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ORDER MAKING FINDINGS AND  
IMPOSING SANCTIONS

*In the Matter of Brace & Associates,  
PLLC and Kari Brace, CPA,*

*Respondents.*

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) PCAOB Release No. 105-2017-042  
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) November 16, 2017  
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By this Order, the Public Company Accounting Oversight Board (the "Board" or "PCAOB") is censuring Brace & Associates, PLLC ("Firm"), a registered public accounting firm, revoking the Firm's registration,<sup>1</sup> and imposing a civil money penalty in the amount of \$10,000 upon the Firm; and censuring Kari Brace, CPA ("Brace") and barring her from being an associated person for a registered public accounting firm.<sup>2</sup> The Board is imposing these sanctions on the basis of its findings that the Firm and Brace (collectively "Respondents") violated PCAOB rules and standards in connection with the Firm's audits of 19 broker-dealer clients.

I.

On April 12, 2017, the Board instituted disciplinary proceedings pursuant to Section 105(c) of the Sarbanes-Oxley Act of 2002 (the "Act"), as amended, and PCAOB Rule 5200(a)(1) against the Respondents. These proceedings were not public pursuant to Section 105(c)(2) of the Act and PCAOB Rule 5203. The Board determined, under Section 105(c)(2) of the Act and PCAOB Rule 5203, that good cause was shown to make the hearing in this proceeding public, and the Division of Enforcement and Investigations consented to making the hearing public. As permitted by Section 105(c)(2) of the Act and PCAOB Rule 5203, Respondents did not consent to make the hearing in this proceeding public.

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<sup>1</sup> The Firm may reapply for registration after three (3) years from the date of this Order.

<sup>2</sup> Brace may file a petition for Board consent to associate with a registered public accounting firm after three (3) years from the date of this Order.

**ORDER**

**II.**

In response to 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 entry of this Order Making Findings, and Imposing Sanctions ("Order").<sup>3</sup>

**III.**

On the basis of Respondents' Offers, the Board finds that:<sup>4</sup>

**A. Respondents**

1. Brace & Associates, PLLC is, and at all relevant times was, a limited liability corporation organized under New Hampshire law, and headquartered in Hudson, New Hampshire. The Firm is registered with the Board pursuant to Section 102 of the Act and PCAOB rules, and is licensed by the New Hampshire Board of Accountancy (license no. 00743). At all relevant times, the Firm was the external auditor for each of the broker-dealers identified below.

2. Kari K. Brace, CPA, age 41, is, and at all relevant times was, a certified public accountant licensed by the New Hampshire Board of Accountancy (license no. 03326). At all relevant times, Brace was the sole owner of the Firm. Brace is, and at all relevant times was, 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).

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<sup>3</sup> 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.

<sup>4</sup> 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.

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### B. Summary

3. This matter concerns the Firm's repeated failure to comply with Auditing Standard No. 7, *Engagement Quality Review* ("AS 7"), with respect to 19 broker-dealer audit clients.<sup>5</sup> In the case of each client, the Firm failed to obtain an engagement quality review of each audit and attestation engagement even though it was required to be performed.

4. This matter also concerns Brace's direct and substantial contribution to the Firm's violations of PCAOB rules and standards concerning the requirement for engagement quality reviews. With respect to each of the 19 audit engagements in which the Firm failed to have an engagement quality review, Brace took or omitted to take actions knowing, or recklessly not knowing, that her acts and omissions would directly and substantially contribute to the Firm's violations of PCAOB rules and standards.

### C. The Firm Violated PCAOB Rules and Standards Relating to Engagement Quality Reviews

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.<sup>6</sup>

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 pursuant to PCAOB standards.<sup>7</sup> AS 7 also provides that a firm may grant

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<sup>5</sup> All references to PCAOB rules and standards are to the versions of those rules and standards in effect at the time of the relevant 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* (Jan. 2017).

<sup>6</sup> PCAOB Rule 3100, *Compliance with Auditing and Related Professional Practice Standards*.

<sup>7</sup> See AS 7 ¶ 1.

## ORDER

permission to a client to use the engagement report only after an engagement quality reviewer provides concurring approval of issuance.<sup>8</sup>

7. The Firm failed to obtain an engagement quality review for each of the audit and attestation engagements set forth in the attached Appendix, even though PCAOB standards required an engagement quality review to be performed. In each instance, the audit was of a "broker" and "dealer," as defined in Sections 110(3) and 110(4) of the Act and PCAOB Rules 1001(b)(iii) and 1001(d)(iii). And in each instance, the Firm improperly permitted the issuance of its unqualified audit report and review report without obtaining an engagement quality review and concurring approval of issuance. As a result, the Firm repeatedly violated AS 7.

### **D. Brace Contributed to the Firm's Violations of PCAOB Rules and Standards**

8. PCAOB Rule 3502 prohibits an associated person of a registered public accounting firm from taking or omitting to take an action knowing, or recklessly not knowing, that the act or omission would directly and substantially contribute to a violation by that firm of the Act, the rules of the Board, the provisions of the securities laws relating to the preparation and issuance of audit reports and the obligations and liabilities of accountants with respect thereto, including the rules of the Commission issued under the Act, or professional standards.

