
ORDER INSTITUTING DISCIPLINARY
PROCEEDINGS, MAKING FINDINGS,
AND IMPOSING SANCTIONS

*In the Matter of William T. McCallum
CPA, P.C. and William T. McCallum,
CPA,*

Respondents.

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) PCAOB Release No. 105-2017-035

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) August 2, 2017
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By this Order, the Public Company Accounting Oversight Board (the "Board" or "PCAOB") is censuring William T. McCallum CPA, P.C. ("Firm"), a registered public accounting firm, and imposing a civil money penalty in the amount of \$5,000 upon the Firm; and censuring William T. McCallum, CPA ("McCallum"). The Board is imposing these sanctions on the basis of its findings that the Firm and McCallum (collectively, "Respondents") violated PCAOB rules and standards in connection with the Firm's audits of two broker-dealer audit clients.

I.

The Board deems it necessary and appropriate, for the protection of investors and to further the public interest in the preparation of informative, accurate, and independent audit reports, that disciplinary proceedings be, and hereby are, instituted pursuant to Section 105(c) of the Sarbanes-Oxley Act of 2002, as amended (the "Act"), and PCAOB Rule 5200(a)(1) against Respondents.

II.

In anticipation of institution of these proceedings, and pursuant to PCAOB Rule 5205, Respondents have each submitted an Offer of Settlement ("Offers") that the Board has determined to accept. Respondents admit the facts, findings and violations set forth below, and consent to the entry of this Order Instituting Disciplinary Proceedings, Making Findings, and Imposing Sanctions ("Order").¹

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

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III.

On the basis of Respondents' Offers, the Board finds² that:

A. Respondents

1. William T. McCallum CPA, P.C. is, and at all relevant times was, an accounting firm organized under New York law, and headquartered in New York, New York. The Firm is registered with the Board pursuant to Section 102 of the Act and PCAOB rules, and is licensed by the New York State Board of Accountancy (license no. 16018). At all relevant times, the Firm was the external auditor for the broker-dealers identified below.

2. William T. McCallum, CPA, age 69, is, and at all relevant times was, a certified public accountant licensed by the New York State Board of Accountancy (license no. 037228-1). At all relevant times, McCallum was the sole owner of the Firm and an associated person of a registered public accounting firm as that term is defined in Section 2(a)(9) of the Act and PCAOB Rule 1001(p)(i).

B. Summary

3. This matter concerns the Firm's failure to comply with Auditing Standard No. 7, *Engagement Quality Review* ("AS 7"),³ with respect to two broker-dealer audit clients. In the case of each client, the Firm failed to obtain an engagement quality review of each audit even though it was required to be performed.

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: (A) intentional or knowing conduct, including reckless conduct, that results in a violation of the applicable statutory, regulatory, or professional standard; or (B) repeated instances of negligent conduct, each resulting in a violation of the applicable statutory, regulatory, or professional standard.

³ All references to PCAOB rules and standards in this Order are to the versions of those rules and standards in effect for the audit described herein. As of December 31, 2016, the PCAOB reorganized its auditing standards using a topical structure and a single, integrated numbering system. See *Reorganization of PCAOB Auditing Standards and Related Amendments to PCAOB Standards and Rules*, PCAOB Release No. 2015-002 (Mar. 31, 2015); see also *PCAOB Auditing Standards Reorganized and PreReorganized Numbering* (January 2016); <https://pcaobus.org/Standards/Auditing/Documents/PrintableReferenceTable.pdf>.

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4. This matter also concerns McCallum's direct and substantial contribution to the Firm's violations of PCAOB rules and standards with respect to the two audit engagements. McCallum took or omitted to take actions knowing, or recklessly not knowing, that his acts and omissions would directly and substantially contribute to the Firm's violations of PCAOB rules and standards.

C. Respondents Violated PCAOB Rules and Standards

5. In connection with the preparation or issuance of an audit report, PCAOB rules require that a registered public accounting firm and its associated persons comply with the Board's auditing and related professional practice standards.⁴

6. For audits, interim reviews, and attestations of broker-dealers for fiscal years ending on or after June 1, 2014, AS 7 requires that an engagement quality review be performed on audits, interim reviews, and attestation engagements conducted pursuant to PCAOB standards.⁵ AS 7 also provides that a firm may grant permission to a client to use the engagement report only after an engagement quality reviewer provides concurring approval of issuance.⁶

7. In addition, PCAOB rules prohibit an associated person of a registered public accounting firm from "tak[ing] or omit[ting] 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 [Securities and Exchange] Commission ["Commission"] issued under the Act, or professional standards."⁷

8. As described below, Respondents failed to comply with PCAOB rules and standards.

⁴ PCAOB Rule 3100, *Compliance with Auditing and Related Professional Practice Standards*.

