹ AS 2301.36.

²⁰ AS 2810.35.

²¹ AS 1015.01.

professional care “requires the auditor to exercise professional skepticism[,]” which is an “attitude that includes a questioning mind and a critical assessment of audit evidence.”²²

20. In connection with each of the Issuer Audits, Respondents failed to: (1) establish an overall audit strategy for the engagements and develop an audit plan; (2) consider materiality in planning and performing the audits, including establishing a materiality level and determining a tolerable misstatement amount; or (3) perform any risk assessment procedures to identify and assess the risks of material misstatement.

21. In performing the Issuer Audits, Respondents also failed to obtain sufficient appropriate audit evidence. Other than obtaining certain bank statements, agreements, invoices, and issuer-prepared documents, Respondents performed limited or no procedures concerning accounts and transactions that were significant to each issuer’s financial statements, as illustrated by the following examples from the audits of Cyber Apps, Limitless, and WarpSpeed.

22. During the fiscal year 2021 Cyber Apps audit, Respondents failed to perform any procedures to test whether goodwill, which represented 53% of the issuer’s total assets at year end, was properly valued, despite the issuer’s history of poor financial performance, including no revenue and negative earnings.²³ In fiscal year 2022, Cyber Apps wrote off the entire goodwill balance and recorded an impairment loss that was 64% of the net loss recognized during the year. Respondents failed to perform any procedures to test the impairment loss, including evaluating whether the write-off should have been recorded in a prior period.

23. During the fiscal year 2021 Limitless audit, Respondents failed to perform any audit procedures relating to deferred revenue, which represented 81% of total liabilities at year end, or notes receivable, which represented 66% of total assets at year end. In addition, Respondents failed to perform any audit procedures with respect to two software sale transactions completed by Limitless with Cyber Apps and WarpSpeed, a subsidiary of Cyber Apps, that accounted for 100% of the revenue reported by Limitless for the fiscal year ended 2021.

²² *Id.* at .07.

²³ An issuer is required to periodically test goodwill for impairment—the condition that exists when the carrying amount of goodwill on a company’s books exceeds its implied fair value. See FASB ASC 350, *Intangibles – Goodwill and Other*. Such testing must occur annually, or more frequently if there is an indication of impairment. If the testing results in an impairment, the carrying amount of the goodwill must be reduced by the amount of the impairment. See *id.*

24. During fiscal year 2022, Limitless capitalized certain software development costs, which represented 89% of the issuer's total assets at year end. Other than obtaining invoices related to the costs capitalized during the year, Respondents failed to perform any procedures to determine whether the capitalized costs met the criteria for capitalization and whether the capitalized costs were recoverable at year end.²⁴ In addition, other than obtaining an issuer-prepared accounts payable aging summary report, Respondents failed to perform any audit procedures with respect to accounts payable even though they represented 100% of the issuer's total liabilities at year end.

25. During the fiscal year 2021 WarpSpeed audit, Respondents failed to perform any audit procedures with respect to capitalized software, which represented 85% of the issuer's total assets at year end, and notes payable, which represented 75% of the issuer's total liabilities at year end.

26. Finally, Respondents failed to test the accuracy and completeness, or test the controls over the accuracy and completeness, of most of the issuer-prepared information obtained during each of the Issuer Audits, as required by PCAOB standards.²⁵

27. Accordingly, Respondents failed to properly plan and perform the Issuer Audits in violation of AS 2101, AS 2105, AS 2110, and AS 2301; failed to exercise due professional care and professional skepticism during the Issuer Audits in violation of AS 1015; and failed to obtain sufficient appropriate audit evidence to support the Firm's audit opinions in violation of AS 1105 and AS 2810.

ii. Respondents Violated PCAOB Standards Related to the Assembly and Retention of Audit Documentation

28. PCAOB standards require that an auditor prepare and retain audit documentation in connection with each engagement. AS 1215 provides that "[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*)."²⁶ Further, although "[c]ircumstances may require additions to audit documentation after the report release date,"

²⁴ See FASB ASC 350-40, *Intangibles – Goodwill and Other – Internal-Use Software*

²⁵ See AS 1105.10.

