

**UNITED STATES OF AMERICA**  
**Before the**  
**SECURITIES AND EXCHANGE COMMISSION**

**SECURITIES EXCHANGE ACT OF 1934**  
**Release No. 63740 / January 20, 2011**

**ACCOUNTING AND AUDITING ENFORCEMENT**  
**Release No. 3232 / January 20, 2011**

**ADMINISTRATIVE PROCEEDING**  
**File No. 3-13997**

**In the Matter of**

**DOHAN + COMPANY CPAs,  
STEVEN H. DOHAN, CPA,  
NANCY L. BROWN, CPA, and  
EREZ BAHAR, CA,**

**Respondents.**

**ORDER MAKING FINDINGS AND  
IMPOSING REMEDIAL SANCTIONS  
PURSUANT TO SECTION 4C OF THE  
SECURITIES EXCHANGE ACT OF 1934  
AND RULE 102(e) OF THE COMMISSION'S  
RULES OF PRACTICE AS TO DOHAN +  
COMPANY CPAS, STEVEN H. DOHAN,  
CPA, AND NANCY L. BROWN, CPA**

**I.**

In these proceedings, instituted on August 9, 2010 pursuant to Section 4C of the Securities Exchange Act of 1934 ("Exchange Act") and Rule 102(e)(1)(ii) of the Securities and Exchange Commission's ("Commission") Rules of Practice, Respondents Dohan + Company CPAs ("Dohan + Co."), Steven H. Dohan ("Dohan"), and Nancy L. Brown ("Brown") (collectively "Respondents") have submitted Offers of Settlement ("Offer") which the Commission has determined to accept.

**II.**

Solely for the purpose of these proceedings and any other proceedings brought by or on behalf of the Commission, or to which the Commission is a party, and without admitting or denying the findings herein, except as to the Commission's jurisdiction over them and the subject matter of these proceedings, which are admitted, Respondents consent to the entry of this Order Making Findings and Imposing Remedial Sanctions Pursuant to Section 4C of the Securities

Exchange Act of 1934 and Rule 102(e) of the Commission's Rules of Practice as to Dohan + Company CPAs, Steven H. Dohan, CPA, and Nancy L. Brown, CPA ("Order"), as set forth below.

### III.

On the basis of this Order and the Offers of Respondents Dohan + Co., Dohan, and Brown, the Commission finds<sup>1</sup> that:

#### A. SUMMARY

1. These proceedings arise out of Respondents' improper professional conduct during their audit of International Commercial Television, Inc.'s ("ICTV") 2007 financial statements. During fiscal year 2007, ICTV improperly recognized revenue and incorrectly recorded product returns, resulting in a material overstatement of revenue and net income. Respondents' audit of ICTV's 2007 financial statements failed to comply with numerous Public Company Accounting Oversight Board ("PCAOB") auditing standards. These included failing to demonstrate the required level of proficiency, failing to exercise due care and professional skepticism, failing to obtain sufficient evidential matter, failing to plan the audit, and failing to supervise the audit staff. As a result, Respondents Dohan and Brown and others caused Respondent Dohan + Co. to issue an unqualified audit report for ICTV's 2007 Form 10-K/SB that incorrectly stated that the audit had been conducted in accordance with the PCAOB's auditing standards and that ICTV's financial statements were fairly reported in conformity with Generally Accepted Accounting Principles ("GAAP"). Respondents' conduct, as further described below, constituted improper professional conduct within the meaning of Rule 102(e)(1)(ii) and (iv) and Section 4C of the Exchange Act.

#### B. RESPONDENTS

2. **Dohan + Company CPAs** is an accounting and auditing firm based in Miami, Florida. The firm provides services to public companies registered with the Commission and has been registered with the PCAOB since October 2003. The firm conducted audits of ICTV's financial statements for the years ended 2004, 2005, 2006, and 2007. As auditor, Dohan + Co. issued a report stating that ICTV's financial statements were prepared in conformity with GAAP and that Dohan + Co. had conducted audits in accordance with the PCAOB's standards.

3. **Steven H. Dohan**, CPA, age 63, is a resident of Miami, Florida. Dohan is the founder and managing director of Dohan + Co. and was the concurring partner on the ICTV audits and quarterly reviews during the relevant period. Dohan is a Certified Public Accountant licensed in Florida.

