



ORDER INSTITUTING DISCIPLINARY PROCEEDINGS, MAKING FINDINGS, AND IMPOSING SANCTIONS

Respondent.

October 26, 2017

11.

¹ The findings herein are made pursuant to the Respondent's Offer and are not binding on any other persons or entities in this or any other proceeding.

ORDER

III.

On the basis of Respondent's Offer, the Board finds that:

A. Respondent

1. Weaver and Tidwell, L.L.P. is, and at all relevant times was, a limited liability partnership organized under the laws of the state of Texas, and headquartered in Fort Worth, Texas. Weaver is registered with the Board pursuant to Section 102 of the Act and PCAOB rules. Weaver is licensed by the Texas State Board of Public Accountancy (license no. P04338). At all relevant times, the Firm was the external auditor for the broker-dealers identified below. The Firm was previously the subject of a PCAOB Order concerning a violation of Auditing Standard No. 7, *Engagement Quality Review* ("AS 7")² in connection with an issuer audit.³

B. Summary

2. This matter concerns Respondent's failure to comply with AS 7 in connection with two Weaver audit partners serving as engagement quality reviewers on four fiscal year ended December 31, 2014 audits of broker-dealer financial statements, immediately after serving as the engagement partners on the respective prior year's audits, without satisfying the mandatory two year "cooling-off" period for former engagement partners.⁴

² See PCAOB Rules 3100, *Compliance with Auditing and Related Professional Standards*, and PCAOB Rule 3200T, *Interim Auditing Standards*. All references to PCAOB standards are to the versions of those standards in effect at the time of the audits. 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 Pre-Reorganized Numbering* (January 2017), <https://pcaobus.org/Standards/Auditing/Documents/ReorganizedandPreReorganizedNumbering.pdf>

³ See *Weaver and Tidwell, L.L.P.*, PCAOB Rel. No. 105-2015-022 (July 23, 2015) (censuring the Firm).

⁴ See AS 7 ¶ 8.

ORDER

3. This matter also concerns the Firm's violations of PCAOB rules and quality control standards by failing to establish and implement quality control policies and procedures sufficient to provide the Firm with reasonable assurance that its personnel would comply with applicable professional standards and the Firm's standards of quality.

C. Respondent Violated Auditing Standard No. 7

4. 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. For audits of financial statements for fiscal years ending on or after June 1, 2014, Rule 17a-5(g) requires that audits of broker-dealers be performed in accordance with PCAOB standards. AS 7 requires that an engagement quality review be performed on audit engagements, reviews of interim financial information, and certain attestation engagements conducted pursuant to PCAOB standards.⁵ Further, paragraph 8 of AS 7 provides: "[t]he person who served as the engagement partner during either of the two audits preceding the audit subject to the engagement quality review may not be the engagement quality reviewer."⁶

5. As described below, Respondent failed to comply with AS 7.

Audit of Coastal Securities, Inc.

6. Coastal Securities, Inc. ("Coastal") was at all relevant times, a Delaware corporation headquartered in Houston, Texas. Coastal's public filings disclose that its business consists of the buying, selling, and trading of government and government agency guaranteed securities and corporate and municipal bonds. Coastal is registered with FINRA and the United States Securities and Exchange Commission ("Commission"). At all relevant times, Coastal was a "broker" and "dealer," as defined in Sections 110(3) and (4) of the Act and PCAOB Rules 1001(b)(iii) and 1001(d)(iii).

⁵ See AS 7 ¶ 1.

⁶ At all relevant times, Weaver had five or more issuer audit clients and did not qualify for AS 7 ¶ 8's small firm exemption.

ORDER

7. Weaver audited Coastal's December 31, 2013 and December 31, 2014 financial statements and issued audit reports, which were filed with the Commission, expressing unqualified opinions on the financial statements.

8. After serving as the engagement partner on the Firm's audit of Coastal's fiscal year ended December 31, 2013 financial statements, the partner immediately served as the engagement quality reviewer on the audit of Coastal's fiscal year ended December 31, 2014 financial statements, violating AS 7's two-year "cooling-off" period for former engagement partners.

Audit of Hamilton Clark Sustainable Capital, Inc.

9. Hamilton Clark Sustainable Capital, Inc. ("Hamilton Clark") was, at all relevant times, a Delaware corporation headquartered in Washington, D.C. Hamilton Clark's public filings disclose that it is in the business of the distribution of private placements of debt and equity securities to institutional and other accredited investors, and mergers and acquisitions. Hamilton Clark is registered with FINRA and the Commission. At all relevant times, Hamilton Clark was a "broker" and "dealer," as defined in Sections 110(3) and (4) of the Act and PCAOB Rules 1001(b)(iii) and (d)(iii).

10. Weaver audited Hamilton Clark's December 31, 2013 and December 31, 2014 financial statements and issued audit reports, which were filed with the Commission, expressing unqualified opinions on the financial statements.

11. After serving as the engagement partner on the Firm's audit of Hamilton Clark's fiscal year ended December 31, 2013 financial statements, the partner immediately served as the engagement quality reviewer on the audit of Hamilton Clark's fiscal year ended December 31, 2014 financial statements, violating AS 7's two-year "cooling-off" period for former engagement partners.

