



# Texas State Board of Public Accountancy

333 Guadalupe, Tower III Suite 900, Austin, Texas 78701-3900

William Treacy, Executive Director

June 8, 2011

Mr. James R. Doty  
Chairman  
Public Company Accounting Oversight Board  
1666 K Street NW  
Washington, D.C. 20006-2803

Dear Mr. Doty:

In a letter dated December 23, 2010 to Acting PCAOB Chairman Daniel Goelzer, I advised Mr. Goelzer of enforcement actions this agency has taken against unlicensed foreign accountancy firms providing attest services in this state. The companies had listed Texas as their principle office in filings with the Securities and Exchange Commission (SEC) and the firms were all registered with the PCAOB.

To date, we have identified nineteen unlicensed foreign firms illegally practicing in Texas. Information available to us is that over 100 foreign firm offices may have performed attest services in at least 30 other states, potentially in violation of the laws of those states. I expect that as these investigations progress more will be identified. This is therefore not only a Texas problem but a national problem and a very significant one.

I believe that the PCAOB can help us educate foreign accountancy firms. At least two of the foreign firms that we issued Cease and Desist Orders to, expressed concern that the PCAOB had not made them aware of a need for firm licensing.

An e-mail from Johnny Tang of the Hong Kong firm of Zhong Yi C.P.A Company Limited stated:

As you know, we did not know it is a violation of law as PCAOB never told us that we were not allowed to audit company in Utah (sic).

I believe that any effort the PCAOB could make to advise foreign accountancy firms of the need to inquire into the licensing requirements of Texas, as well as the other states, would go a long way in eliminating future violations. I am available to work with you in any way that I can in addressing this problem.

As detailed in this agency's December 23, 2010 letter, we are addressing these violations as the unlicensed practice of public accountancy in Texas. The list below details which foreign firms this agency has contacted regarding evidence that they have provided attest services to companies that have their principal offices in Texas. This list includes the foreign firm name (in bold); the location of its office providing attest

Administration/  
Accounting  
(512) 305-7800

Automated  
Information  
(512) 305-7870

CPE  
(512) 305-7844

Enforcement  
(512) 305-7866

Licensing  
(512) 305-7853

Qualifications  
(512) 305-7850  
(512) 305-7851

Peer  
Review  
(512) 305-7853

FAX  
(512) 305-7875  
(512) 305-7854

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services; and the company to which those services were provided. Firms marked with an asterisk (\*) have signed a cease and desist order agreeing to comply with Texas law.

1. **KPMG LLP\*/Calgary, Canada/Niska Gas Storage**
2. **KPMG LLP\*/Calgary, Canada/TC Pipelines LP**
3. **Dale Matheson Carr Hilton Labonte\*/Vancouver, Canada/Strategic American Oil Corporation**
4. **Dale Matheson Carr Hilton Labonte\*/Vancouver, Canada/Holloman Energy\***
5. **Dale Matheson Carr Hilton Labonte\*/Vancouver, Canada/Altus Explorations Inc.**
6. **Dale Matheson Carr Hilton Labonte\*/Vancouver, Canada/Petrogen Corp.**
7. **Dale Matheson Carr Hilton Labonte\*/Vancouver, Canada/Southern Star Energy Inc.**
8. **Dale Matheson Carr Hilton Labonte\*/Vancouver, Canada/Mainland Resources, Inc.**
9. **Dale Matheson Carr Hilton Labonte\*/Vancouver, Canada/Netfone, Inc.**
10. **BDO Dunwoody LLP\*/Vancouver, Canada/Pantera Petroleum Inc.**
11. **BDO Dunwoody LLP\*/Vancouver, Canada/ESP Resources, Inc.**
12. **Manning Elliot LLP\*/Vancouver, Canada/Chancery Resources**
13. **Audit Firm Femida-Audit LLC/Moscow, Russia/Premier Energy Corporation**
14. **Albert Wong & Co.\*/Hong Kong, China/China Media Group**
15. **HLB Hodgson Impey Cheng, Chartered Accountants/Hong Kong, China/Fashion Tech International Inc.**
16. **Mackay LLP\*/Vancouver, Canada/Quest Oil Corporation**
17. **Mackay LLP\*/Vancouver, Canada/S2C Global Systems, Inc.**
18. **Morgan & Company\*/Vancouver, Canada/Manchester, Inc.**
19. **Morgan & Company\*/Vancouver, Canada/Golden Star Resource Company**
20. **Esther Yap & Co.\*/Kuala Lumpur, Malaysia/Index Oil & Gas Co.**
21. **BDO Patel & Al Saleh\*/Dubai, United Arab Emirates/Sky Petroleum Inc.**
22. **K.R. Margetson Ltd./Sechelt, Canada/Craft College**
23. **Ernst & Young of Canada/Vancouver, Canada/Uranium Energy Corporation**
24. **BDO Kazakhstanaudit\*/Almaty, Kazakhstan/Caspian International Oil Corp.**
25. **Chang Lee, Chartered Accountants/Vancouver, Canada/Golden Star Resource Corp.**
26. **Meyers Norris Penny/Toronto, Canada/Zunicom**
27. **Meyers Norris Penny/Calgary, Canada/Holloman Energy**
28. **PKF Hong Kong\*/Hong Kong, China/Nevstar**
29. **Somekh Chaikin Certified Public Accountants\*/Tel Aviv, Israel/Zion Oil & Gas**
30. **ZhongLei Certified Public Accountants Ltd./Beijing, China/BTHC XV, Inc.**
31. **Zhong Yi CPA Co. Ltd.\*/Hong Kong, China/New Paradigm Productions Inc.**

