2019 Inspection
Yichien Yeh, CPA

(Headquartered in Oakland Gardens, New York)

July 28, 2021

PCAOB
Public Company Accounting Oversight Board

THIS IS A PUBLIC VERSION OF A PCAOB INSPECTION REPORT

PORTIONS OF THE COMPLETE REPORT ARE OMITTED FROM THIS DOCUMENT IN ORDER TO COMPLY WITH SECTIONS 104(g)(2) AND 105(b)(5)(A) OF THE SARBANES-OXLEY ACT OF 2002

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2019 Inspection

During the Public Company Accounting Oversight Board ("PCAOB")'s 2019 inspection of Yichien Yeh, CPA, we assessed the firm's compliance with laws, rules, and professional standards applicable to the audits of public companies

We selected for review one audit of an issuer with a fiscal year ending in 2018. For the issuer audit selected, we reviewed a portion of the audit. We also evaluated elements of the firm's system of quality control.

2019 Inspection Approach

In selecting issuer audits for review, we use a risk-based method of selection. We make selections based on (1) our internal evaluation of audits we believe have a heightened risk of material misstatement, including those with challenging audit areas, and (2) other risk-based characteristics, including issuer and firm considerations. In certain situations we may select all of the firm's issuer audits for review.

When we review an audit, we do not review every aspect of the audit. Rather, we generally focus our attention on audit areas we believe to be of greater complexity, areas of greater significance or with a heightened risk of material misstatement to the issuer's financial statements, and areas of recurring deficiencies. We may also select some audit areas for review in a manner designed to incorporate unpredictability.

Our selection of audits for review does not constitute a representative sample of the firm's total population of issuer audits. Additionally, our inspection findings are specific to the particular portions of the issuer audits reviewed. They are not an assessment of all of the firm's audit work nor of all of the audit procedures performed for the audits reviewed.

View the details on the scope of our inspections and our inspections procedures.

Overview of the 2019 Inspection and Historical Data by Inspection Year

The following information provides an overview of our inspection in 2019 of the firm's issuer audits as well as data from the previous inspection. We use a risk-based method to select audits for review and to identify areas on which we focus our review. Because our inspection process evolves over time, it can, and often does, focus on a different mix of audits and audit areas from inspection to inspection and firm to firm. Further, a firm's business, the applicable auditing standards, or other factors can change from the time of one inspection to the next. As a result of these variations, we caution that our inspection results are not necessarily comparable over time or among firms.

Firm Data and Audits Reviewed

	2019	2017
Firm Data		
Total issuer audit clients for which the firm was the principal auditor at the outset of the inspection procedures	3	8
Total engagement partners on issuer audit work[1]	1	1
Audits Reviewed		
Total audits reviewed[2]	1	2
Audits in which the firm was the principal auditor	1	2
Audits with Part I.A deficiencies	1	1

If a deficiency is included in Part I.A of our report, it does not necessarily mean that the firm has not addressed the deficiency. In many cases, the firm has performed remedial actions after the issue was identified. Depending on the circumstances, remedial actions may include performing additional audit procedures, informing management of the issuer of the need for changes to the financial statements or reporting on ICFR, or taking steps to prevent reliance on prior audit reports. Our inspection may include a review, on a sample basis, of the adequacy of a firm's remedial actions, either with respect to previously identified deficiencies or deficiencies identified during the current inspection. If a firm does not take appropriate actions to address deficiencies, we may criticize its system of quality control or pursue a disciplinary action.

[1] The number of engagement partners on issuer audit work represents the total number of firm personnel (not necessarily limited to personnel with an ownership interest) who had primary responsibility for an issuer audit (as defined in AS 1201) during the twelve-month period preceding the outset of the inspection.

[2] The population of issuer audits from which audits are selected for review may differ from the issuer audits at the outset of the inspection procedures due to variations such as new issuer audit clients for which the firm has not yet issued an opinion or issuer audit clients lost prior to the outset of the inspection.

The fact that we have included a deficiency in our report — other than those deficiencies for audits with incorrect opinions on the financial statements and/or ICFR — does not necessarily mean that the issuer's financial statements are materially misstated or that undisclosed material weaknesses in ICFR exist. It is often not possible for us to reach a conclusion on those points based on our inspection procedures and related findings because, for example, we have only the information that the auditor retained and the issuer's public disclosures. We do not have direct access to the issuer's management, underlying books and records, and other information.

Our 2019 inspection procedures involved one audit for which the issuer, unrelated to our review, restated its financial statements to correct a misstatement and the firm revised and reissued its report on the financial statements.

Audit Areas Most Frequently Reviewed

This table reflects the audit areas we have selected most frequently for review in the 2019 inspection and the previous inspection. For the issuer audits selected for review, we selected these areas because they were generally significant to the issuer's financial statements, may have included complex issues for auditors, and/or involved complex judgments in (1) estimating and auditing the reported value of related accounts and disclosures and (2) implementing and auditing the related controls.

