PCAOB
PUBLIC COMPANY ACCOUNTING OVERSIGHT BOARD

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Order Making Findings and Imposing Sanctions

In the Matter of Michael T. Studer CPA P.C. and Michael T. Studer, CPA,

Respondents.

PCAOB Release No. 105-2025-022

June 24, 2025

By this Order Making Findings and Imposing Sanctions ("Order"), the Public Company Accounting Oversight Board ("Board" or "PCAOB") is:

(1) censuring Michael T. Studer CPA P.C. ("Firm") and Michael T. Studer, CPA ("Studer") (collectively, "Respondents");

(2) revoking the Firm's registration;

(3) barring Studer from being an associated person of a registered public accounting firm; and

(4) imposing a civil money penalty in the amount of $20,000, jointly and severally, on the Firm and Studer.

The Board is imposing these sanctions on the basis of its findings that: (a) Respondents violated PCAOB rules and standards in connection with performing the audit of the financial statements of an issuer client; (b) Studer failed to properly supervise the work of the engagement team on that audit; (c) the Firm violated PCAOB standards by failing to obtain an engagement quality review ("EQR") in connection with that audit; (d) the Firm violated PCAOB quality control standards; and (e) Studer directly and substantially contributed to the Firm's EQR and quality control violations.

I.

On June 20, 2024, the Board instituted disciplinary proceedings against Respondents pursuant to Section 105(c) of the Sarbanes-Oxley Act of 2002, as amended (the "Act"), and

PCAOB Rule 5200(a)(1). The Board determined, under Section 105(c)(2) of the Act and PCAOB Rule 5203, that good cause was shown to make the hearing in this proceeding public, and the Division of Enforcement and Investigations consented to making the hearing public. As permitted by Section 105(c)(2) of the Act and PCAOB Rule 5203, Respondents did not consent to make the hearing in this proceeding public.

II.

In response to these proceedings, and pursuant to PCAOB Rule 5205, Respondents have submitted Offers of Settlement (the "Offers") that the Board has determined to accept. Solely for the purpose of these proceedings and any other proceeding 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.[1]

III.

On the basis of Respondents' Offers, the Board finds that:[2]

A. Respondents

1. **Michael T. Studer CPA P.C.** is a public accounting firm located in Freeport, New York. The Firm registered with the Board on November 5, 2003, pursuant to Section 102 of the Act and PCAOB rules. The Firm audited and issued audit reports containing unqualified opinions, with explanatory paragraphs regarding going concern, for (a) the financial statements for the fiscal year ended December 31, 2018 of JMU Limited ("JMU") on June 28, 2019 ("JMU Audit"); (b) the financial statements for the fiscal year ended August 31, 2018 of UBI Blockchain Internet Ltd. ("UBI") on December 5, 2018 ("UBI Audit"); and (c) the financial statements for the fiscal year ended December 31, 2018 of The Greater Cannabis Company, Inc. ("TGCC") on April 15, 2019 ("TGCC Audit") (collectively, the "Audits").

[1] The findings herein are made pursuant to Respondents' Offers and are not binding on any other person or entity in this or any other proceeding.

[2] The Board finds that each 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.

2. **Michael T. Studer CPA** is a certified public accountant licensed by the state of New York (license no. 033662), and is the founder, sole stockholder, and president of the Firm. He is 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). Studer served as the engagement partner for each of the Audits.

B. Issuers

3. **JMU Limited** (n/k/a Mercurity Fintech Holding Inc.) is a foreign private issuer incorporated in the Cayman Islands and was, at all relevant times, headquartered in Beijing, People's Republic of China ("China"). According to JMU's fiscal year ("FY") 2018 financial statements, JMU was an offshore holding company primarily engaged in operating a business-to-business online e-commerce platform to provide services to suppliers and consumers in the catering industry in China. On May 21, 2019, JMU acquired Mercurity Limited, f/k/a Unicorn Investment Limited, to establish its blockchain-based infrastructure solutions digital asset business. JMU was, at all relevant times, an "issuer" as that term is defined by Section 2(a)(7) of the Act and PCAOB Rule 1001(i)(iii).

4. **UBI Blockchain Internet Ltd.** was, at all relevant times, incorporated in Delaware and headquartered in Hong Kong, a Special Administrative Region of China. UBI disclosed in its public filings that, during 2018, it was primarily focused on research and development and application of blockchain technology, including the combination of Internet of Things and other technologies, to health industry issues prevalent in China. UBI was, at all relevant times, an "issuer" as that term is defined by Section 2(a)(7) of the Act and PCAOB Rule 1001(i)(iii).

5. **The Greater Cannabis Company, Inc.** is incorporated in Florida and headquartered in Baltimore, Maryland. TGCC disclosed in its public filings that it is an emerging growth company currently engaged in the commercialization of its technology for medicinal or recreational cannabis. TGCC was, at all relevant times, an "issuer" as that term is defined by Section 2(a)(7) of the Act and PCAOB Rule 1001(i)(iii).

C. Summary

6. This matter concerns Respondents' violations of PCAOB rules and auditing standards in connection with the JMU Audit.[3] Specifically, during the JMU Audit, Respondents failed to test a material revenue stream comprising 12% of JMU's total reported revenue; failed to obtain sufficient appropriate audit evidence to support the remaining 88% of JMU's reported revenue; failed to test management's estimates underlying its full impairment of $106 million in goodwill intangible assets; and failed to adequately document Respondents' work on the audit.

[3] 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 JMU Audit.

Studer also failed to appropriately supervise work performed by the JMU Audit engagement team. Additionally, the Firm failed to obtain concurring approval of issuance of the JMU Audit report from an engagement quality reviewer.