Therefore, as detailed in the list above, twelve foreign accountancy firms have entered into cease and desist orders with the Board. These orders have either already been approved by this agency, or will be reviewed at this agency's next Board meeting (in July).

Regarding the remaining nine firm offices listed above:

- **ZhongLei Certified Public Accountants Ltd. and Chang Lee Chartered Accountants:** ZhongLei Certified Public Accountants Ltd. of Beijing, China signed a letter acknowledging that it did not provide attest services to BTHC XV Inc. in Texas. Chang Lee, Chartered Accountants of Vancouver, Canada has signed the same acknowledgement regarding its work for Golden Star Resource Corp. Both of these orders were necessary because based on the available evidence, this agency was unable to determine whether ZhongLei Certified Public Accountants Ltd. and Chang Lee Chartered Accountants had violated Texas law.
- **Audit Firm Femida-Audit LLC:** Despite correspondence between this Agency and this firm since January 2011, this firm has not yet complied with the Board's requests for a signed cease and desist order.
- **Ernst & Young and Meyers Norris Penny of Toronto, Canada:** Ernst & Young's Vancouver, Canada office, and Meyers Norris Penny's Toronto, Canada office have disputed this agency's contention that they have provided attest services for a company with its principal office in Texas. In both instances, the firms claim that despite numerous statements in the SEC 10-K filings and on the websites of the companies they provided attest services for, these companies' principal offices are *de facto* in Canada. This agency is still in the process of discussing these firms' circumstances with the firms' attorneys; if necessary, this agency will refer these companies' reporting discrepancies to the SEC.
- **K.R. Margetson Ltd.:** The Board has not yet received a signed cease and desist order from K.R. Margetson Ltd.; however, less time has elapsed between its correspondence with this firm and with Audit Firm Femida-Audit LLC.
- **Meyers Norris Penny of Calgary Canada and HLB Hodgson Impey Cheng:** these two firm offices have not yet had a cease and desist order entered against them. This agency recently completed its investigation of the two firms and is in the process of acting regarding their potential violations of Texas law.

We will inform you of the eventual outcomes of the investigations which have not yet resulted in signed acknowledgement letters or signed cease and desist orders, and of any other investigations that we undertake in this matter.

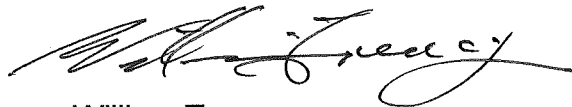
Lastly, this agency brings to your attention several facts about the above-listed twenty-one firms. The firm of Esther Yap & Co. is no longer registered with the PCAOB, and is no longer in existence. Its managing partner, Esther Yap, is now employed by the PCAOB registered firm of Mazars in Kuala Lumpur. Esther Yap personally signed a cease and desist order with this agency. Two other above-listed firms, Albert Wong & Co. and PKF, are under investigation by your organization regarding their connection to

Chinese reverse mergers. The unusual business arrangement by Meyers Norris Penny's Toronto office client, Zunicom, and its wholly-owned private subsidiary, Alphanet Hospitality Systems Inc., may also be a reverse merger. Further, it should be noted that Dale Matheson Carr Hilton Labonte has been cited by the PCAOB as a firm that failed to address quality control criticisms satisfactorily.

If you have any questions regarding this matter, please feel free to contact me at the address above, by telephone at 1-512-305-7801.

Yours very truly,

Texas State Board of  
Public Accountancy

A handwritten signature in black ink, appearing to read "William Treacy", written in a cursive style.

William Treacy  
Executive Director

Cc: David Costello – NASBA  
Barry Melancon – AICPA  
Linda Biek – NASBA