2019		2017	
Audit area	**Audits reviewed**	**Audit area**	**Audits reviewed**
Revenue and related accounts	1	**Revenue and related accounts**	2
Equity and equity-related transactions	1	**Cash and cash equivalents**	1
Business combinations	1	**Long-lived assets**	1
		A liability	1

Part I: Inspection Observations

Part I.A of our report discusses deficiencies, if any, that were of such significance that we believe the firm, at the time it issued its audit report(s), had not obtained sufficient appropriate audit evidence to support its opinion on the issuer's financial statements and/or ICFR. Part I.B discusses deficiencies, if any, that do not relate directly to the sufficiency or appropriateness of evidence the firm obtained to support its opinion(s) but nevertheless relate to instances of non-compliance with PCAOB standards or rules. Consistent with the Sarbanes-Oxley Act ("the Act"), it is the Board's assessment that nothing in Part I of this report deals with a criticism of or potential defect in the firm's quality control system. Any such criticisms or potential defects are discussed in Part II. Further, you should not infer from any Part I deficiency or combination of deficiencies that a quality control finding is identified in Part II. Section 104(g)(2) of the Act restricts us from publicly disclosing Part II deficiencies unless the firm does not address the criticisms or potential defects to the Board's satisfaction no later than 12 months after the issuance of this report.

Classification of Audits with Part I.A Deficiencies

Within Part I.A of this report, we classify each issuer audit in one of the categories discussed below based on the Part I.A deficiency or deficiencies identified in our review.

The sole purpose of this classification system is to group and present issuer audits by the number of Part I.A deficiencies we identified within the audit as well as to highlight audits with an incorrect opinion on the financial statements and/or ICFR.

Audits with an Incorrect Opinion on the Financial Statements and/or ICFR

This classification includes instances where a deficiency was identified in connection with our inspection and, as a result, an issuer's financial statements were determined to be materially misstated, and the issuer restated its financial statements. It also includes instances where a deficiency was identified in connection with our inspection and, as a result, an issuer's ICFR was determined to be ineffective, or there were additional material weaknesses that the firm did not identify, and the firm withdrew its opinion, or modified its report, on ICFR. This classification does not include instances where, unrelated to our review, an issuer restated its financial statements and/or an issuer's ICFR was determined to be ineffective. Any deficiencies identified in connection with our reviews of these audits would be included in the audits with multiple deficiencies or audits with a single deficiency classification below.

Audits with Multiple Deficiencies

This classification includes instances where multiple deficiencies were identified that related to a combination of one or more financial statement accounts, disclosures, and/or important controls in an ICFR audit.

Audits with a Single Deficiency

This classification includes instances where a single deficiency was identified that related to a financial statement account or disclosure or to an important control in an ICFR audit.

Part I.A: Audits with Unsupported Opinions

This section of our report discusses the deficiencies identified, by specific issuer audit reviewed, in the audit work supporting the firm's opinion on the issuer's financial statements.

We identify each issuer by a letter (e.g., Issuer A) and industry sector. Each deficiency could relate to several auditing standards, but we reference the PCAOB standard(s) that most directly relates to the requirement with which the firm did not comply.

Issuer audits are presented below within their respective deficiency classifications (as discussed previously). Within the classifications, we generally present the audits based on our assessment as to the relative significance of the identified deficiencies taking into account the significance of the financial statement accounts and/or disclosures affected, and/or the nature or extent of the deficiencies.

Audits with an Incorrect Opinion on the Financial Statements and/or ICFR

None

Audits with Multiple Deficiencies

Issuer A – Industrials

Type of audit and related areas affected

In our review, we identified deficiencies in the financial statement audit related to **Revenue, Accounts Receivable, Related Party Transactions, Equity Transactions,** and a **Business Combination**.

Description of the deficiencies identified

With respect to **Revenue**:

The issuer entered into agreements with counterparties, some of whom were related parties, to provide services to the issuer's customers. The issuer charged the counterparties a nonrefundable fee, which the issuer recorded as revenue at the time of the agreement, for facilitating the arrangement between the counterparty and the customer.

The firm did not evaluate whether all of the criteria for revenue recognition under FASB ASC Topic 605, *Revenue Recognition*, had been met, including whether (1) services had been performed and (2) collectability was reasonably assured. (AS 2301.08; AS 2810.30)

With respect to the counterparty agreements with related parties discussed above, the firm did not (1) obtain an understanding of the business purpose of the transactions; (2) evaluate whether the issuer had properly identified all related parties and relationships and transactions with related parties; and (3) evaluate whether all related party transactions were disclosed in conformity with FASB ASC Topic 850, *Related Party Disclosures*. (AS 2410.03, .12, .14, and .17)

With respect to **Accounts Receivable**:

The issuer's accounts receivable from related and unrelated parties consisted of nonrefundable fees from agreements discussed above, which had payment terms beyond one year.