⁵ See AS 7 ¶ 1.

⁶ Id. at ¶¶ 13, 18, and 18C.

⁷ See PCAOB Rule 3502, *Responsibility Not to Knowingly or Recklessly Contribute to Violations*.

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Audit of Cross Border Private Capital, L.L.C.'s Financial Statements

9. At all relevant times, Cross Border Private Capital, L.L.C. ("Cross Border") was a broker-dealer located in New York and was a "broker" and "dealer," as defined in Section 110(3) and 110(4) of the Act and PCAOB Rule 1001(b)(iii) and 1001(d)(iii).

10. The Firm served as the auditor of Cross Border's financial statements for the year ended December 31, 2014. The Firm issued an audit report and review report, both dated February 25, 2015, which were included in Cross Border's Form X-17A-5 Part III ("Form X-17A-5") filed with the Commission on March 2, 2015. The Firm improperly permitted the issuance of those reports, which were included in Cross Border's Form X-17A-5 filing, without obtaining an engagement quality review and concurring approval of issuance. As a result, the Firm violated AS 7.⁸

Audit of CDK Financial Services, LLC's Financial Statements

11. At all relevant times, CDK Financial Services, LLC ("CDK") was a broker-dealer located in New York and was a "broker" and "dealer," as defined in Section 110(3) and 110(4) of the Act and PCAOB Rule 1001(b)(iii) and 1001(d)(iii).

12. The Firm served as the auditor of CDK's financial statements for the year ended December 31, 2014. The Firm issued an audit report and review report, both dated February 27, 2015, which were included in CDK's Form X-17A-5 filed with the Commission on March 2, 2015. The Firm improperly permitted the issuance of those reports, which were included in CDK's Form X-17A-5 filing, without obtaining an engagement quality review and concurring approval of issuance. As a result, the Firm violated AS 7.⁹

*McCallum Contributed to the Firm's Violations of
PCAOB Rules and Standards*

13. McCallum, the sole owner of the Firm, was the engagement partner for the 2014 audits of Cross Border and CDK conducted by the Firm. Accordingly, McCallum had overall responsibility for ensuring that the Firm complied with PCAOB rules and standards. McCallum knew, or was reckless in not knowing, that he was directly and substantially contributing to the Firm's violations of AS 7, as described above. As a result, he violated PCAOB Rule 3502.

⁸ See AS 7 ¶¶ 13 and 18C.

⁹ Id.

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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), William T. McCallum CPA, P.C. and William T. McCallum, CPA are hereby censured;
- B. Pursuant to Section 105(c)(4)(D) of the Act and PCAOB Rule 5300(a)(4), a civil money penalty in the amount of \$5,000 is imposed upon William T. McCallum CPA, P.C. All funds collected by the Board as a result of the assessment of this civil money penalty will be used in accordance with Section 109(c)(2) of the Act. William T. McCallum CPA, P.C. shall pay this civil money penalty within 10 days of the issuance of this Order by (a) wire transfer in accordance with instructions furnished by Board staff; or (b) United States postal money order, certified check, bank cashier's check or bank money order; (c) made payable to the Public Company Accounting Oversight Board; (d) delivered to the Controller, Public Company Accounting Oversight Board, 1666 K Street, N.W., Washington, D.C. 20006; and (e) submitted under a cover letter which identifies William T. McCallum CPA, P.C. as a Respondent in these proceedings, sets forth the title and PCAOB Release Number of these proceedings, and states that payment is made pursuant to this Order, a copy of which cover letter and money order or check shall be sent to the Office of the Secretary, Attention: Phoebe Brown, Secretary, Public Company Accounting Oversight Board, 1666 K Street, N.W., Washington, D.C. 20006.

ISSUED BY THE BOARD.

/s/ Phoebe W. Brown

Phoebe W. Brown
Secretary

August 2, 2017