
2023 Inspection MaughanSullivan LLC

(Headquartered in Manchester, Vermont)

December 11, 2023

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

PCAOB RELEASE NO. 104-2024-022



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2023 INSPECTION

In the 2023 inspection of MaughanSullivan LLC, the Public Company Accounting Oversight Board (PCAOB) assessed the firm's compliance with laws, rules, and professional standards applicable to the audits of public companies.

We selected for review four audits of issuers with fiscal years generally ending in 2021. For each issuer audit selected, we reviewed a portion of the audit. We also evaluated elements of the firm's system of quality control.

2023 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 necessarily 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 or 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 2023 INSPECTION AND HISTORICAL DATA BY INSPECTION YEAR

The following information provides an overview of our 2023 inspection 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 Selected for Review

| | 2023 | 2020 |
|---|------|------|
| Firm data | | |
| Total issuer audit clients in which the firm was the principal auditor | 4 | 1 |
| Total engagement partners on issuer audit work¹ | 1 | 1 |
| Audits reviewed | | |
| Total audits reviewed | 4 | 1 |
| Audits in which the firm was the principal auditor | 4 | 1 |
| Integrated audits of financial statements and internal control over financial reporting (ICFR) | 0 | 0 |
| Audits with Part I.A deficiencies | 4 | 1 |
| Percentage of audits with Part I.A deficiencies | 100% | 100% |

If we include a deficiency 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 deficiency 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.

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, *Supervision of the Audit Engagement*) during the twelve-month period preceding the outset of the inspection.

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.

If we include a deficiency in our report — other than those deficiencies for audits with incorrect opinions on the financial statements and/or ICFR — it 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.

Audit Areas Most Frequently Reviewed

This table reflects the audit areas we have selected most frequently for review in the 2023 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.

| 2023 | | 2020 | |
|--|-----------------|--|-----------------|
| Audit area | Audits reviewed | Audit area | Audits reviewed |
| Equity and equity-related transactions | 2 | Equity and equity-related transactions | 1 |
| Expenses | 2 | Revenue and related accounts | 1 |
| A significant account | 1 | | |
| Other assets | 1 | | |
| Debt | 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(s) on the issuer's financial statements and/or ICFR.

Part I.B discusses certain deficiencies, if any, that relate to instances of non-compliance with PCAOB standards or rules other than those where the firm had not obtained sufficient appropriate audit evidence to support its opinion(s). This section does not discuss instances of potential non-compliance with SEC rules or instances of non-compliance with PCAOB rules related to maintaining independence.

Part I.C discusses instances of potential non-compliance with SEC rules or instances of non-compliance with PCAOB rules, if any, related to maintaining independence.

Consistent with the Sarbanes-Oxley Act ("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. We discuss any such criticisms or potential defects in Part II. Further, you should not infer from any Part I deficiency, or combination of deficiencies, that we identified a quality control finding 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 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 revised 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. We include any deficiencies identified in connection with our reviews of these audits 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). Each deficiency could relate to several auditing standards, but we reference the PCAOB standard that most directly relates to the requirement with which the firm did not comply.

We present issuer audits 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

Type of audit and related areas affected

In our review, we identified deficiencies in the financial statement audit related to **A Significant Account, Certain Assets, Equity and Equity-Related Transactions, and Journal Entries**.

Description of the deficiencies identified

With respect to **A Significant Account**, for which the firm identified a significant risk:

The firm did not evaluate whether the issuer complied with certain aspects of GAAP in recording the balances within the significant account. (AS 2301.08 and .11) In addition, the firm did not perform any

procedures to evaluate the relevance and reliability of external information it used to test certain balances in the significant account. (AS 1105.04 and .06)

With respect to **Certain Assets**:

The issuer reported certain assets and performed an evaluation of whether the assets were impaired. The following deficiencies were identified:

- The firm did not perform any procedures to establish whether the issuer had control of the assets. (AS 2301.08)
- The firm did not perform any procedures to test the reliability of external information it used to test these assets. (AS 1105.04 and .06)
- The firm did not perform procedures to test the issuer's impairment analysis beyond testing its clerical accuracy. (AS 2501.07)

The issuer reported certain other assets. The following deficiencies were identified:

- The firm did not perform any procedures to test the recoverability of these assets. (AS 2501.07)
- The firm did not perform any procedures to evaluate the presentation of these assets. (AS 2301.08)
- The firm did not perform any procedures to test certain disclosures related to these assets. (AS 2301.08)