7. This matter also concerns the Firm's violations of PCAOB rules and quality control standards during the time of the JMU Audit by failing to implement adequate quality control policies and procedures, including monitoring procedures, to provide it with reasonable assurance that the work performed by engagement personnel met applicable professional standards and regulatory requirements. These violations are illustrated by Respondents' failures to (a) adequately perform journal entry testing to address certain identified fraud risks, and (b) make mandatory audit committee communications when performing the Audits; and (c) properly assemble and retain audit documentation in accordance with PCAOB standards when performing the JMU Audit and UBI Audit.

8. Finally, Studer, as the Firm's sole owner and partner and as the individual responsible for the Firm's system of quality control, knowingly or recklessly, and directly and substantially, contributed to the above quality control and EQR violations by the Firm, in violation of PCAOB Rule 3502, *Responsibility Not to Knowingly or Recklessly Contribute to Violations*.

9. The above-described violations occurred despite the PCAOB's previous notice to Respondents that such misconduct ran afoul of PCAOB auditing standards and quality control standards. For example, in 2012, the Board issued a disciplinary order against Respondents (the "2012 Disciplinary Order") finding violations similar to the ones Respondents committed in the Audits for 2018. The 2012 Disciplinary Order identified violations of PCAOB auditing standards in connection with five issuer audits, and violations of quality control standards.[4] The violations included Respondents' failure to appropriately test the valuation of an intangible asset, failure to satisfy PCAOB audit documentation standards, and failure to adequately monitor compliance with the Firm's quality control policies and procedures. The 2012 Disciplinary Order required the Firm to improve its system of quality control, with the help of an independent monitor, and the order restricted the professional activities that Respondents were allowed to perform, the last restriction expiring in September 2015.

10. Respondents were also on notice of such issues from the findings of PCAOB inspections of the Firm conducted before the Audits. The inspection findings identified multiple Firm audits containing deficiencies similar to the above-described failures to test journal

[4] *See In the Matter of Michael T. Studer, CPA, P.C. and Michael T. Studer, CPA*, PCAOB Rel. No. 105-2012-007 (Sept. 7, 2012).

entries, make required audit committee communications, and assemble and retain audit documentation, as well as quality control deficiencies.

11. Despite these repeated notices from the PCAOB, including a Board order requiring the Firm to improve its system of quality control, Respondents persisted in committing the same types of misconduct during the Audits, in violation of PCAOB auditing standards and quality control standards.

D. Respondents Violated PCAOB Rules and Standards in Connection with the JMU Audit

12. In connection with the preparation or issuance of an audit report, PCAOB rules require that registered public accounting firms and their associated persons comply with the Board's auditing and related professional practice standards.[5] An auditor is in a position to express an unqualified opinion on the financial statements when the auditor conducted an audit in accordance with the standards of the PCAOB 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.[6]

13. PCAOB standards also require that an auditor exercise due professional care in planning and performing an audit.[7] Due professional care requires that the auditor exercise professional skepticism, which is an attitude that includes a questioning mind and a critical assessment of audit evidence.[8] "[P]rofessional skepticism requires an ongoing questioning of whether the information and evidence obtained suggests that a material misstatement due to fraud has occurred."[9]

14. PCAOB standards require that the auditor "design and perform audit procedures in a manner that addresses the assessed risks of material misstatement for each relevant

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

6 *See* AS 3101.02, *The Auditor's Report on an Audit of Financial Statements When the Auditor Expresses an Unqualified Opinion*; *see also* AS 2810.30-.31, *Evaluating Audit Results* (requiring auditors to evaluate whether the financial statements are presented fairly, in all material respects, in conformity with the applicable financial reporting framework, including whether the financial statements contain the information essential for a fair presentation).

7 AS 1015.01, *Due Professional Care in the Performance of Work*.

8 *See id.* at .07; AS 2301.07, *The Auditor's Responses to the Risks of Material Misstatement*; AS 2401.13, *Consideration of Fraud in a Financial Statement Audit*.

9 AS 2401.13.

assertion of each significant account and disclosure."[10] "The audit procedures that are necessary to address the assessed fraud risks depend upon the types of risks and the relevant assertions that might be affected."[11]

15. Auditors are required to plan and perform audit procedures to obtain sufficient appropriate audit evidence to provide a reasonable basis for the opinion expressed in the auditor's report, including obtaining reasonable assurance about whether the financial statements are free of material misstatement, whether caused by error or fraud.[12]

16. As described below, Respondents failed to comply with these and other PCAOB rules and standards in connection with the JMU Audit.

i. Respondents Failed to Obtain Sufficient Appropriate Audit Evidence Regarding JMU's Reported Revenue

17. "[T]he auditor should perform substantive procedures, including tests of details, that are specifically responsive to the assessed fraud risks."[13]

18. "Audit evidence consists of both information that supports and corroborates management's assertions regarding the financial statements . . . and information that contradicts such assertions."[14] Appropriateness is the measure of the quality of audit evidence, i.e., its relevance and reliability. To be appropriate, audit evidence must be both relevant and reliable in providing support for the conclusions on which the auditor's opinion is based.[15]

19. If audit evidence obtained from one source is inconsistent with audit evidence obtained from another source, "the auditor should perform the audit procedures necessary to resolve the matter and should determine the effect, if any, on other aspects of the audit."[16]

20. When an auditor uses 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, among other things, test the accuracy and

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[10] AS 2301.08.

[11] *Id.* at .12; *see also* AS 2401.52.

[12] *See* AS 1101.03, *Audit Risk*; AS 1105.04, *Audit Evidence*.

[13] AS 2301.13.

[14] AS 1105.02.

[15] *Id.* at .06.

