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Order Instituting Disciplinary Proceedings, Making Findings, and Imposing Sanctions

In the Matter of Robert Garick, CPA,

Respondent.

PCAOB Release No. 105-2024-031

May 7, 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 Robert Garick, CPA (“Garick” or “Respondent”);
- (2) limiting Garick’s activities in connection with any “audit,” as that term is defined in Section 110(1) of the Sarbanes-Oxley Act of 2002, as amended (the “Act”) for a period of one year from the date of this Order; and
- (3) imposing a \$30,000 civil money penalty on Garick.

The Board is imposing these sanctions on Garick on the basis of its findings that Respondent violated PCAOB rules and standards in connection with the audit by Liggett & Webb, P.A. (“Liggett & Webb” or the “Firm”) of the financial statements of Innovative Food Holdings, Inc. (“Innovative Food”) for the fiscal year ended December 31, 2020 (“2020 Innovative Food 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) of the Act, and PCAOB Rule 5200(a)(1), against Respondent.

II.

In anticipation of the institution of these proceedings, and pursuant to PCAOB Rule 5205, Respondent 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:²

A. Respondent

1. **Robert Garick** was, at all relevant times, a certified public accountant under the laws of Florida (license no. AC0020942) and New York (license no. 046922). Garick served as the engagement quality review (“EQR”) partner for the 2020 Innovative Food Audit. At all relevant times, Garick was 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. Relevant Entities

2. **Liggett & Webb, P.A.** is headquartered in Boynton Beach, Florida. Liggett & Webb was licensed to practice public accounting by the Florida Board of Accountancy (license no. AD63352).³ Liggett & Webb is, and at all relevant times was, registered with the Board, and is a “registered public accounting firm” as that term is defined in Section 2(a)(12) of the Act and PCAOB Rule 1001(r)(i).

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.

³ The Firm’s license expired on December 31, 2023.

3. **Innovative Food Holdings, Inc.** is a Florida corporation headquartered in Bonita Springs, Florida. Its public filings disclose that it is a distributor of perishables and specialty food and food-related products to restaurants, hotels, country clubs, national chain accounts, casinos, hospitals, and catering houses. Innovative Food is, and at all relevant times was, an “issuer” as that term is defined by Section 2(a)(7) of the Act and PCAOB Rule 1001(j)(iii).

C. Summary

4. This matter concerns Garick’s violations of PCAOB rules and standards in connection with the 2020 Innovative Food Audit. As detailed below, Garick violated AS 1220, *Engagement Quality Review*, by providing his concurring approval of issuance of the 2020 Innovative Food Audit report without performing the required EQR with due professional care.

D. Garick Failed to Appropriately Perform the Engagement Quality Review on the 2020 Innovative Food Audit

5. In connection with the preparation and issuance of an audit report, PCAOB rules require that registered public accounting firms and their associated persons comply with all applicable auditing and related professional standards.⁴ An auditor may express an unqualified opinion on an issuer’s financial statements 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.⁵

6. PCAOB standards also require that an EQR be performed on all audit engagements conducted pursuant to PCAOB standards.⁶ In conducting the EQR, PCAOB standards require the EQR partner to evaluate the significant judgments made by the engagement team and the related conclusions reached in forming the overall conclusion on the engagement and in preparing the engagement report.⁷

⁴ See PCAOB Rule 3100, *Compliance with Auditing and Related Professional Practice Standards*; PCAOB Rule 3200, *Auditing Standards*. 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 audits discussed herein.

⁵ See AS 3101.02, *The Auditor’s Report on an Audit of Financial Statements When the Auditor Expresses an Unqualified Opinion*.

⁶ See AS 1220.01.

⁷ See AS 1220.09.

7. PCAOB standards also require the EQR partner to evaluate the assessment of, and audit responses to, among other things, significant risks identified by the engagement team, including fraud risks.⁸ In addition, the EQR partner is required to evaluate whether the engagement documentation that the EQR partner reviewed in connection with the EQR indicates that the engagement team responded appropriately to significant risks, and supports the conclusions reached by the engagement team with respect to the matters reviewed.⁹

8. The EQR partner may provide concurring approval of issuance of an audit report only if, after performing the EQR with due professional care, the EQR partner is not aware of a significant engagement deficiency.¹⁰ Among other things, a significant engagement deficiency in an audit exists when the engagement team failed to obtain sufficient appropriate audit evidence in accordance with PCAOB standards.¹¹

9. Liggett & Webb issued an audit report containing an unqualified opinion on Innovative Food's 2020 financial statements on April 15, 2021. The report was included with Innovative Food's Form 10-K filed with the U.S. Securities and Exchange Commission on April 15, 2021.

10. Innovative Food disclosed in its Form 10-K for fiscal year 2020 total assets of \$23,150,275 and revenue and net loss of \$51,676,028 and \$7,665,024, respectively, for the year end. The engagement team identified improper revenue recognition as a significant risk and a fraud risk.

11. Innovative Food also disclosed in its Form 10-K for fiscal year 2020 that its largest customer, U.S. Foods, Inc. ("U.S. Foods"), accounted for 40% of Innovative Food's consolidated revenue. Innovative Food's largest subsidiary, Food Innovations, Inc. ("FII"), with recorded revenue of \$20,902,670, had a contractual agreement with U.S. Foods during fiscal year 2020.

12. In performing audit procedures over Innovative Food's revenue, notwithstanding that FII's sales to U.S. Foods represented approximately 40% of Innovative Food's consolidated revenue in 2020, the engagement team failed to review FII's contract with U.S. Foods—

⁸ See AS 1220.10.

⁹ See AS 1220.11.