With respect to **Equity and Equity-Related Transactions**, for which the firm identified significant risks:

During the year, the issuer issued equity instruments. The firm did not perform procedures to test certain of these issuances, beyond comparing the number of shares to the purchase agreements. (AS 2301.08)

In addition, during the current and prior years, the issuer granted stock options that vested based on a calculation. The firm did not perform any procedures to test the calculation that the issuer used to record stock-based compensation expense related to stock options that vested during the year. (AS 2301.08)

With respect to **Journal Entries**:

The firm did not perform any procedures to identify and select journal entries and other adjustments for testing. (AS 2401.58)

Issuer B

Type of audit and related areas affected

In our review, we identified deficiencies in the financial statement audit related to **Debt** and **Expenses**.

Description of the deficiencies identified

With respect to **Debt**:

The firm did not perform substantive procedures to test the debt beyond recalculating the balance based on an agreement that specified that the balance was past due. (AS 2301.08)

With respect to **Expenses**:

The firm did not perform substantive procedures to test certain expenses beyond comparing the amounts to bank statements. (AS 2301.08)

Issuer C

Type of audit and related areas affected

In our review, we identified deficiencies in the financial statement audit related to **Expenses**.

Description of the deficiencies identified

The firm did not perform any procedures to evaluate whether the issuer appropriately accounted for certain expenses. (AS 2301.08)

For the remaining types of expenses, the firm selected items for testing from all types of expenses except for one. The following deficiencies were identified:

- The firm did not perform substantive procedures to test certain selected expenses beyond comparing the amounts to a bank statement. (AS 2301.08)
- The firm did not perform any procedures to evaluate whether the issuer appropriately accounted for certain of the selected expenses. (AS 2301.08)
- The firm did not perform any substantive procedures to test the one type of expense for which it did not select any items for testing. (AS 2301.08)

The firm did not perform any substantive procedures to test the issuer's adjustment to expenses. (AS 2301.08)

Issuer D

Type of audit and related areas affected

In our review, we identified deficiencies in the financial statement audit related to **Planning Materiality** and **Common Stock**.

Description of the deficiencies identified

With respect to **Planning Materiality**:

The firm did not establish a materiality level for the financial statements as a whole and determine the related amount of tolerable misstatement. (AS 2105.06 and .08)

With respect to **Common Stock**:

The issuer recorded the issuance of common stock in exchange for services rendered. The firm did not sufficiently evaluate whether the issuer's use of the share price on the date of issuance to measure stock-based compensation was in conformity with FASB ASC Topic 718, *Compensation - Stock Compensation*, because it did not evaluate whether there was an active market for the issuer's shares. (AS 2301.08)

Audits with a Single Deficiency

None

PART I.B: OTHER INSTANCES OF NON-COMPLIANCE WITH PCAOB STANDARDS OR RULES

This section of our report discusses certain deficiencies that relate to instances of non-compliance with PCAOB standards or rules other than those where the firm had not obtained sufficient appropriate audit evidence to support its opinion(s). This section does not discuss instances of potential non-compliance with SEC rules or instances of non-compliance with PCAOB rules related to maintaining independence.

When we review an audit, we do not review every aspect of the audit. As a result, the areas below were not necessarily reviewed on every audit. In some cases, we assess the firm's compliance with specific PCAOB standards or rules on other audits that were not reviewed and include any instances of non-compliance below.

The deficiencies below are presented in numerical order based on the PCAOB standard or rule with which the firm did not comply. We identified the following deficiencies:

- In the four audits reviewed, the firm did not assemble a complete and final set of audit documentation for retention within 45 days following the report release date. In these instances, the firm was non-compliant with AS 1215, *Audit Documentation*.