[16] *Id.* at .29.

completeness of the information, or test the controls over the accuracy and completeness of that information.[17]

21. "If a representation made by management is contradicted by other audit evidence, the auditor should investigate the circumstances and consider the reliability of the representation made," and, based on the circumstances, should "consider whether his or her reliance on management's representations relating to other aspects of the financial statements is appropriate and justified."[18]

22. PCAOB standards require an auditor to evaluate the results of the audit to determine whether the audit evidence obtained is sufficient and appropriate to support the opinion to be expressed in the auditor's report.[19]

a. Respondents Failed to Test Material Portions of JMU's Reported Revenue

23. As Respondents were aware, JMU reported in its 2018 Form 20-F that the company's total annual revenue was $36.5 million. However, the company's revenue lead sheet that Studer reviewed reflected only $32.1 million of revenue for 2018, and Studer noted on the sheet that this amount differed from the financial statements by $4.4 million, without documenting any explanation for the difference. Respondents failed to reconcile this difference, despite the fact that it represented 12% of JMU's reported revenue, and Respondents had identified revenue recognition as a fraud risk and a significant risk of material misstatement for the JMU Audit.

24. During the JMU Audit, management represented to Respondents that the $4.4 million of JMU's 2018 revenue was from online platform services income and exhibit income. But this representation conflicted with JMU's 2018 Form 20-F, which disclosed that revenues related to online platform services for 2018 were only "nominal" and "nil."

25. Despite receiving conflicting representations from management about the $4.4 million, which was over 15 times the audit planning materiality amount of $283,000 that Respondents set for the JMU Audit, Respondents failed to perform any procedures to resolve management's contradictory claims, or to determine whether the $4.4 million was from other sources. When the PCAOB reviewed the JMU Audit during an inspection and identified this failure as an audit deficiency, Respondents wrote in response that they did not perform such

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17 *See id.* at .10.

18 AS 2805.04, *Management Representations*.

19 *See* AS 2810.33-.35.

procedures because online platform services revenue was "only" 12% of total revenue, and JMU's Form 20-F had represented that online platform services revenue was "nominal."

26. Respondents' failures to perform such procedures exhibited (a) a lack of professional skepticism, based on an unquestioning acceptance of management's representation that the $4.4 million in revenue transactions had occurred and was not material; and (b) a lack of due professional care in failing to obtain sufficient appropriate evidence for a material portion of JMU's reported revenue.

27. Accordingly, in addition to failing to perform any procedures in the JMU Audit to test the $4.4 million of purported revenue, in violation of multiple PCAOB standards,[20] Respondents also violated AS 1105.29 by (a) failing to perform audit procedures necessary to resolve management's inconsistent representations about the amount of such revenue; and (b) failing to determine the inconsistency's effect on other aspects of the audit.

b. Respondents Failed to Sufficiently Test JMU's Revenue for Online Direct Sales

28. JMU's online direct sales[21] generated the other 88% of the company's reported revenue in 2018. Respondents' testing of JMU's online direct sales was inadequate because their selection of transactions for testing was not representative of the entire population of such sales.

29. Respondents planned to test JMU's online direct sales through audit sampling, which PCAOB standards describe as "the application of an audit procedure to less than 100 percent of the items within an account balance or class of transactions."[22] To determine the number of items to be selected in a sample, the auditor should take into account tolerable misstatement for the population; the allowable risk of incorrect acceptance (based on the assessments of certain risks); and the characteristics of the population, including the expected size and frequency of misstatements.[23] When an auditor uses audit sampling, "[s]ample items

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[20] *See, e.g.*, AS 1105.04; AS 2301.09, .11, .13; AS 2810.33, .35.

[21] JMU's 2018 Form 20-F disclosed that the company "sells rice, flavoring, oil, seafood, wine and other products relating to catering and hotel industries through online direct sales" to customers.

[22] AS 2315.01, *Audit Sampling*.

[23] *See id.* at .23; *see also id.* at .16. "*The risk of incorrect acceptance* is the risk that the sample supports the conclusion that the recorded account balance is not materially misstated when it is materially misstated." *Id.* at .12.

should be selected in such a way that the sample can be expected to be representative of the population. Therefore, all items in the population should have an opportunity to be selected."[24]

30. Respondents' work papers state that, in testing JMU's online direct sales, Respondents drew their sample of transactions for testing from JMU's accounts receivable activity reports of the customers with the ten largest outstanding receivable balances as of December 31, 2018. Such a sample would have excluded revenue transactions related to customers with accounts receivable balances smaller than those of the above ten customers, as well as revenue transactions for customers with no receivable balance at December 31, 2018. As a result, not all online direct sales transactions had the opportunity to be selected for testing, so Respondents' testing failed to meet the requirements under PCAOB standards for selecting a test sample.[25]

31. In addition, Respondents also failed to determine and select an adequate number of items for the purported sample. In connection with the JMU Audit, Respondents failed to take into account tolerable misstatement for the population, the allowable risk of incorrect acceptance, and the characteristics of the population, as called for by PCAOB standards.[26] Significantly, the Firm's quality control policies required use of a standardized audit form providing step-by-step guidance on how to comply with these standards. Although Respondents used this form to calculate the sample size for their audit sampling of JMU's accounts receivable, which was equivalent to only 13% of total revenue, they failed to use the form when testing the much larger population of JMU's revenue.

32. If Respondents had used the required sampling form for the revenue testing, it would have guided them to select several hundred items for the test sample. But Respondents selected only 72 transactions for their revenue testing. Additionally, Respondents selected the revenue items based on transaction characteristics like larger dollar amounts and unusual transaction descriptions, but this testing of items selected according to specified characteristics does not constitute audit sampling, because not all items in the population had the opportunity to be selected for testing, and the results of those audit procedures cannot legitimately be projected to the entire population.[27]

33. Despite excluding a significant portion of revenue transactions from their sample testing, and failing to adequately determine the number of sample items to select, Respondents relied on the results of that testing to support their audit conclusions over the company's

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24 *Id.* at .24.

25 *Id.*

26 *See id.* at .16, .23.