Audit of Leecam Advisors

12. Leecam Advisors ("Leecam") (now known as "Chiron Capital LLC," since October 2016) was, at all relevant times, a Delaware limited liability company headquartered in Houston, Texas. Leecam's public filings disclose that it is in the business of brokering energy industry investments to a select group of institutional investors. Leecam is registered with FINRA and the Commission. At all relevant times, Leecam was a "broker" and "dealer," as defined in Sections 110(3) and (4) of the Act and PCAOB Rules 1001(b)(iii) and (d)(iii).

ORDER

13. Weaver audited Leecam's December 31, 2013 and December 31, 2014 financial statements and issued audit reports, which were filed with the Commission, expressing unqualified opinions on the financial statements.

14. After serving as the engagement partner on the Firm's audit of Leecam's fiscal year ended December 31, 2013 financial statements, the partner immediately served as the engagement quality reviewer on the audit of Leecam's fiscal year ended December 31, 2014 financial statements, violating AS 7's two-year "cooling-off" period for former engagement partners.

Audit of Kercheville and Company, Inc.

15. Kercheville and Company, Inc. ("Kercheville") was, at all relevant times, a Texas corporation headquartered in San Antonio, Texas. Kercheville's public filings disclose that it acts as a clearing broker for Pershing LLC, and carries the accounts of the customers on a fully-disclosed basis as customers of Pershing, and does not hold cash or securities in connection with these transactions. Kercheville is registered with FINRA and the Commission. At all relevant times, Kercheville was a "broker" and "dealer," as defined in Sections 110(3) and (4) of the Act and PCAOB Rules 1001(b)(iii) and (d)(iii).

16. Weaver audited Kercheville's December 31, 2013 and December 31, 2014 financial statements and issued audit reports, which were filed with the Commission, expressing unqualified opinions on the financial statements.

17. After serving as the engagement partner on the Firm's audit of Kercheville's fiscal year ended December 31, 2013 financial statements, the partner immediately served as the engagement quality reviewer on the audit of Kercheville's fiscal year ended December 31, 2014 financial statements, violating AS 7's two-year "cooling-off" period for former engagement partners.

D. Respondent Violated PCAOB Rules and Standards Related to Quality Control

18. PCAOB rules require that a registered public accounting firm and their associated persons comply with the Board's quality control standards.⁷ PCAOB quality control standards require that a registered public accounting firm establish policies and

⁷ PCAOB Rule 3100; PCAOB Rule 3400T, *Interim Quality Control Standards*.

ORDER

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.⁸ Policies and procedures for engagement performance encompass all phases of the design and execution of the engagement.⁹ To the extent appropriate and as required by applicable professional standards, these policies and procedures should cover planning, performing, supervising, reviewing, documenting, and communicating the results of each engagement.¹⁰ These policies and procedures also should address engagement quality reviews pursuant to AS 7.¹¹

19. Throughout the relevant time period, the Firm failed to implement and maintain a system of quality control that would provide it with reasonable assurance that the work performed by the engagement personnel would comply with applicable professional standards. As described above, the Firm failed to establish and implement quality control policies and procedures to provide reasonable assurance that engagement quality reviewers on Firm audits of broker-dealer clients had not served as the engagement partner during either of the two preceding audits in accordance with AS 7.

IV.

In view of the foregoing, and to protect the interests of investors and further the public interest in the preparation of informative, accurate, and independent audit reports, the Board determines it appropriate to impose the sanctions agreed to in Respondent's Offer. Accordingly, it is hereby ORDERED that:

- A. Pursuant to Section 105(c)(4)(E) of the Act and PCAOB Rule 5300(a)(5), Weaver and Tidwell, L.L.P. is 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 \$30,000 is imposed upon Weaver

⁸ QC § 20.17, *System of Quality Control for a CPA Firm's Accounting and Auditing Practice*.

⁹ QC § 20.18.

¹⁰ Id.

¹¹ Id. at ¶¶ 17 & 18.

ORDER

and Tidwell, L.L.P. 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. Weaver and Tidwell, L.L.P. 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 Service 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 Weaver and Tidwell, L.L.P. 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; and

C. Pursuant to Section 105(c)(4)(G) of the Act and PCAOB Rule 5300(a)(9), the Firm is required:

1. within ninety (90) days from the date of this Order, to establish policies and procedures, or review and/or supplement existing policies and procedures, for the purpose of providing the Firm with reasonable assurance of compliance with AS 1220, *Engagement Quality Review*;
2. within ninety (90) days from the date of this Order, to establish a policy of ensuring training, whether internal or external, on an annual or more frequent basis, concerning AS 1220, of any Firm audit personnel who participate in any way in the planning or performing of any audit services (as defined in PCAOB Rule 1001(a)(vii));
3. to certify in writing to the Director of the Division of Enforcement and Investigations, Public Company Accounting Oversight Board, 1666 K Street, N.W., Washington D.C. 20006, the Firm's compliance with paragraphs C(1) and C(2) above. The certification shall identify the undertakings, provide written evidence of compliance in the form of a narrative, and be supported by exhibits sufficient to demonstrate compliance. The Firm shall submit such certification within one hundred twenty (120) days from the date of this Order. The Firm shall also submit such additional evidence of and information concerning compliance as the

ORDER

staff of the Division of Enforcement and Investigations may reasonably request.

ISSUED BY THE BOARD.

/s/ Phoebe W. Brown

Phoebe W. Brown
Secretary

October 26, 2017