4. **Nancy L. Brown**, CPA, age 58, is a resident of Miami, Florida. Until recently, Brown was a director at Dohan + Co. and was the engagement partner on the ICTV audits and quarterly reviews during the relevant period. Brown is a Certified Public Accountant licensed in Florida.

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<sup>1</sup> The findings herein are made pursuant to Respondents' Offers of Settlement and are not binding on any other person or entity in this or any other proceeding.

## C. RELATED PARTY

5. **International Commercial Television, Inc.** is a Nevada corporation headquartered in Bainbridge Island, Washington. Founded in 2001, the Company sells health and beauty products internationally via infomercials and through various televised shopping networks. ICTV's common stock is registered under Section 12(g) of the Exchange Act and is quoted on the Pink Sheets under the symbol "ICTL."

## D. FACTS

### ICTV's Improper Revenue Recognition

6. ICTV is a marketer of consumer retail goods, specializing in "fountain of youth" health and beauty products it owns or holds the right to sell. ICTV's best-selling product is the Derma Wand, a skin care appliance that purportedly "reduces fine lines and wrinkles and improves overall skin appearance."

7. ICTV sells product through two main channels: (1) direct sales to end users via infomercials produced by ICTV ("direct sales"), and (2) distribution through third-party distributors for sell-through to end users. ICTV's distributors include televised shopping networks such as the Home Shopping Network ("HSN").

8. Over a six-quarter period from early 2007 and continuing into 2008, ICTV improperly recognized revenue on sales through HSN. In addition, ICTV failed to properly record revenue, and estimate and account for returns, for product sold through its direct sales channels.

9. ICTV began selling product through HSN in 2007, predominantly through a "drop-ship" contract entered into between ICTV and HSN in or about May 2007. Under the drop-ship contract, HSN did not purchase the product itself, but instead facilitated sales to HSN's customers (*i.e.*, the end users). Generally, HSN sent ICTV written requests to pre-order product that would be sold during future HSN television broadcasts. ICTV retained title to the product until HSN sold the product on-air to its customers and the product was shipped to the end users. HSN did not guarantee the purchase of any product, and any unsold product remained under the ownership of ICTV. The contract also allowed HSN to return any product from its customers up to 60 days after delivery to the customer.<sup>2</sup>

10. Despite these contractual provisions governing sell-through and right of return, ICTV recognized revenue in most cases upon HSN's order of the product, before HSN sold through to its customers and before the right of return expired. In some instances, ICTV also recognized revenue without a corresponding written request from HSN. In those cases, ICTV booked HSN sales upon alleged confirmation from its third-party fulfillment warehouse that product had been physically segregated for HSN's use.

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<sup>2</sup> ICTV also sold product directly to HSN under the terms of a separate, "traditional" contract, in which HSN issued a purchase order, retrieved the product, sold the product to end users, and paid ICTV after the sell-through. However, only the first HSN sale was made per the terms of the traditional contract. All other sales were made per the drop-ship arrangement.

11. ICTV failed to ensure that HSN sold through the units booked by the end of the quarter, resulting in a mounting accounts receivable balance with each successive HSN order. This accounting treatment violated multiple revenue recognition criteria under Generally Accepted Accounting Principles (“GAAP”).

12. In addition to prematurely recognizing revenue on sales through HSN, ICTV also booked revenue in 2007 on a product that failed an HSN quality control inspection and was never sold through HSN. The purported sale remained on ICTV’s books through the 2007 audit and was not reversed until ICTV issued a restated Form 10-K/SB in March 2009.

13. In total, ICTV booked seven HSN sales in 2007 totaling \$2.8 million. This figure was reported in ICTV’s trial balance and ultimately reported by ICTV in its 2007 Form 10-K. Respondents’ working papers state that the auditors tested the HSN sales and traced certain of the sales to ICTV’s sales journal, which in turn showed the amount that ICTV booked as revenue.

14. Each HSN sale recognized for 2007 was improperly recognized, resulting in a material overstatement of revenue for ICTV’s fiscal 2007.