27 *See* AS 1105.25-.27.

reported revenue for the year. Respondents did not perform any other procedures to test the excluded transactions, which was an egregious failure, given that approximately 80% of JMU's online direct sales revenue did not have the opportunity to be selected for testing. As a result, the only revenue for which Respondents could expect to obtain sufficient appropriate audit evidence was the revenue transactions that they tested directly, which was, at best, only about $1.4 million of online direct sales revenue, or less than 4% of JMU's total revenue.

34. Accordingly, Respondents' procedures to test online direct sales revenue failed to comply with PCAOB standards regarding audit sampling, and resulted in Respondents failing to obtain sufficient appropriate audit evidence supporting JMU's reported revenue.[28]

ii. Respondents Failed to Adequately Evaluate JMU's Goodwill Impairment Estimate

35. Respondents knew that JMU disclosed in its Form 20-F that it recognized an estimated impairment loss to goodwill of $106 million, which comprised 86% of JMU's total net loss for 2018. The 2018 goodwill impairment charge fully impaired goodwill from JMU's previous FY 2017 balance.

36. PCAOB standards require the auditor to evaluate the reasonableness of accounting estimates made by management in the context of the financial statements taken as a whole.[29]

37. "In evaluating reasonableness, the auditor should obtain an understanding of how management developed the estimate."[30] Based on that understanding, the auditor should then use one or a combination of the following approaches to test the accounting estimate: (1) review and test the process used by management to develop the estimate; (2) develop an independent expectation of the estimate to corroborate the reasonableness of management's estimate; or (3) review subsequent events or transactions occurring prior to the date of the auditor's report.[31] In addition, when evaluating the reasonableness of an estimate, the auditor normally concentrates on key factors and assumptions that are significant to the estimate.[32]

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28 *See, e.g.*, AS 2315.24; AS 2810.33 & .35; and AS 1105.04.

29 AS 2501.04, *Auditing Accounting Estimates*.

30 *Id.* at .10.

31 *Id.*

32 *Id.* at .09.

38. During the JMU Audit, Respondents identified income/expense, including any estimated impairment loss related to goodwill, as a significant audit area and a significant risk of material misstatement.

39. During the audit, Respondents knew or should have known that U.S. Generally Accepted Accounting Principles require companies to test goodwill for impairment on at least an annual basis.[33] Consistent with this requirement, JMU's 2018 Form 20-F disclosed that management tested goodwill for impairment at least annually on December 31, and that the primary technique it used for estimating fair value was the discounted cash flow method.

40. However, Respondents did not obtain an adequate understanding of how management developed its goodwill impairment estimate, and thus could not appropriately evaluate the reasonableness of that estimate in accordance with PCAOB standards.

41. *First*, Respondents failed to obtain management's discounted cash flow analysis or any other analysis regarding how JMU management arrived at the fair value of goodwill. Because Respondents failed to obtain an understanding of the primary technique management used for estimating goodwill impairment, they failed to obtain an adequate understanding of how management developed that estimate, including whether management accumulated relevant, sufficient, and reliable data to arrive at the estimate.

42. *Second*, Respondents failed to employ any of the three evaluation approaches prescribed by AS 2501 to evaluate the impairment estimate. Respondents' audit planning document failed even to identify which of these approaches the engagement team would use, beyond simply planning to "check client calculations" related to the impairment. Moreover, Respondents failed to perform *any* audit procedures to identify, much less evaluate the reasonableness of, key factors and assumptions in JMU's goodwill impairment analysis, and Respondents failed to test any underlying data JMU used in the valuation of goodwill, in violation of PCAOB standards.

43. Accordingly, Respondents violated PCAOB standards by failing to understand how management developed a material estimate and failing to evaluate its reasonableness.[34] Respondents also violated PCAOB standards by failing to design and perform substantive procedures to address an identified significant risk of material misstatement,[35] and failing to obtain sufficient appropriate audit evidence[36] supporting JMU's goodwill valuation.

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33 *See* ASC 350, *Intangibles – Goodwill and Other*.

34 *See, e.g.,* AS 2501.04, .07, .09, .10.

35 *See, e.g.,* AS 2301.08-.09, .11.

36 *See, e.g.*, AS 1105.04; AS 1015.01, .07-.09.

iii. Studer Failed to Properly Supervise the Work of the JMU Audit Engagement Team

44. According to PCAOB standards, the engagement partner is responsible for the engagement and its performance, including proper supervision of the work of engagement team members and compliance with PCAOB standards.[37] The engagement partner should "[r]eview the work of engagement team members to evaluate whether: (1) [t]he work was performed and documented; (2) [t]he objectives of the procedures were achieved; and (3) [t]he results of the work support the conclusions reached."[38] To determine the extent of supervision necessary for engagement team members to perform their work as directed and form appropriate conclusions, the engagement partner should take into account, among other things, the risks of material misstatement.[39]

45. Studer failed to satisfy these supervisory obligations in multiple ways. *First*, he failed to ensure appropriate supervision of a new contractor auditor (the "Contractor") who resided in mainland China and had never previously worked with Respondents. This supervision failure was particularly serious because, as reflected in the JMU Audit work papers, the Contractor purportedly performed large sections of the JMU Audit.

46. The Contractor performed his work on the JMU Audit in China. Studer never traveled to China for the JMU Audit, and interacted directly with the Contractor regarding the JMU Audit only once, on the date they were introduced to each other during a phone call.

47. *Second*, Studer failed to ensure that the JMU Audit engagement team was instructed on how to document their audit work. This failure contributed to the repeated violations of PCAOB audit documentation standards that are described below.

48. *Third*, multiple JMU Audit work papers that Studer claimed to have reviewed were incomplete or contained errors that he should have corrected during any such review. For example, one work paper identified the Contractor as the auditor who performed certain planning procedures, such as determining staff assignments and the extent of supervision necessary, yet Studer later claimed that he performed those duties himself. Another work paper that Studer signed off as having reviewed was incorrectly included in the Firm's audit file as one of the *Firm's* work papers for the JMU Audit, even though the work paper was generated by another registered accounting firm and the procedures documented in that work paper were not performed by anyone on the JMU Audit engagement team.