- In the four audits reviewed, the firm inaccurately communicated to the audit committee that it had audited the issuer's internal control over financial reporting. In these instances, the firm was non-compliant with AS 1301, *Communications with Audit Committees*.
- In three of four audits reviewed, the firm did not communicate to the audit committee all of the significant risks identified through its risk assessment procedures. In addition, in one of these audits, the firm communicated significant risks that it did not identify through its risk assessment procedures. In these instances, the firm was non-compliant with AS 1301, *Communications with Audit Committees*.
- In one of four audits reviewed, the firm did not establish an understanding of the terms of the audit engagement with the audit committee, record such an understanding in an engagement letter, and determine that the audit committee acknowledged and agreed to the terms of the engagement. In this instance, the firm was non-compliant with AS 1301, *Communications with Audit Committees*.
- In one of four audits reviewed, the firm did not make a required communication to the audit committee related to the firm's evaluation of the issuer's ability to continue as a going concern. In this instance, the firm was non-compliant with AS 1301, *Communications with Audit Committees*.
- In one of four audits reviewed, the firm did not inquire of the audit committee about whether it was aware of matters relevant to the audit, including, but not limited to, violations or possible violations of laws or regulations. In this instance, the firm was non-compliant with AS 1301, *Communications with Audit Committees*.
- In one of four audits reviewed, the firm did not make a required communication to the audit committee related to a significant unusual transaction. In this instance, the firm was non-compliant with AS 1301, *Communications with Audit Committees*.
- In one of four audits reviewed, the firm did not identify and assess the risk of material misstatement at the assertion level for certain significant accounts and disclosures that it identified. In this instance, the firm was non-compliant with AS 2110, *Identifying and Assessing Risks of Material Misstatement*.
- In one of four audits reviewed, the firm did not presume that there was a fraud risk involving improper revenue recognition and did not have an appropriate rationale for how this presumption was overcome. In this instance, the firm was non-compliant with AS 2110, *Identifying and Assessing Risks of Material Misstatement*.
- In one of four audits reviewed, the firm did not identify a fraud risk related to the risk of management override of controls. In this instance, the firm was non-compliant with AS 2110, *Identifying and Assessing Risks of Material Misstatement*.
- In one of four audits reviewed, the firm included in its audit report an explanatory paragraph describing substantial doubt about the issuer's ability to continue as a going concern, but did

not place it immediately following the opinion paragraph. In addition, the firm's audit report included an inaccurate amount related to the issuer's accumulated deficit. In these instances, the firm was non-compliant with AS 2415, *Consideration of an Entity's Ability to Continue as a Going Concern*.

- In two of four audits reviewed, the firm's audit report did not state that the notes were audited and include a statement indicating that the financial statements, including the related notes, were collectively referred to in the report as the financial statements. In these instances, the firm was non-compliant with AS 3101, *The Auditor's Report on an Audit of Financial Statements When the Auditor Expresses an Unqualified Opinion*.
- In one of four audits reviewed, the firm's audit report incorrectly identified one of the issuer's financial statements. In this instance, the firm was non-compliant with AS 3101, *The Auditor's Report on an Audit of Financial Statements When the Auditor Expresses an Unqualified Opinion*.
- In one of four audits reviewed, the firm's audit report was not addressed to the issuer's shareholders. In this instance, the firm was non-compliant with AS 3101, *The Auditor's Report on an Audit of Financial Statements When the Auditor Expresses an Unqualified Opinion*.
- In two of three audits reviewed, the engagement team did not perform any procedures to comply with the requirements related to critical audit matters. In these instances, the firm was non-compliant with AS 3101, *The Auditor's Report on an Audit of Financial Statements When the Auditor Expresses an Unqualified Opinion*. These instances of non-compliance do not necessarily mean that critical audit matters should have been communicated in the auditor's report.
- In one of three audits reviewed, the engagement team performed procedures to determine whether or not matters were critical audit matters but, in performing those procedures, did not include certain matters that were communicated, or required to be communicated, to the audit committee and that related to accounts or disclosures that were material to the financial statements. In this instance, the firm was non-compliant with AS 3101, *The Auditor's Report on an Audit of Financial Statements When the Auditor Expresses an Unqualified Opinion*. This instance of non-compliance does not necessarily mean that other critical audit matters should have been communicated in the auditor's report.
- In two of four audits reviewed, the firm did not file its report on Form AP by the relevant deadline. In these instances, the firm was non-compliant with PCAOB Rule 3211, *Auditor Reporting of Certain Audit Participants*.

PART I.C: INDEPENDENCE

This section of our report discusses instances of potential non-compliance with SEC rules or instances of non-compliance with PCAOB rules related to maintaining independence. An instance of potential non-compliance with SEC rules or an instance of non-compliance with PCAOB rules does not necessarily mean that the Board has concluded the firm was not objective and impartial throughout the audit and professional engagement period. Although this section includes an instance of potential non-compliance that we identified, there may be other instances of non-compliance with SEC or PCAOB rules related to independence that were not identified through our procedures or the firm's monitoring activities.