²⁶ See AS 1215.15.

any documentation added “must indicate the date the information was added, the name of the person who prepared the additional documentation, and the reason for adding it.”²⁷

29. In connection with the fiscal year 2021 audits of Cyber Apps, Limitless, WarpSpeed, and Privacy and Value, Respondents failed to assemble a complete and final set of audit documentation by the documentation completion dates.²⁸ In addition, Shama continued to make additions to the audit documentation of each of those audits several months after the relevant documentation completion dates without documenting when and why the documentation was added.²⁹

30. Accordingly, Respondents violated AS 1215.

E. The Firm Violated PCAOB Standards Related to Engagement Quality Reviews

31. PCAOB standards require that an engagement quality review be performed on all audit engagements.³⁰ A firm may grant permission to a client to use the audit report only after an engagement quality reviewer provides concurring approval of issuance of the report.³¹

32. The Firm failed to obtain engagement quality reviews for the Issuer Audits. The Firm also improperly permitted Cyber Apps, Limitless, WarpSpeed, DongFang, Galaxy, and Privacy and Value to use its audit reports for the Issuer Audits without having obtained a concurring approval of issuance from an engagement quality reviewer.

33. Accordingly, the Firm violated AS 1220.

F. The Firm Violated PCAOB Quality Control Standards

34. PCAOB rules require that a registered public accounting firm and its associated persons comply with the Board’s quality control standards.³² These standards require that a

²⁷ *Id.* at .16.

²⁸ *See id.* at .15.

²⁹ *See id.* at .16.

³⁰ *See AS 1220.01, Engagement Quality Review.*

³¹ *See id.* at .13.

³² *See PCAOB Rule 3100; PCAOB Rule 3400T, Interim Quality Control Standards.*

registered firm have a system of quality control for its accounting and auditing practice.³³ “A system of quality control is broadly defined as a process to provide the firm with reasonable assurance that its personnel comply with applicable professional standards and the firm’s standards of quality.”³⁴ The Firm violated PCAOB quality control standards in multiple ways.

35. First, PCAOB quality control standards require firms to establish policies and procedures sufficient to provide it with “reasonable assurance that the work performed by engagement personnel meets applicable professional standards, regulatory requirements, and the firm’s standards of quality.”³⁵ The Firm did not maintain any policies, procedures, or guidance materials related to performing audits under PCAOB rules and standards. As illustrated by Respondents’ multiple audit violations in connection with the Issuer Audits, the Firm’s system of quality control failed to provide reasonable assurance that the Firm would comply with PCAOB rules and standards, including those involving the planning and performance of audits, the performance of engagement quality reviews, and the assembly and retention of audit documentation.

36. Second, policies and procedures should be established to provide the firm with reasonable assurance that work is “assigned to personnel having the degree of technical training and proficiency required” to audit an issuer in accordance with PCAOB rules and standards.³⁶ At all relevant times, the Firm failed to maintain effective policies and procedures to provide it with reasonable assurance that work was assigned to personnel with the required technical training and proficiency, or that personnel assigned to the engagement would develop appropriate proficiency in relevant matters. During the relevant times, Shama also failed to receive training in performing audits in accordance with PCAOB rules and standards, and, as evident from the violations of numerous PCAOB rules and standards, lacked the proficiency to perform audits under PCAOB standards.

37. Third, PCAOB quality control standards require that a firm establish policies and procedures “for deciding whether to accept or continue a client relationship and whether to perform a specific engagement for that client.”³⁷ Those policies and procedures should also provide reasonable assurance that the firm “[u]ndertakes only those engagements that the firm can reasonably expect to be completed with professional competence” and “[a]ppropriately

³³ See QC 20.01, *System of Quality Control for a CPA Firm’s Accounting and Auditing Practice*.

³⁴ *Id.* at .03.

³⁵ *Id.* at .17.

³⁶ *Id.* at .13.