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37 *See* AS 1201.03, *Supervision of the Audit Engagement*.

38 *Id.* at .05 (footnote omitted).

39 *See id.* at .06.

49. These deficiencies reflect that Studer failed to supervise the work of the JMU Audit engagement team members with the requisite due professional care. Studer violated PCAOB standards by (a) failing to inform engagement team members of their responsibilities;[40] and (b) failing to adequately review the work of engagement team members to evaluate whether (i) the work was performed and documented, (ii) the objectives of the procedures were achieved, and (iii) the results of the work support the conclusions reached.[41]

iv. Respondents Failed to Follow PCAOB Audit Documentation Standards in Connection with the JMU Audit

50. "Audit documentation is the written record of the basis for the auditor's conclusions that provides the support for the auditor's representations;" it also "facilitates the . . . supervision of the engagement, and is the basis for the review of the quality of the work."[42]

51. Audit documentation should be prepared in sufficient detail to provide a clear understanding of its purpose, source, and the conclusions reached, and organized to provide a clear link to the significant findings or issues in the audit.[43]

52. The auditor must document the actions taken to address significant risks of material misstatement, the results of the procedures performed in response to those risks, and the basis for the conclusions reached in connection with the engagement.[44]

53. Audit documentation also must contain sufficient information to enable an experienced auditor, having no previous connection with the engagement, to understand the nature, timing, extent, and results of the procedures performed, as well as who performed the work, the date such work was completed, and who reviewed the work and the date of such review.[45]

54. PCAOB standards also provide that an auditor should assemble a complete and final set of audit documentation "for retention as of a date not more than 45 days after the report release date (*documentation completion date*)."[46]

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40 *See id.* at .05a.

41 *See id.* at .05c.

42 AS 1215.02.

43 *See id.* at .04.

44 *See id.* at .12f-1.

45 *See id*. at .06.

46 *Id.* at .15.

55. Respondents failed to satisfy these PCAOB standards related to audit documentation for the JMU Audit.

56. *First*, Respondents failed to appropriately assemble the JMU Audit documentation for retention. Respondents' JMU Audit file was spread across both hard copy documents and a host of unorganized emails and email attachments in various locations. These emails and their attachments lacked internal references to other work papers and failed to provide naming, labeling, or any other context to indicate the documents' purpose or the audit procedures to which they related. Subsequent to the deadline for assembling a complete JMU Audit file, Studer was unable to find documentation of particular work in the JMU Audit file that Respondents claimed should be there.

57. *Second*, for various audit areas, the JMU Audit file after the documentation completion date contained no, or incomplete, evidence of the nature, timing, and extent of audit procedures performed.

58. For example, the revenue-related work papers for online direct sales were comprised only of several high-level schedules that do not clearly evidence their purpose, what if any specific procedures were performed, what if any transactions were selected for testing, what if any evidence was obtained, or the conclusions reached. The JMU Audit file only generally describes *how* transactions were selected and states that engagement team members obtained and tested supporting evidence, without including that evidence or the results of that testing. The audit programs relating to revenue merely reference work papers prepared by another accounting firm that had assisted JMU management in the preparation of its 2018 financial statements, not documentation of audit procedures performed by Respondents.

59. As such, Respondents' JMU Audit documentation was not prepared in sufficient detail to provide a clear understanding of its purpose, source, and the conclusions reached, nor was it appropriately organized to provide a clear link to the significant findings or issues in the audit, as required by PCAOB standards.[47]

60. *Third*, the JMU Audit work papers failed to reliably demonstrate who performed the work, the date such work was completed, and who reviewed the work and the date of such review. This deficiency was a result of Respondents' failure to ensure that the engagement team followed a consistent practice for how to sign off on work papers or otherwise indicate the completion and review of audit work. Symptomatic of this failure is an audit program in the JMU Audit file in which Studer entered sign-offs on behalf of other team members to signify that those team members had performed certain audit procedures, even though they did not actually perform those procedures. Similarly, another work paper in the JMU Audit file contains

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[47] *See id.* at .06.

sign-offs for the Contractor signifying that he performed multiple audit procedures, even though Studer later claimed that Studer himself performed those procedures.

61. Accordingly, Respondents violated PCAOB audit documentation standards by failing to ensure that the JMU Audit documentation clearly demonstrates the procedures performed, who performed and reviewed the work and when, the evidence obtained, and the basis for the conclusions reached.

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62. As stated above, all of Respondents' above-described misconduct on the JMU Audit is particularly egregious because they already had been sanctioned for the same types of misconduct in the PCAOB's 2012 Disciplinary Order. This repeated misconduct includes Respondents' failure to appropriately test the valuation of an intangible asset, failure to adequately supervise Firm personnel, and failure to satisfy PCAOB audit documentation standards. Despite the sanctions the Board imposed on Respondents for such misconduct in 2012, including a requirement that they remediate, with the aid of an independent monitor, the deficiencies the Board found, Respondents failed to correct these deficiencies, as demonstrated by their committing the same types of violations during the JMU Audit.

v. The Firm Failed to Obtain Concurring Approval of Issuance from an Engagement Quality Reviewer for the JMU Audit

63. PCAOB standards require that an engagement quality review be performed on all audits.[48] A firm may grant permission to a client to use the engagement report only after an engagement quality reviewer provides concurring approval of issuance of the report.[49] Proper documentation of an engagement quality review should be included in the engagement documentation.[50]

64. The Firm failed to obtain concurring approval of issuance from an engagement quality reviewer prior to the Firm granting to JMU permission to use the engagement report for the JMU Audit, in violation of AS 1220.13.

65. The Firm engaged an outside auditor to serve as the engagement quality reviewer for the JMU Audit (the "Engagement Quality Reviewer"). However, the Engagement Quality Reviewer did not complete his engagement quality review, and the Firm failed to obtain the Engagement Quality Reviewer's concurring approval to issue its engagement report.