¹⁰ See AS 1220.12; see also AS 1015.07, *Due Professional Care in the Performance of Work* ("[d]ue 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").

¹¹ See AS 1220.12, Note.

Innovative Food's largest customer—to ensure that it met the five criteria¹² outlined in FASB ASC Topic 606, *Revenue from Contracts with Customers* (“ASC 606”), to qualify as a contract.¹³

13. As a result of the engagement team's failure to review FII's contract with U.S. Foods, the engagement team failed to design and perform audit procedures in a manner that addressed their identification of improper revenue recognition as a significant risk and a fraud risk, failed to obtain sufficient appropriate audit evidence that Innovative Food's revenue was properly valued, and failed to evaluate whether Innovative Food's revenue was presented fairly, in all material respects, in conformity with the applicable financial reporting framework.¹⁴

14. Garick served as the EQR partner on the 2020 Innovative Food Audit and provided his concurring approval of issuance of the 2020 Innovative Food Audit report.

15. During his EQR of the 2020 Innovative Food Audit, Garick was aware that the engagement team identified both Innovative Food's revenue and accounts receivable as significant risks and fraud risks. He reviewed some of the revenue and accounts receivable work papers included in the audit file.

16. Garick, however, saw no documentation that the engagement team reviewed FII's contract with U.S. Foods. Additionally, he failed to review the work papers summarizing the engagement team's testing of accounts receivable confirmations and revenue, as well as the U.S. Foods accounts receivable confirmation. As a result, Garick failed to conduct the EQR in accordance with PCAOB standards by failing to properly: (1) evaluate the significant judgments the engagement team made with respect to Innovative Food's revenue, and the related conclusions reached in forming the overall conclusion on the engagement and in preparing the engagement report;¹⁵ (2) evaluate the engagement team's assessment of, and audit responses to, the significant risk and fraud risk identified in the area of revenue;¹⁶ and (3) evaluate whether the engagement documentation that Garick reviewed indicated that the engagement

¹² ASC 606 includes the following five revenue recognition implementation steps: (1) identify the contract; (2) identify separate performance obligations; (3) determine the transaction price; (4) allocate the transaction price of performance obligations; and (5) recognize revenue when each performance obligation is satisfied.

¹³ See AS 1105.04, *Audit Evidence*.

¹⁴ See AS 1105.04; AS 2810.30-.31, *Evaluating Audit Results*; AS 2301.11-.13, *The Auditor's Responses to the Risks of Material Misstatement*.

¹⁵ See AS 1220.09.

¹⁶ See AS 1220.10.

team responded properly to the identified significant risk and supported the conclusions the engagement team reached with respect to the matters reviewed related to the area of revenue.¹⁷

17. An EQR partner performing an EQR with due professional care, in compliance with AS 1220, should have detected the significant engagement deficiencies described above. Because Garick did not identify the significant engagement deficiencies in the area of revenue, he failed to exercise due professional care and perform his EQR in accordance with AS 1220, and he inappropriately provided his concurring approval of issuance, in violation of PCAOB standards.¹⁸

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), Robert Garick is hereby censured.
- B. Pursuant to Section 105(c)(4)(C) of the Act and PCAOB Rule 5300(a)(3), for a period of one year from the date of this Order, Robert Garick's role in any "audit," as that term is defined in Section 110(1) of the Act and PCAOB Rule 1001(a)(v), shall be restricted as follows: Robert Garick shall not (1) serve, or supervise the work of another person serving, as an "engagement partner," as that term is used in AS 1201, *Supervision of the Audit Engagement*; (2) serve, or supervise the work of another person serving, as an "engagement quality reviewer," as that term is used in AS 1220, *Engagement Quality Review*; (3) serve, or supervise the work of another person serving, in any role that is equivalent to engagement partner or engagement quality reviewer, but differently denominated (such as "lead partner," "practitioner-in-charge," or "concurring partner"); (4) exercise authority, or supervise the work of another person exercising authority, either to sign a registered public accounting firm's name to an audit report, or to consent to the use of a previously issued audit report, for any issuer, broker, or dealer; (5) assist the engagement partner in

¹⁷ See AS 1220.11.

¹⁸ See AS 1220.09-.12; AS 1015.07.

fulfilling his or her responsibilities under paragraph 4 of AS 1201; or (6) serve, or supervise the work of another person serving, as the “other auditor,” or “another auditor,” as those terms are used in AS 1205, *Part of the Audit Performed by Other Independent Auditors*.¹⁹

- 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 \$30,000 is imposed on Robert Garick.
1. All funds collected by the PCAOB 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. Robert Garick shall pay \$20,000 within ten days of the issuance of this Order, \$5,000 within sixty (60) days from the date of the issuance of this Order, and \$5,000 within one hundred twenty (120) days from the date of the issuance of this Order, by (a) wire transfer in accordance with instructions furnished by PCAOB staff; or (b) United States Postal Service money order, bank money order, certified check, or bank cashier’s check (i) made payable to the Public Company Accounting Oversight Board, (ii) delivered to the Office of Finance, Public Company Accounting Oversight Board, 1666 K Street, N.W., Washington D.C. 20006, and (iii) submitted under a cover letter, which identifies Robert Garick 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, 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 Robert Garick shall pay pursuant to this Order, Robert Garick shall not, directly or indirectly,

¹⁹ Nor shall Robert Garick assume any equivalent role, such as a serving as a “lead auditor,” “other auditor,” or “referred-to auditor,” as such terms will be defined by Appendix A of AS 2101, *Audit Planning*, when amendments to AS 2101 become effective for audits for fiscal years ending on or after December 15, 2024.

(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 Robert Garick's payment of the civil money penalty pursuant to this Order, in any private action brought against Robert Garick 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

May 7, 2024