15. ICTV also failed to properly record revenue on its direct sales. ICTV provided its direct sales customers a 30-day free trial period whereby the customer could try the ordered product prior to purchase, and billed customers upon expiration of the 30-day period. Despite this provision, ICTV recognized revenue upon shipment of the product, and before expiration of the trial period, in violation of GAAP. ICTV also failed to properly estimate and record product returns on direct sales.

16. Over the course of the six-quarter period, ICTV filed periodic reports with the Commission on Forms 10-Q and 10-K. As a result of the improper accounting discussed above, ICTV reported materially inflated revenue and net income to investors and to the Commission.

### **ICTV’s Restatement**

17. In October 2008, ICTV announced that it intended to restate its financial statements for the fiscal year ended 2007 and the first two quarters of 2008 as a result of improper revenue recognition. ICTV filed its restated Form 10-K/A for fiscal year 2007 on March 31, 2009. The restatement resulted in a \$1.4 million reduction in 2007 revenue related to the HSN errors, and an \$840,000 reduction in 2007 revenue related to the failure to properly record direct sales returns.

18. In March 2010, ICTV’s new outside auditors uncovered additional revenue recognition errors and ICTV reported that it intended to restate its previously-restated financial statements for the fiscal year ended 2007 and the first two quarters of 2008. In April 2010, ICTV again restated its financial statements for the fiscal year ended 2007. The restatement included an additional \$550,000 revenue reduction related to the premature recognition of direct sales revenue prior to expiration of a free trial period.

19. The chart below shows that the errors were material to ICTV’s financial statements:

<b>Period</b>	<b>Previously Reported Net Income</b>	<b>Restated Net Income (Loss)</b>	<b>Reduction to Reported Net Income</b>
FY 2007	\$1,475,775	(\$1,081,988)	(\$2,557,763)
1Q 2008	\$109,980	(\$164,773)	(\$274,753)
2Q 2008	\$260,298	(\$862,399)	(\$1,122,697)

### **Applicable Revenue Recognition Principles and Guidance**

20. The basic principles of revenue recognition under GAAP provide that revenue must be realized or realizable and earned before it can be recognized. Further, “[p]rofit is deemed to be realized when a sale in the ordinary course of business is effected, unless the circumstances are such that the collection of the sales price is not reasonably assured.” Accounting Research Bulletin No. 43, *Restatement and Revision of Accounting Research Bulletins*, Chapter 1A. SEC Staff Accounting Bulletin (“SAB”) No. 101, *Revenue Recognition in Financial Statements* (as superseded, in part, by SAB No. 104, *Revenue Recognition*), reflects these basic principles of revenue recognition and provides guidance in the application of GAAP with respect to recognizing revenue. SAB 101 sets forth four criteria to be considered when determining whether revenue has been realized or realizable and earned. Specifically, revenue generally may be recognized when persuasive evidence of an arrangement exists, delivery has occurred, the seller’s price is fixed or determinable, and collectibility is reasonably assured.

21. GAAP also provides that, when a right of return exists, revenue can be recognized at the time of sale only if all of the following conditions are met: (1) the seller’s price is substantially fixed or determinable at the date of sale; (2) the buyer has paid, or the buyer is obligated to pay and the obligation is not contingent on resale of the product; (3) the buyer’s obligation would not be changed in the event of theft, physical destruction, or damage of the product; (4) the buyer acquiring the product for resale has economic substance apart from that provided by the seller; (5) the seller does not have significant obligations for future performance to directly bring about resale of the product by the buyer; and (6) the amount of future returns can be reasonably estimated. Statement of Financial Accounting Standards No. 48, *Revenue Recognition When Right of Return Exists*.

### **Respondents’ Deficient 2007 Audit**

#### **Background**

22. Dohan + Co. issued the audit report filed with ICTV’s 2007 financial statements and reviewed ICTV’s quarterly statements during 2007 through the second quarter of 2008.

23. Dohan + Co. contracted with another accounting firm to provide an audit manager and senior accountant to perform the field work at ICTV. Dohan + Co. and the other accounting firm had worked together in a similar arrangement on several other engagements. Under PCAOB

auditing standards, the staff sharing arrangement between Dohan + Co. and the other accounting firm was subject to the supervision rules and responsibilities set forth in AICPA Codification of Statements on Auditing Standards (as adopted and amended by the PCAOB) (“AU”) § 311, *Planning and Supervision*.