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48 AS 1220.01, *Engagement Quality Review*.

49 *See id.* at .13.

50 *See id.* at .19-.20.

66. To the contrary, just hours before the Firm issued the JMU Audit report, the Engagement Quality Reviewer identified several procedures that the engagement team had not yet completed, and he requested additional documentation that he needed in order to provide his concurring approval.

67. The engagement team did not complete those procedures, nor did they provide the Engagement Quality Reviewer with the documents he requested, prior to the Firm issuing its engagement report. Rather, the engagement team did not complete those procedures until November 2019, months after the Firm issued the JMU Audit report. Indeed, the Engagement Quality Reviewer never completed his review or provided his concurring approval of issuance for the JMU Audit.

68. Accordingly, the Firm failed to obtain the Engagement Quality Reviewer's concurring approval of issuance of the engagement report in connection with the JMU Audit, thereby violating AS 1220.13.

E. The Firm Violated PCAOB Rules and Quality Control Standards, and Respondents Violated Other PCAOB Auditing Standards at the Time of the JMU Audit

69. PCAOB rules require a registered public accounting firm and its associated persons to comply with PCAOB quality control standards.[51] These standards require that a registered public accounting firm have a system of quality control for its accounting and auditing practice.[52] A firm's system of quality control provides a critical foundation and infrastructure for a firm's audit quality, and should "'ensure that services are competently delivered and adequately supervised.'"[53] The quality control system should include policies and procedures to provide the firm with reasonable assurance that the work performed by engagement personnel meets applicable professional standards, regulatory requirements, and the firm's standards of quality.[54]

70. Quality control policies and procedures for engagement performance should encompass all phases of the design and execution of an engagement.[55] To the extent appropriate and as required by applicable professional standards, these policies and procedures

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

52 *See* QC § 20.01, *System of Quality Control for a CPA Firm's Accounting and Auditing Practice*.

53 *See id.* § .02 (quoting AICPA Code of Professional Conduct, "Article VI—Scope and Nature of Services").

54 *See id.* § 20.17.

55 *See id.* § .18.

should also cover, among other things, planning, performing, and documenting the results of each engagement.[56]

71. Policies and procedures, including monitoring procedures, should be established to provide the firm with reasonable assurance that its system of quality control is suitably designed and being effectively applied.[57] Monitoring involves an ongoing consideration and evaluation of: (1) the relevance and adequacy of the firm's policies and procedures; (2) the appropriateness of the firm's guidance materials and any practice aids; (3) the effectiveness of professional development activities; and (4) compliance with the firm's policies and procedures.[58]

72. Monitoring procedures taken as a whole should enable the firm to obtain reasonable assurance that its system of quality control is effective.[59] "Procedures that provide the firm with a means of identifying and communicating circumstances that may necessitate changes to or the need to improve compliance with the firm's policies and procedures contribute to the monitoring element."[60]

73. A firm's monitoring procedures may include inspection procedures, determination of any corrective actions to be taken and improvements to be made in the quality control system, communication to appropriate firm personnel of any weaknesses identified, and follow up to ensure that any necessary modifications are made to the quality control policies and procedures on a timely basis.[61] The need for, and extent of, inspection procedures depends in part on the existence and effectiveness of the other monitoring procedures employed, including the results of previous inspection procedures and practice reviews, such as PCAOB inspections of the firm.[62]

74. During multiple years in advance of the Audits, PCAOB inspections of the Firm provided Respondents repeated notice that the Firm had deficiencies with respect to certain PCAOB auditing standards and failed to implement policies and procedures sufficient to provide reasonable assurance that its personnel complied with the same applicable professional standards and regulatory requirements that Respondents would later violate during the Audits.

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56 *See id.*

57 *See id.* § .20; *see also* QC § 30.02, *Monitoring a CPA Firm's Accounting and Auditing Practice*.

58 QC § 30.02; *see also* QC § 20.20.

59 QC § 30.03.

60 *Id.*

61 *Id.*; *see also* QC §§ 30.04-.08.

62 *See id.* at .05.

Despite this notice, the Firm continued to fail to appropriately implement, and monitor compliance with, such policies and procedures up to and throughout the time of the Audits. These failures related to a number of areas of the Firm's audit practice, including journal entry testing, audit committee communications, and audit documentation.

i. Journal Entry Testing

75. PCAOB auditing standards specify that "[m]aterial misstatements of financial statements due to fraud often involve the manipulation of the financial reporting process by (*a*) recording inappropriate or unauthorized journal entries throughout the year or at period end, or (*b*) making adjustments to amounts reported in the financial statements that are not reflected in formal journal entries."[63] Accordingly, auditors "should . . . [i]dentify and select journal entries and other adjustments for testing."[64] The auditor should obtain an understanding of the company's controls over journal entries and determine whether they are suitably designed and have been placed in operation.[65]

76. Moreover, "even though controls [over the preparation and posting of journal entries and adjustments] might be implemented and operating effectively, the auditor's substantive procedures for testing journal entries and other adjustments should include the identification and substantive testing of specific items."[66] "[T]he auditor's procedures should include selecting from the general ledger journal entries to be tested and examining support for those items."[67]

77. PCAOB auditing standards also specify that "management is in a unique position to perpetrate fraud because of its ability to directly or indirectly manipulate accounting records and prepare fraudulent financial statements by overriding established controls."[68] Accordingly, auditors should perform procedures to specifically address the risk of management override of controls.[69]

78. During the Audits, the Firm's system of quality control failed to provide reasonable assurance that Firm personnel would comply with these standards. The

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63 AS 2401.58.

64 *See id.*

65 *See id.* at .60.

66 *See id.* at .61.

67 *Id.*

68 *Id.* at .57.