PCAOB-Identified

We identified the following instances of potential non-compliance with SEC rules or instances of non-compliance with PCAOB rules related to maintaining independence:

Under Rule 2-01(c)(7) of Regulation S-X, an accountant is not independent if it does not obtain audit committee pre-approval for audit services and non-audit services. In four audits reviewed, we identified one instance for one issuer in which this circumstance appears to have occurred related to audit services.

Firm-Identified

The firm did not bring to our attention any instances of potential non-compliance with SEC rules or instances of non-compliance with PCAOB rules related to maintaining independence.

While the firm did not bring to our attention any instances of potential non-compliance, the number, large or small, of firm-identified instances of potential non-compliance may be reflective of the size of the firm, including the number of associated firms; the design and effectiveness of the firm's independence monitoring activities; and the size and/or complexity of the issuers it audits, including the number of affiliates of those issuers. Therefore, we caution against making any comparison of firm-identified instances of potential non-compliance across firms.

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.

We include deficiencies 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.

This report does not reflect changes or improvements to the firm's system of quality control that the firm may have made subsequent to the period covered by our inspection. The Board does consider such changes or improvements in assessing whether the firm has satisfactorily addressed the quality control criticisms or defects no later than 12 months after the issuance of this report.

When we issue our reports, we do not make public criticisms of, and potential defects in, the firm's system of quality control, to the extent any are identified. 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, we will make public any such deficiency.

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 firm provided a written response to a draft of this report. Pursuant to Section 104(f) of the Act and PCAOB Rule 4007(b), the firm's response, excluding any portion granted confidential treatment, is attached hereto and made part of this final inspection report.

The Board does not make public any of a firm's comments that address a nonpublic portion of the report unless a firm specifically requests otherwise. In some cases, the result may be that none of a firm's response is made publicly available.

In addition, pursuant to Section 104(f) of the Act, 15 U.S.C. § 7214(f), and PCAOB Rule 4007(b), if a firm requests, and the Board grants, confidential treatment for any of the firm's comments on a draft report, the Board does not include those comments in the final report. The Board routinely grants confidential treatment, if requested, for any portion of a firm's response that addresses any point in the draft that the Board omits from, or any inaccurate statement in the draft that the Board corrects in, the final report.

ID 366

Response to Report on 2023 Inspection of MaughanSullivan LLC

Mr. George R. Botic, Director
1666 K Street NW
Washington, DC 20006

Dear Mr. Botic:

MaughanSullivan LLC ("Firm") provides our response to the draft 2023 inspection report. Our comments are public.

We have evaluated the matters identified by PCAOB and have taken actions where appropriate in accordance with PCAOB standards and our policies. Our evaluation included those steps we considered necessary to comply with AS 2901, Consideration of Omitted Procedures After the Report Date, and AS 2905, Subsequent Discovery of Facts Existing at the Date of the Auditor's Report.

Sincerely,



MaughanSullivan LLC

Responses -

PCAOB unilaterally selected all of the Firm's audit engagements for inspection due to an unknown comment made by the PCAOB representative during a phone call with PCAOB.

PCAOB stated that they use a risk-based method of selection, which is not the case for this inspection.

Firm has grave concerns when the alleged PCAOB inspectors send emails using such language as "...The information contained in this electronic message and/or its attachments is intended for the named recipient(s) only. The electronic message and/or its attachments may contain confidential, nonpublic or privileged information disclosure of which is restricted by applicable law, including the federal securities laws. If you are not an intended recipient, or the employee or agent responsible for delivering this message to the intended recipient(s), do not copy, distribute or rely on the information contained herein. If you have received this message in error, please notify the sender immediately by reply and immediately delete this message and any attachments. Unless otherwise noted, any views expressed in this message and/or its attachments are those of the author and do not necessarily reflect the views of the PCAOB or its staff."

Part I. A

Issuer A

A Significant Account

PCAOB states that the Firm did not perform any procedures ...

Firm adamantly disagrees with the PCAOB audacious and overreaching comment.
Audit procedures were performed as outlined and documented in the audit programs.
PCAOB has ignored all the procedures presented.

Disagree.

Firm evaluated the contract with customer section in the standard and determined there was a valid contract.

