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U.S. Accounting-Oversight Board Takes First Disciplinary Action

By **SIOBHAN HUGHES** and **DIYA GULLAPALLI**
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The U.S. accounting oversight board took its first-ever disciplinary action, stripping auditor Goldstein & Morris CPAs PC of its registration and barring the New York firm's managing partner from the industry.

The nonprofit Public Company Accounting Oversight Board said it took the action because managing partner Edward Morris and two former partners had concealed information from inspectors and submitted phony documents for an inspection that occurred in November 2004.

While the firm is very small, with about a dozen staffers auditing a handful of public companies, the PCAOB's actions are being watched closely in the accounting profession because they signal how seriously the relatively new regulator is taking its policing powers.

Here "the PCAOB is not only drawing the line but saying this won't be tolerated," said Art Bowman, publisher of the Accounting Report newsletter. "I think the real message here is that very small firms should be very cautious before getting into public-company work."

"Registered accounting firms and their associated persons have a duty to cooperate in PCAOB inspections," said Claudius Modesti, director of the

PCAOB's division of enforcement and investigations, in a statement.

The two former partners, Alan Goldberger and William Postelnik, were censured. The board found that, although they participated in the misconduct, the two auditors promptly alerted inspectors and cooperated with a probe. "Mr. Postelnik is gratified that his decision to bring this matter voluntarily to the attention of the PCAOB and to cooperate ... has resulted in the imposition of the least onerous possible penalty," said Henry Putzel, Mr. Postelnik's lawyer. Attorneys for Mr. Morris and Mr. Goldberger said the two neither admit nor deny any wrongdoing and resolved the matter in the interest of putting it behind them.

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The accounting oversight board found that the three accountants were aware that the firm had prepared financial statements for public companies New York Film Works Inc. and RTG Ventures Inc. while also providing them with audit services, a violation of auditor-independence laws. The partners took steps to conceal that fact by omitting requested information, and creating and back-dating documents, the board said.

Goldstein & Morris will be able to conduct audits for private companies but may no longer audit the books of public companies under the disciplinary action.

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