69 *See id.*

engagement teams for the Audits, led by Studer, routinely violated the standards, illustrating the failures in the Firm's system of quality control.

79. For example, for each of the Audits, Respondents failed to perform journal entry testing in accordance with PCAOB standards. The engagement teams for the Audits failed to perform and document any procedures to obtain an understanding of the issuers' internal controls over the preparation and posting of journal entries. Similarly, although an audit program for each of the Audits states that the relevant engagement teams had performed journal entry testing, these audit programs contain no reference to any documentation of actual journal entry testing. Nor is any such testing reflected anywhere in the Firm's work papers for the Audits.

80. Moreover, for the JMU Audit, Studer entered sign offs on behalf of certain engagement team members in an audit program to signify that they had performed journal entry testing procedures, when those members never actually performed those procedures.

81. The Firm's failure to adequately perform journal entry testing for the Audits, and to implement sufficient policies and procedures to provide reasonable assurance that such testing would be performed appropriately, was particularly egregious because, prior to the Audits, the Firm had been put on notice of deficiencies in its journal entry testing. For example, during a 2013 PCAOB inspection of the Firm, the PCAOB informed the Firm that it failed to address the risk of management override of controls by testing journal entries with respect to two issuer audits. Studer submitted the Firm's response to the PCAOB, which stated that the Firm would do a better job of documenting its journal entry procedures and better supervise personnel in this area in the future. But as later demonstrated by the Audits, Respondents failed to take adequate remedial action.

82. This pattern of deficiencies continued after the Audits. During the PCAOB's 2021 inspection of the Firm, the PCAOB notified Respondents of their failure to test journal entries for evidence of possible material misstatements due to fraud in connection with two FY 2020 issuer audits. Again, Studer provided the PCAOB with the Firm's response, which admitted that the Firm failed to document journal entry testing procedures for the two FY 2020 audits.

83. In summary, despite being on notice of deficiencies in its journal entry testing, a necessary audit procedure under PCAOB standards, the Firm repeatedly failed to implement timely and necessary corrective action. Collectively, these repeated failures over multiple audits and multiple years illustrate the Firm's violations of PCAOB quality control standards. Specifically, the Firm failed to implement policies and procedures, including monitoring procedures, sufficient to provide it with reasonable assurance that the work performed by Firm personnel with respect to journal entry testing met the requirements of AS 2401. Accordingly, the Firm violated QC § 20 and QC § 30, and Respondents violated AS 2401, at the time of the JMU Audit.

ii. Audit Committee Communications

84. PCAOB standards provide that auditors should communicate certain matters related to the conduct of the audit to the issuer's audit committee, including significant risks identified during risk assessment procedures; the results of the audit; and, when applicable, certain matters relating to the auditor's evaluation of the issuer's ability to continue as a going concern.[70] Auditors should make these communications before issuance of the audit report, and must document them in the work papers.[71]

85. During the Audits, the Firm's system of quality control failed to provide reasonable assurance that Firm personnel would comply with these standards. As a result, the Firm's personnel failed to timely communicate, and document, numerous matters to the clients' audit committees in accordance with PCAOB standards. For example, for all three Audits, the Firm failed to discuss all significant risks identified during the Firm's risk assessment procedures with each of the issuers' audit committees. Additionally, in connection with the JMU Audit and TGCC Audit, the Firm failed to timely communicate its audit results, including its evaluation of each issuer's ability to continue as a going concern, prior to the issuance of each respective audit report.

86. As they were with their deficient journal entry testing, Respondents were on notice before the Audits of deficiencies in the Firm's audit committee communications. For example, during a 2017 PCAOB inspection of the Firm, the PCAOB informed the Firm that it failed to communicate the significant risks and fraud risks it had identified through its risk assessment procedures to the audit committees of issuers in three FY 2016 audits. Studer submitted the Firm's response to the PCAOB, stating that the Firm would document communication of all significant risks to audit committees in the future. However, between 2017 and when it performed the FY 2018 Audits, the Firm failed to make any changes to its system of quality control to provide reasonable assurance that the Firm's personnel would make these audit committee communications.

87. This pattern of deficiencies continued after the Audits. During the PCAOB's 2021 inspection of the Firm, the PCAOB notified Respondents that, with respect to the FY 2020 audits of TGCC and another issuer, the Firm again failed to communicate to those issuers' audit committees significant risks identified during the engagement team's risk assessment. Again, Studer provided the PCAOB with the Firm's response, which admitted that the Firm failed to make such communications, but claimed that the Firm did not consider the risks significant enough to mention to the audit committees.

70 *See* AS 1301.09, .12-.13, .17, *Communications with Audit Committees*.

71 *See id*. at .25-.26.

88. Despite being on notice of deficiencies in its audit committee communications, the Firm repeatedly failed to implement timely and necessary corrective action. Collectively, these repeated failures over multiple audits and multiple years illustrate the Firm's violations of PCAOB quality control standards. Specifically, the Firm failed to establish and implement policies and procedures, including monitoring procedures, sufficient to provide it with reasonable assurance that the work performed by Firm personnel met the requirements of AS 1301. Accordingly, the Firm violated QC § 20 and QC § 30, and Respondents violated AS 1301, at the time of the JMU Audit.

iii. Audit Documentation

89. As illustrated by the pervasive audit documentation failures in connection with the 2018 JMU Audit, the Firm failed to implement, and monitor compliance with, policies and procedures to provide it with reasonable assurance that its personnel documented audit work in accordance with PCAOB standards. In particular, the Firm's quality control system failed to provide reasonable assurance that its personnel prepared documentation with sufficient information to allow an experienced auditor with no prior connection to the audit to determine the procedures performed, evidence obtained, basis for the conclusions reached, as well as who performed and reviewed the work and when. Further illustrating the Firm's failure to implement and monitor compliance with policies and procedures regarding documentation, the JMU Audit file failed to contain multiple work papers that the Firm's quality control policies required in an audit file, such as a Supervision, Review, and Approval form; an Engagement Completion Document; and a Fraud Risk Discussion form.