Firm evaluated the criteria of the standard and agreed with the recording of revenue in accordance with the standard.

Firm did use an external source to test the market price of the assets and revenue producing activity.

Firm searched the market price on Yahoo Finance.

PCOAB said that the Firm didn't do anything to validate Yahoo Finance. One of the most wildly used quote sites today.

Firm did compare market price quotes in a member's personal account/wallet and found no discrepancies.

Firm researched companies in the industry and compared the treatment included in the significant account to that of the Issuer.

Firm participated in focus groups consisting of companies in the industry space discussing and determining how to record the operating transactions of the Issuer.

PCAOB unilaterally selected all of the Firm's audit engagements for inspection due to an unknown comment made by the PCAOB representative during a phone call with PCAOB.

PCAOB stated that they use a risk-based method of selection, which is not the case for this inspection.

AS 2901, Consideration of Omitted Procedures After the Report Date

None.

AS 2905, Subsequent Discovery of Facts Existing at the Date of the Auditor's Report

None.

Certain Assets

PCAOB states that the Firm did not perform any procedures ...

Firm adamantly disagrees with the PCAOB audacious and overreaching comment.

Audit procedures were performed as outlined and documented in the audit programs.

PCAOB has ignored all the procedures presented.

Control of assets

Disagree.

Firm did join with the Issuer in logging into the Issuer's account to obtain reports, see activity and transactions and agreed the details to what was recorded by the Issuer.

Firm independently obtained and viewed reports of activity and transactions in its account. (View only access.)

Firm did not encounter any evidence that the Issuer did not have control over its asset.

Firm did not encounter any evidence that the Issuer lost control over its asset.

Third party holding the account does not provide confirmations.

Firm evaluated the information obtained and independently obtained from the third party. Again, not able to confirm with the third party.

Firm did use an external source to test the market price of the assets and revenue producing activity.

Firm searched the market price on Yahoo Finance.
PCOAB said that the Firm didn't do anything to validate Yahoo Finance. One of the most wildly used quote sites today.
Firm did compare market price quotes in a member's personal account/wallet and found no discrepancies.
Firm researched companies in the industry and compared the treatment included in the significant account to that of the Issuer.
Firm participated in focus groups consisting of companies in the industry space to determine how to record the operating transactions of the Issuer.

AS 2901, Consideration of Omitted Procedures After the Report Date
None.

AS 2905, Subsequent Discovery of Facts Existing at the Date of the Auditor's Report
None.

Issuer subsequently disposed/sold all its subject assets.
All of the assets in its account with the third party were accounted for to a tenth of a fraction of its holdings.
The sales price was the current market price as quoted by Yahoo Finance, Coinbase and other sites tracking the asset market quotes.

Impairment of assets

Disagree.
Firm independently researched vendor sites that provided the same equipment used by Issuer to obtain an understanding and comparative values for the particular equipment.
Firm compared the values as quoted from the independent sites to the value used by Issuer.
Firm concluded that the values used by Issuer in the impairment efforts were reasonable and in line with Firm's independent research of values.

AS 2901, Consideration of Omitted Procedures After the Report Date
None.

AS 2905, Subsequent Discovery of Facts Existing at the Date of the Auditor's Report
None.

Recoverability of assets

PCAOB states that the Firm did not perform any procedures ...

Firm adamantly disagrees with the PCAOB audacious and overreaching comment.
Audit procedures were performed as outlined and documented in the audit programs.
PCAOB has ignored all the procedures presented.

Disagree.
Firm inspected contract with supplier of equipment supporting the transactions recorded by Issuer.
All payments made on deposit were in accordance with the contract with the supplier.
Issuer received a statement from supplier confirming any amounts due (at the impaired price per unit).

AS 2901, Consideration of Omitted Procedures After the Report Date
None.

AS 2905, Subsequent Discovery of Facts Existing at the Date of the Auditor's Report

None.

Issuer reconciled as noted above the amounts due to supplier of equipment considering all deposits paid.

Supplier confirmed that the equipment was ready for shipment as per the terms of the contract.

Supplier did ship the equipment and Issuer did receive the equipment per the terms of the contract and as recorded in the financial statements.

Presentation and disclosure of assets

PCAOB states that the Firm did not perform any procedures ...

Firm adamantly disagrees with the PCAOB audacious and overreaching comment.