9. Brace, the sole owner and only member of the Firm, was principally responsible for the audits conducted by the Firm. Accordingly, Brace had overall responsibility for ensuring that the Firm complied with PCAOB rules and standards. Brace knew, or was reckless in not knowing, that she was directly and substantially contributing to the Firm's violations of AS 7, described above. As a result, she violated PCAOB Rule 3502.

## IV.

In view of the foregoing, and to protect the interests of investors and further the public interest in the preparation of informative, accurate, and independent audit reports, the Board determines it appropriate to impose the sanctions agreed to in Respondents' Offers.

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<sup>8</sup> See id. at ¶¶ 13, 18, and 18C.

**ORDER**

Accordingly, it is hereby ORDERED that:

- A. Pursuant to Section 105(c)(4)(E) of the Act and PCAOB Rule 5300(a)(5), Brace & Associates, PLLC and Kari Brace, CPA are hereby censured;
- B. Pursuant to Section 105(c)(4)(B) of the Act and PCAOB Rule 5300(a)(2), Kari Brace, CPA is barred from being an associated person of a registered public accounting firm, as that term is defined in Section 2(a)(9) of the Act and PCAOB Rule 1001(p)(i);<sup>9</sup>
- C. After three (3) years from the date of this Order, Kari Brace, CPA may file a petition, pursuant to PCAOB Rule 5302(b), for Board consent to associate with a registered public accounting firm;
- D. Pursuant to Section 105(c)(4)(A) of the Act and PCAOB Rule 5300(a)(1), the registration of Brace & Associates, PLLC is revoked;
- E. After three (3) years from the date of this Order, Brace & Associates, PLLC may reapply for registration by filing an application pursuant to PCAOB Rule 2101; and
- F. Pursuant to Section 105(c)(4)(D) of the Act and PCAOB Rule 5300(a)(4), a civil money penalty in the amount of \$10,000 is imposed upon Brace & Associates, PLLC. 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. Brace & Associates, PLLC 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

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<sup>9</sup> As a consequence of the bar, the provisions of Section 105(c)(7)(B) of the Act will apply with respect to Brace. Section 105(c)(7)(B) of the Act provides that "[i]t shall be unlawful for any person that is suspended or barred from being associated with a registered public accounting firm under this subsection willfully to become or remain associated with any issuer, broker, or dealer in an accountancy or a financial management capacity, and for any issuer, broker, or dealer that knew, or in the exercise of reasonable care should have known, of such suspension or bar, to permit such an association, without the consent of the Board or the Commission."

**ORDER**

Accounting Oversight Board, 1666 K Street, N.W., Washington, D.C. 20006; and (e) submitted under a cover letter which identifies Brace & Associates, PLLC 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

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Phoebe W. Brown  
Secretary

November 16, 2017

**Appendix**  
**Brace & Associates, PLLC**  
**Audits & Attestations Not Performed in Accordance with AS 7**

<b>Broker-Dealer</b>	<b>Fiscal Year Ended</b>	<b>Reports Issued Without EQR</b>	<b>Engagement Partner</b>
Rossoff & Co.	June 30, 2014	Audit & Review	Kari Brace, CPA
ProNet Financial Partners, LLC	June 30, 2014	Audit & Review	Kari Brace, CPA
GSV Advisors, LLC	June 30, 2014	Audit & Review	Kari Brace, CPA
Adirondack Trading Group, LLC	June 30, 2014	Audit & Review	Kari Brace, CPA
GIT Investment Services, Inc.	June 30, 2014	Audit	Kari Brace, CPA
BTS Securities Corporation	July 31, 2014	Audit & Review	Kari Brace, CPA
Stuyvesant Square Advisors, Inc.	September 30, 2014	Audit & Review	Kari Brace, CPA
Consensus Securities LLC	September 30, 2014	Audit & Review	Kari Brace, CPA
Bluefin Research Partners, Inc.	December 31, 2014	Audit	Kari Brace, CPA
Perkins Fund Marketing, LLC	December 31, 2014	Audit & Review	Kari Brace, CPA
Morgan Partners, LLC	December 31, 2014	Audit	Kari Brace, CPA
JSB Partners, LP	December 31, 2014	Audit & Review	Kari Brace, CPA
North Bridge Capital, LLC	December 31, 2014	Audit	Kari Brace, CPA
First Commonwealth Securities Corp.	December 31, 2014	Audit & Review	Kari Brace, CPA
Kuhns Brothers Securities Corp.	December 31, 2014	Audit & Review	Kari Brace, CPA
Exit 3 Capital Markets	December 31, 2014	Audit & Review	Kari Brace, CPA
Somerset Securities	December 31, 2014	Audit & Review	Kari Brace, CPA
Oceanus Securities, LLC	March 31, 2015	Audit & Review	Kari Brace, CPA
Selalu Partners, Inc.	March 31, 2015	Audit & Review	Kari Brace, CPA