90. This misconduct is particularly egregious because Respondents failed to appropriately respond to prior notice that the same type of misconduct violated PCAOB standards. The PCAOB's 2012 Disciplinary Order identified audit documentation violations in five of Respondents' issuer audits because the work papers for multiple audit areas failed to indicate who performed the work, the date such work was completed, who reviewed the work, and the date of such review. Additionally, several audit files failed to contain fraud risk procedures work papers. Despite the sanctions the Board imposed on Respondents for such misconduct, including a requirement to remediate the deficiencies with the aid of an independent monitor, Respondents failed to correct these deficiencies, as later demonstrated by the failure to prepare adequate documentation for the JMU Audit.

91. Additionally, the Firm continuously failed to implement effective policies and procedures, including monitoring procedures, to provide it with reasonable assurance that its personnel would assemble for retention a complete and final set of audit documentation by the documentation completion date for each audit.[72]

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[72] *See* AS 1215.15.

92. As an illustration of the deficiencies in the Firm's policies and procedures in that area, the Firm failed to assemble a complete and final set of audit documentation for the JMU Audit and UBI Audit by the applicable documentation completion dates. Consequently, during a PCAOB inspection reviewing those two audits in December 2019, which occurred after the respective documentation completion dates, the Firm provided incomplete audit files to the PCAOB. When the PCAOB informed Studer that many work papers were not included in the audit files, the Firm had to search through email systems to find work papers that Studer claimed routinely reside in email attachments. At the time of the Audits, the Firm had not developed an adequate system to keep track of hard copy work papers, or other documents that the Firm considered to be work papers and that resided in attachments to emails.

93. Again, these repeated failures by the Firm to assemble a complete and final set of audit documentation by the applicable documentation completion date are particularly egregious because the Board found the same type of misconduct to have violated PCAOB standards in the 2012 Disciplinary Order. The 2012 Disciplinary Order identified violations based on two of Respondents' issuer audits where audit programs covering multiple audit areas were not added to the respective audit files until several months after the applicable audit document completion dates. Despite the sanctions the Board imposed on Respondents for such misconduct, including a requirement to remediate the deficiencies with the aid of an independent monitor, Respondents failed to correct these deficiencies, as later demonstrated by their failure to assemble a complete and final set of audit documentation in accordance with PCAOB standards for the JMU Audit.

94. Collectively, the Firm's repeated audit documentation failures over multiple audits and multiple years demonstrate the Firm's failure to implement policies and procedures, including monitoring procedures, sufficient to provide it with reasonable assurance that it would comply with AS 1215. Accordingly, the Firm violated QC § 20 and QC § 30, and Respondents violated AS 1215, at the time of the JMU Audit.

F. Studer at Least Recklessly, and Directly and Substantially, Contributed to the Firm's Violations

95. Studer repeatedly violated PCAOB Rule 3502 by knowingly or recklessly, and directly and substantially, contributing to the Firm's above-described violations of PCAOB auditing standards relating to engagement quality reviews and PCAOB quality control standards.

96. At the relevant time, PCAOB Rule 3502 provided, "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."

97. At all relevant times, Studer was the Firm's sole owner and partner. He was principally responsible for developing, implementing, and monitoring compliance with the Firm's quality control policies and procedures applicable to its auditing practice. As the engagement partner for the Audits, Studer had overall responsibility for the performance of the Audits and compliance with PCAOB standards.[73] Studer also was responsible for ensuring that an engagement quality review was conducted for the JMU Audit.

98. Studer, however, continually disregarded those responsibilities. Despite the PCAOB repeatedly putting him on notice, through its inspections process and through the 2012 Disciplinary Order, of many of the above-mentioned deficiencies in his performance as an engagement partner and in the Firm's system of quality control, Studer failed to adequately remediate his and his engagement teams' performance and his Firm's system of quality control. These circumstances demonstrate that Studer knew, or was reckless in not knowing, that his acts and omissions would directly and substantially contribute to (a) the Firm's failure to obtain concurring approval from an engagement quality reviewer for the JMU Audit; and (b) the Firm's violation of PCAOB quality control standards at the time of the JMU Audit. As a result, Studer 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 determines it appropriate to impose the sanctions agreed to in Respondents' Offers. 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 and Studer are hereby censured.

B. Pursuant to Section 105(c)(4)(A) of the Act and PCAOB Rule 5300(a)(1), the Firm's registration is revoked.

[73] *See* AS 1201.03.

C. Pursuant to Section 105(c)(4)(B) of the Act and PCAOB Rule 5300(a)(2), Studer 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).[74]

D. Pursuant to Section 105(c)(4)(D) of the Act and PCAOB Rule 5300(a)(4), a civil money penalty in the amount of $20,000 is imposed, jointly and severally, on the Firm and Studer.

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. Respondents shall pay the civil money penalty within ten days 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, bank cashier's check, or attorney escrow account 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 the Firm and Studer as respondents 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. By consenting to this Order, the Firm acknowledges that a failure to pay the civil money penalty described above may alone be grounds to deny a request for leave pursuant to PCAOB Rule 5302(c) to file an application

[74] As a consequence of the bar, the provisions of Section 105(c)(7)(B) of the Act will apply with respect to Studer. 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."

for registration or to deny an application for registration pursuant to PCAOB Rule 2101.

5. By consenting to this Order, Studer acknowledges that a failure to pay the civil money penalty described above may alone be grounds to deny any request for leave pursuant to PCAOB Rule 5302(c) to petition to terminate a bar or to deny any petition to terminate a bar pursuant to PCAOB Rule 5302(b).

ISSUED BY THE BOARD.

/s/ Phoebe W. Brown

Phoebe W. Brown
Secretary

June 24, 2025