24. Dohan + Co. reviewed the other accounting firm’s working papers and satisfied itself with both the quality and the amount of work performed by the other accounting firm. Dohan + Co. also made the decision to adopt the other accounting firm’s working papers, with little modification, and performed few additional substantive procedures.

25. The audit team for the 2007 ICTV audit primarily consisted of Brown, the engagement partner; Dohan, the concurring partner; a Canadian Chartered Accountant employed by the other accounting firm who served as the audit manager (the “Audit Manager”); and a senior accountant who conducted all substantive audit procedures and field work (the “Senior Accountant”). The Senior Accountant conducted the onsite work for the audit over a two-to-three day period in March 2008. The Audit Manager’s responsibilities included planning the audit, supervising the onsite work and reviewing any work performed by the Senior Accountant. Brown’s responsibilities included the overall planning and supervision of the audit. Dohan’s responsibilities included providing an objective review of the audit and the financial statements that were the subject of the report.

#### *The Auditors’ Working Papers*

26. On their face, the year-end 2007 audit working papers reveal that Respondents knew of an agreement between ICTV and HSN that claimed to contribute to a 280% increase in revenue over fiscal year-end 2006. The revenue lead sheet stated:

The Company is also now using the Home Shopping Network for sales in the US market. HSN buys product from the Company (DermaWand and CellRX so far) and features the product on various shows. The Company records the sales once HSN has placed the order and the order has been shipped. HSN does not pay until they have sold the products. This process sometimes takes a few months as HSN will pre-order for future shows.

27. A similar notation appeared on the accounts receivable lead sheet:

HSN buys a certain amount of product from the Company prior to showing the infomercials. The Company records the sale at this time. HSN pays the Company once the product has actually been sold.

28. The year-end 2007 audit working papers also documented that the HSN relationship was a new and material development in ICTV’s business. An analytical review worksheet highlighted a 280% increase in ICTV’s annual sales revenue, from \$3 million in 2006 to \$11.3 million in 2007 due to “an agreement with the Home Shopping Network during the year to sell the Company’s product.” The worksheet also reported a 414% increase to accounts receivable, from \$555,000 in 2006 to \$2.9 million in 2007, as a result of increased sales. The material increase in ICTV’s revenue, ICTV’s new relationship with HSN, the contingent payment terms associated

with that relationship, and Respondents' knowledge of ICTV's deficient internal controls, among other factors, required Respondents to apply heightened scrutiny to the ICTV audit.

*Audit Failures by Dohan, Brown, and Dohan + Co.*

29. Brown reviewed and signed off on the working papers. Dohan, before signing off on the audit, reviewed the majority of the working papers, including the revenue, accounts receivable, and analytical review working papers. Thus, Respondents each knew of certain terms of ICTV's arrangement with HSN, including that HSN did not pay ICTV until it sold the product to end users. This should have alerted Respondents that ICTV's revenue recognition practices did not comply with GAAP.

30. Indeed, Dohan understood at the time of the audit that the sell-through of ICTV's product by HSN presented a revenue recognition issue under SAB 101, but failed to research the issue at the time of his review nor direct any other member of the audit team to research the issue.

31. Despite knowledge of the above, Respondents unreasonably failed to properly audit ICTV's revenue recognition practices. For example, Respondents failed to obtain a copy of the applicable agreement between ICTV and HSN. Brown knew that there was an agreement between ICTV and HSN to sell ICTV's product. Dohan knew that ICTV's revenue and accounts receivable had increased "dramatically" in 2007 as a result of an agreement entered into with HSN. Yet, Respondents each failed to inquire as to the existence of any written agreement and failed to obtain a copy of any written agreement. Respondents' failure to inquire about the terms of the applicable ICTV agreement with HSN, to obtain a copy of the agreement, or to adequately understand the nature of ICTV's relationship with HSN was an unreasonable departure from professional standards. Because of these failures, Respondents failed to recognize that under the HSN drop-ship agreement, no sale occurred, and revenue should not have been recognized, until the product was sold to end users.