³⁷ *Id.* at .14.

considers the risks associated with providing professional services in the particular circumstances.”³⁸ At all relevant times, the Firm failed to maintain policies and procedures related to the acceptance or continuance of client engagements, including policies and procedures that provided reasonable assurance concerning competence and proficiency in client engagements. The Firm’s lack of such policies and procedures contributed to its acceptance of engagements that were not completed with professional competence.

38. As a result, the Firm violated QC § 20.

G. Shama Directly and Substantially Contributed to the Firm’s Engagement Quality Review and Quality Control Violations

39. A person associated with a registered public accounting firm shall not take or omit 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, the 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.”³⁹

40. As described above, Shama was, at all relevant times, a sole proprietor and the Firm’s sole partner, and served as the engagement partner for all the Issuer Audits. Accordingly, Shama was responsible for ensuring that the Firm complied with PCAOB standards related to obtaining engagement quality reviews. He was also responsible for developing and maintaining quality control policies and procedures applicable to the Firm’s auditing practice.

41. Shama, however, repeatedly disregarded those responsibilities and knew, or was reckless in not knowing, that his acts and omissions would directly and substantially contribute to the Firm’s violations of AS 1220 and QC § 20 described above. As a result, Shama violated PCAOB Rule 3502.

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 Respondents’ Offers.

³⁸ *Id.* at .15.

³⁹ PCAOB Rule 3502, *Responsibility Not to Knowingly or Recklessly Contribute to Violations*.

Accordingly, it is hereby ORDERED that:

- A. Pursuant to Section 105(c)(4)(E) of the Act and PCAOB Rule 5300(a)(5), Respondents are censured.
- B. Pursuant to Section 105(c)(4)(A) of the Act and PCAOB Rule 5300(a)(1), the registration of the Firm is permanently revoked.
- C. Pursuant to Section 105(c)(4)(B) of the Act and PCAOB Rule 5300(a)(2), Shama is permanently 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).⁴⁰
- D. Respondents acknowledge that the determination to accept Respondents’ Offers, without imposing a civil money penalty, is contingent upon the accuracy and completeness of Respondents’ financial information provided to the Division of Enforcement and Investigations (the “Division”). Respondents also acknowledge that, if at any time following this settlement, the Division obtains information indicating that any financial information provided by Respondents—including, but not limited to, any information concerning assets, income, liabilities, or net worth—was fraudulent, misleading, inaccurate, or incomplete in any material respect as of the time such information was provided, then at any time following entry of this Order (1) the Board may institute a disciplinary proceeding for noncooperation with an investigation under PCAOB Rule 5110 and/or (2) the Division may petition the Board to (a) reopen this matter to consider whether Respondents provided accurate and complete financial information at the time such information was provided to the Division; and (b) seek an order directing payment of the maximum civil money penalty allowable under the law or any lesser amount determined to be appropriate. No other issue shall be considered in connection with this petition other than whether the financial information provided by Respondents was fraudulent, misleading, inaccurate, or incomplete in any material respect; and, if so, whether a civil

⁴⁰ As a consequence of the bar, the provisions of Section 105(c)(7)(B) of the Act will apply with respect to Shama. 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.”

money penalty should be ordered up to the maximum civil money penalty allowable under the law. Respondents may not, by way of defense to any such petition: (i) contest the findings in this Order; (ii) assert that payment of a civil money penalty should not be ordered; (iii) contend that the amount of the civil money penalty to be ordered should be less than \$50,000, which is specified herein as the amount the penalty would have been, based on Respondents' conduct and without consideration of Respondents' financial resources; or (iv) put forward any other contention or assert any defense to liability or remedy, including, but not limited to, any defense based on statute of limitations or any other time-related defense, other than to contend (a) that Respondents did not provide financial information that was fraudulent, misleading, inaccurate, or incomplete in any material respect, or (b) that a civil money penalty should not be ordered in an amount higher than \$50,000.

ISSUED BY THE BOARD.

/s/ Phoebe W. Brown

Phoebe W. Brown
Secretary

January 23, 2024