Audit procedures were performed as outlined and documented in the audit programs.

PCAOB has ignored all the procedures presented.

Disagree.

The deposits on the assets noted in the previous comment were contemplated for delivery within the next year.

Issuer planned to employ the equipment upon receipt and set up of the equipment.

The delivery times and dates were detailed in the contract with the supplier.

AS 2901, Consideration of Omitted Procedures After the Report Date

None.

AS 2905, Subsequent Discovery of Facts Existing at the Date of the Auditor's Report

None.

Supplier did ship the equipment and Issuer did receive the equipment per the terms of the contract and as recorded in the financial statements.

Issuer put the equipment in operation.

Equity

PCAOB states that the Firm did not perform any procedures ...

Firm adamantly disagrees with the PCAOB audacious and overreaching comment.

Audit procedures were performed as outlined and documented in the audit programs.

PCAOB has ignored all the procedures presented.

Disagree.

Firm agreed stock issuances to SPA agreements signed by purchasers.

Firm obtained Board documents approving sale of shares.

Firm agreed cash receipts from purchasers to the books and to the bank statements.

Firm obtained Board documents granting the stock options.

Firm noted vesting terms of the grant.

Firm tested clerical accuracy of the stock option expense and the options vested per the terms of the grant.

Firm agreed with the stock-based compensation from options recorded by the Issuer.

AS 2901, Consideration of Omitted Procedures After the Report Date
None.

AS 2905, Subsequent Discovery of Facts Existing at the Date of the Auditor's Report
None.

Journal Entries

PCAOB states that the Firm did not perform any procedures ...

Firm adamantly disagrees with the PCAOB audacious and overreaching comment.
Audit procedures were performed as outlined and documented in the audit programs.
PCAOB has ignored all the procedures presented.

Disagree.

AS 2901, Consideration of Omitted Procedures After the Report Date
None.

AS 2905, Subsequent Discovery of Facts Existing at the Date of the Auditor's Report
None.

Issuer B

Debt

PCAOB states that the Firm did not perform any procedures ...

Firm adamantly disagrees with the PCAOB audacious and overreaching comment.
Audit procedures were performed as outlined and documented in the audit programs.
PCAOB has ignored all the procedures presented.

Disagree.

Firm agreed debt amount to the note.

Holder confirmed the amount due.

Firm agreed to terms of purchase agreement that the debt was valid and outstanding.

Subsequent filings included note in the financial statements and accrued interest.

AS 2901, Consideration of Omitted Procedures After the Report Date
None.

AS 2905, Subsequent Discovery of Facts Existing at the Date of the Auditor's Report
None.

Expenses

PCAOB states that the Firm did not perform any procedures ...

Firm adamantly disagrees with the PCAOB audacious and overreaching comment.
Audit procedures were performed as outlined and documented in the audit programs.
PCAOB has ignored all the procedures presented.

Disagree.

Firm noted expense description in bank statements.

Issuer was a shell with minimal transactions all of which related to the maintenance of the corporate entity and filings.

Firm did agree some expense items to vendor invoices.

Expenses were self-explanatory and expected.

Minimal transactions.

AS 2901, Consideration of Omitted Procedures After the Report Date

None.

AS 2905, Subsequent Discovery of Facts Existing at the Date of the Auditor's Report

None.

Issuer C

Expenses

PCAOB states that the Firm did not perform any procedures ...

Firm adamantly disagrees with the PCAOB audacious and overreaching comment.

Audit procedures were performed as outlined and documented in the audit programs.

PCAOB has ignored all the procedures presented.

Disagree.

Firm noted expense description in bank statements.

Issuer was a shell with minimal transactions all of which related to the maintenance of the corporate entity and filings.

Firm did agree some expense items to vendor invoices.

Expenses were self-explanatory and expected.

Minimal transactions.

AS 2901, Consideration of Omitted Procedures After the Report Date

None.

AS 2905, Subsequent Discovery of Facts Existing at the Date of the Auditor's Report

None.

Remaining expenses

PCAOB states that the Firm did not perform any procedures ...

Firm adamantly disagrees with the PCAOB audacious and overreaching comment.

Audit procedures were performed as outlined and documented in the audit programs.

PCAOB has ignored all the procedures presented.

Disagree.

Firm noted expense description in bank statements.

Issuer was a shell with minimal transactions all of which related to the maintenance of the corporate entity and filings.