The firm did not evaluate the assumptions the issuer used in estimating the allowance for doubtful accounts. (AS 2501.07)

The firm did not evaluate whether the issuer's accounts receivable that were not expected to be collected within 12 months should have been classified as non-current assets in conformity with FASB ASC Topic 310, *Receivables*. (AS 2810.30)

With respect to **Related Party Transactions**:

The issuer entered into an agreement with a related party in which the issuer was to receive quarterly fees from the related party. Since the inception of the agreement, the quarterly fees were recorded as receivables and deferred revenue in the issuer's balance sheet. The issuer disclosed that its sole officer and director was also the beneficial owner of and controlled the related party.

The firm did not:

- Obtain an understanding of the business purpose (or lack thereof) of the transaction. (AS 2410.03)
- Take the transaction into account in its identification of significant unusual transactions. (AS 2401.66)
- Evaluate the financial capability of the related party with respect to the outstanding receivable balance. (AS 2410.12)
- Evaluate whether the issuer's accounting for, and disclosure of, the transaction was appropriate. (AS 2410.17)

During the audit, the firm was aware of information concerning possible illegal acts committed by the issuer and an officer. The firm did not obtain an understanding of the nature of the acts, the circumstances in which they occurred, and sufficient other information to evaluate the effect on the financial statements. (AS 2405.07 and .10)

With respect to **Equity Transactions**:

The firm did not evaluate (1) the fair value at the grant date of restricted common stock issued to employees and (2) whether stock-based compensation expense for all restricted common stock granted to employees was complete and appropriately recognized in conformity with FASB ASC Topic 718, *Compensation – Stock Compensation*. (AS 2502.26 and .28, AS 2810.30)

The issuer also recorded a note receivable from a shareholder secured by shares of restricted common stock. The firm did not evaluate whether the transaction should have been accounted for as stock-based compensation expense in conformity with FASB ASC Topic 718. (AS 2810.30)

The issuer entered into agreements in which it agreed to issue stock-based instruments to employees. The issuer represented to the firm that no instruments were outstanding under these agreements, and no compensation expense had been recorded related to the agreements. The firm did not evaluate whether a grant date had occurred, upon which compensation would be measured and recognition of compensation expense would begin in conformity with FASB ASC Topic 718. (AS 2810.30)

Under the terms of certain of the agreements with counterparties under which the issuer recorded revenue discussed above, the issuer's payment to the counterparties in some cases included stock-based instruments of the issuer or related entities. The firm did not evaluate whether the stock-based instruments issued or promised to be issued to such counterparties were appropriately recognized and disclosed in the financial statements in conformity with FASB ASC Topic 505, *Equity*. (AS 2810.30)

Unrelated and prior to our review, the issuer reevaluated its accounting for stock-based compensation and the related effect on income tax and concluded that a material misstatement existed that had not been previously identified. The issuer subsequently corrected this misstatement in a restatement of its financial statements and the firm revised and reissued its report on the financial statements.

With respect to a **Business Combination**:

The issuer merged with its previous parent company in a business combination of entities under common control.

The firm did not evaluate whether the merger was recognized and measured appropriately in conformity with FASB ASC Topic 805, *Business Combinations*. (AS 2810.30)

The firm did not identify and evaluate the significance of a departure from GAAP related to the issuer's omission of certain disclosures required by FASB ASC Topic 805 including (1) comparative financial statements retrospectively adjusted as though the merger had occurred at the beginning of the prior period and (2) the method of accounting for the transfer of net assets or exchange of equity interests. (AS 2810.30 and.31)

Audits with a Single Deficiency

None

Part I.B: Other Instances of Non-Compliance with PCAOB Standards or Rules

In the 2019 inspection, we did not identify any deficiencies related to other instances of non-compliance with PCAOB standards or rules.

Part II: Observations Related To Quality Control

Part II of our report discusses criticisms of, and potential defects in, the firm's system of quality control.

Deficiencies are included in Part II if an analysis of the inspection results, including the results of the reviews of individual audits, indicates that the firm's system of quality control does not provide reasonable assurance that firm personnel will comply with applicable professional standards and requirements. Generally, the report's description of quality control criticisms is based on observations from our inspection procedures.

Any changes or improvements to its system of quality control that the firm may have brought to the Board's attention may not be reflected in this report, but are taken into account during the Board's assessment of whether the firm has satisfactorily addressed the quality control criticisms or defects no later than 12 months after the issuance of this report.

Criticisms of, and potential defects in, the firm's system of quality control, to the extent any are identified, are nonpublic when the reports are issued. If a firm does not address to the Board's satisfaction any criticism of, or potential defect in, the firm's system of quality control within 12 months after the issuance of our report, any such deficiency will be made public.

Appendix A: Firm's Response to the Draft Inspection Report

Pursuant to section 104(f) of the Act, 15 U.S.C. § 7214(f), and PCAOB Rule 4007(a), the Board provided the firm an opportunity to review and comment on a draft of this report. The firm did not provide a written response.