Expenses were self-explanatory and expected.

Minimal transactions.

AS 2901, Consideration of Omitted Procedures After the Report Date

None.

AS 2905, Subsequent Discovery of Facts Existing at the Date of the Auditor's Report

None.

Issuer adjustment to expenses

PCAOB states that the Firm did not perform any procedures ...

Firm adamantly disagrees with the PCAOB audacious and overreaching comment.

Audit procedures were performed as outlined and documented in the audit programs.

PCAOB has ignored all the procedures presented.

Disagree.

Firm received trial balance from Issuer.

Issuer had recorded some test transactions to mirror its developing program.

Firm questioned the transactions and confirmed that the transactions were not valid.

The transactions were reversed.

Firm used this trial balance for its audit work as Issuer did not provide an updated one in a timely manner.

Firm disagrees to 'adjustment' when transactions were not valid.

AS 2901, Consideration of Omitted Procedures After the Report Date

None.

AS 2905, Subsequent Discovery of Facts Existing at the Date of the Auditor's Report

None.

Issuer D

Planning Materiality

PCAOB states that the Firm did not perform any procedures ...

Firm adamantly disagrees with the PCAOB audacious and overreaching comment.

Audit procedures were performed as outlined and documented in the audit programs.

PCAOB has ignored all the procedures presented.

Disagree.

The materiality worksheet contains 'macros' which did not display the work completed, but rather a blank sheet.

Firm tried to fix the issue without success.

Firm submitted worksheet for materiality that was blank due to the 'macros' embedded in the worksheet did not display the work done.

Firm noted in audit memos and workpapers that substantially all of the transactions were tested, thus, establishing a materiality level and tolerable misstatement amount.

Firm Looked at substantially all transactions.

AS 2901, Consideration of Omitted Procedures After the Report Date

None.

AS 2905, Subsequent Discovery of Facts Existing at the Date of the Auditor's Report
None.

Common Stock

Noted.

Firm used stock price at the time of the issuance of common stock compared to a weekly average or monthly average as termed in ASC 718.

Firm subsequently recalculated the value of the common stock issuance using the averages and found the difference in the recorded expense to be immaterial.

AS 2901, Consideration of Omitted Procedures After the Report Date

Firm subsequently recalculated the value of the common stock issuance using the averages and found the difference in the recorded expense to be immaterial.

AS 2905, Subsequent Discovery of Facts Existing at the Date of the Auditor's Report
None.

Audits with a Single Deficiency

None

Disagree.

Part I. B

Firm's responses in the same order as report

- AS 1215, Audit Documentation
 - Disagree.
 - Firm did not use PCOAB preferred checklist or format.
- AS 1301, Communications with Audit Committees
 - It is clear from the communications with the audit committees that there was no misunderstanding or confusion that internal control over financial reporting was audited.
 - The clerical item was corrected immediately.
- AS 1301, Communications with Audit Committees
 - Disagree.
 - Firm believes it communicated to the audit committees significant risks.
 - Firm had open communications with the audit committees and no such risks or other matters were not disclosed to the audit committees.
 - In two of the audits, the audit committee was the executive officer who certainly was aware of the significant risks.
 - Firm immediately remedied the inadvertent clerical item relating to a significant risk.
- AS 1301, Communications with Audit Committees
 - Disagree.
 - Firm did establish an understanding of the terms of the audit engagement with the audit committee, the sole officer through documented invited meetings.

- Firm did record such an understanding in an engagement letter.
 - Firm did acknowledge and agree to the terms of the engagement.
 - Firm has engagement letter from the audit committee.
- AS 1301, Communications with Audit Committees
 - Disagree.
 - Firm had constant communication with the issuer's audit committee, the executive officer.
 - Firm had included going concern language in previous audits and similar disclosures in the interim reviews.-Q).
 - Issuer's audit committee, the executive officer, was fully aware, had knowledge and expected the going concern language in the audit report.
- AS 1301, Communications with Audit Committees
 - Disagree.
 - Firm performed detailed discussion and constant communication with the issuer's audit committee, the sole officer.
 - Audit committee, the sole officer, responded to queries regarding violations and possible violations of laws and regulations in the negative.
 - The Issuer's attorney, SEC counsel, also confirmed that there was no knowledge of violations or possible violations of laws or regulations.
- AS 1301, Communications with Audit Committees

PCAOB states that the Firm did not communicate with the audit committee regarding a significant unusual transaction. The significant unusual transaction was the purchase of the shell or predecessor company.

 - False and untrue.
 - Firm was engaged by the company that transacted the significant unusual transaction or purchase.
 - Purchasing firm (accounting acquirer) had an audit committee of one officer at the time.
 - Firm discussed in detail the audit process with the audit committee, including the significant unusual transaction which the company of the audit committee was the purchaser.
- AS 2110, Identifying and Assessing Risks of Material Misstatement

PCAOB preferred checklist or format not present

 - Disagree.
 - The significant risks on its risk assessment form were identified and evaluated at the assertion level.
 - Financial statement accounts were evaluated at the assertion level.
- AS 2110, Identifying and Assessing Risks of Material Misstatement

PCAOB preferred checklist or format not present

 - Disagree.
 - Firm presumed, considered and identified fraud as a risk involving improper revenue recognition.
- FAS 2110, Identifying and Assessing Risks of Material Misstatement

PCAOB preferred checklist or format not present

 - Disagree.
 - Firm discussed with the audit committee and executive management risks of fraud, management override of controls.
- AS 2415, Consideration of an Entity's Ability to Continue as a Going Concern

PCAOB states that the explanatory paragraph was not placed immediately following the opinion paragraph.

- False and untrue.
- The audit report for the issuer as filed with the SEC per [sec.gov](https://www.sec.gov) shows that the explanatory paragraph was placed immediately following the opinion paragraph.

PCAOB states that audit report contains an inaccurate amount related to the issuer's accumulated deficit.

- False and untrue.
- The amount of the accumulated deficit included in the audit report was rounded to the nearest thousand dollars. The rounding was approximately \$400 compared to tens of millions of dollars of accumulated deficit.
- Firm did round the amount in the audit report as compared to the balance sheet.
- AS 3101, The Auditor's Report on an Audit of Financial Statements When the Auditor Expresses an Unqualified Opinion
 - Firm immediately resolved the inadvertent clerical issue.
- AS 3101, The Auditor's Report on an Audit of Financial Statements When the Auditor Expresses an Unqualified Opinion
 - The audit report contained the 'statement of changes in stockholder's equity' and did not include the (deficit) at the end.
 - Firm immediately resolved the inadvertent clerical issue.
- AS 3101, The Auditor's Report on an Audit of Financial Statements When the Auditor Expresses an Unqualified Opinion
 - Firm immediately resolved the inadvertent clerical issue.
- AS 3101, The Auditor's Report on an Audit of Financial Statements When the Auditor Expresses an Unqualified Opinion

PCAOB states that the Firm did not perform any procedures ...

- Firm adamantly disagrees with the PCAOB audacious and overreaching comment.
- Audit procedures were performed as outlined and documented in the audit programs.
- PCAOB has ignored all the procedures presented.
- Disagree.
- Firm considered whether such disclosures were necessary and concluded not to include them the audit reports.
- AS 3101, The Auditor's Report on an Audit of Financial Statements When the Auditor Expresses an Unqualified Opinion

PCAOB states the Firm did not include certain matters in its communications with the audit committee.

- Disagree.
- Firm performed required communications with the audit committee.
- The audit committee was fully aware of the risks involved in the company's operations and critical audit matters relating to the company's operating activities.
- Rule 3211, Auditor Reporting of Certain Audit Participants
 - PCAOB website has its issues.
 - Firm notified PCAOB that it wasn't able to retrieve a communication or file a report.
 - PCAOB responded and could not resolve the issue while on the phone.
 - Firm did not hear back from PCAOB, but subsequently was able to file its report.
 - Firm does not have further instances relating to Form AP.

Part I. C Independence

PCAOB identified one instance for one issuer in which this circumstance appears to have occurred related to audit services.

- Disagree.
- Firm did establish an understanding of the terms of the audit engagement with the audit committee, the sole officer through documented invited meetings.
- Firm did record such an understanding in an engagement letter.
- Firm did acknowledge and agree to the terms of the engagement.
- Firm has engagement letter from the audit committee.
- Firm experienced some delays from the issuer in providing documents and sending confirmation requests.
- Firm did not continue as auditor for the issuer.

Redacted pursuant to Section 104(f) and/or (g)(2) of the Sarbanes-Oxley Act.