32. Respondents also failed to issue audit confirmations to confirm ICTV's accounts receivable and inventory, or perform adequate alternative procedures. Respondents knew that their own audit program called for the confirmations of receivables and inventory. Had confirmations been sent and received by the auditors, Respondents could have learned that the sales and inventory levels reported by ICTV were not supported.

33. Brown and Dohan + Co. also neglected to perform other audit procedures dictated by the audit program. For example, the audit program required the auditors to review and attend physical inventory counts. This step was marked "NA" in the working papers, indicating that it was not performed. The audit program also recommended that the auditors consider extended procedures to confirm sales terms and conditions with customers; this step was marked "NA" as well. Dohan knew that these procedures were not performed.

34. The working papers also contain a number of internal inconsistencies that should have been resolved by Respondents. For instance, although the revenue and accounts receivable lead sheets described how HSN did not pay ICTV until sell-through, which sometimes took "a few months," the working papers elsewhere indicated that there were no "unusual or long payment



terms” or “buyer conditions which must be met in order to complete the sale.” In addition, the revenue working papers reported that cash had been received for a \$990,000 sale to HSN on December 21, 2007, while the accounts receivable working papers reported the \$990,000 balance as still outstanding. Respondents failed to reconcile any of these inconsistencies during their review of the working papers.

35. Brown and Dohan + Co. also failed to properly audit ICTV’s stated revenue and returns for direct consumer sales. The working papers do not reflect that the audit team considered ICTV’s revenue recognition practices for such sales in light of the 30-day free trial period extended to direct sales customers. The working papers also do not show that the auditors performed any substantive testing of ICTV’s stated returns for direct sales, or that the auditors considered the impact of applicable GAAP guidance on estimating future returns for such sales. The auditors also failed to reconcile an inherent inconsistency between ICTV’s stated returns and its disclosed historical return rate for direct consumer sales.

*The Auditors Issue Unqualified Audit Reports on ICTV’s 2007 Financial Statements Despite Numerous Audit Failures*

36. Despite these failures, Dohan, Brown, and the other auditors caused Dohan + Co. to issue an unqualified audit report on ICTV’s 2007 financial statements, which incorrectly represented that the audit had been conducted in accordance with the PCAOB’s auditing standards and that ICTV’s financial statements were fairly reported in conformity with GAAP. The audit completion documents, which included a checklist and the auditors’ assessment that the audit was complete, reflect that Dohan, Brown, and the other auditors were each satisfied with the work performed and signed off on the release of the audit report.

37. Respondents also conducted the audit and review work on ICTV’s restatement for the fiscal year ended 2007 and the first two quarters of 2008. In March 2009, Dohan + Co. issued an unqualified audit report on ICTV’s restated 2007 financial statements. The restatement working papers indicate that Dohan, Brown, and the other auditors each reviewed the restated financial statements and signed off on the release of the audit report.

38. In September 2009, ICTV retained new auditors. The new auditors found additional revenue recognition errors and brought them to ICTV’s attention. Based upon this information, ICTV concluded that the restated 2007 financial statements needed to be restated. This additional restatement further calls into question Dohan + Co.’s competence under applicable PCAOB standards.

**Respondents’ Improper Professional Conduct**

39. The “applicable professional standards” for accountants practicing before the Commission include the PCAOB auditing standards.

40. PCAOB auditing standards require that the auditor be proficient in accounting matters and that the “auditor with final responsibility for the engagement should know, at a minimum, the relevant professional accounting and auditing standards and should be



knowledgeable about the client.” AU § 230.06, *Due Professional Care in the Performance of Work*; see also AU § 210, *Training and Proficiency of the Auditor*. AU Section 230 also requires an auditor to exercise due professional care and professional skepticism, which includes demonstrating a questioning mind and a critical assessment of audit evidence.

41. PCAOB auditing standards require that “competent evidential matter . . . be obtained through inspection, observation, inquiries, and confirmations to afford a reasonable basis for an opinion regarding the financial statements under audit.” AU § 326.01, *Evidential Matter*. This “includes both written and electronic information such as . . . contracts.” AU § 326.17. The auditor is also to send out audit confirmations. AU § 330, *The Confirmation Process*.

42. Auditors must adequately plan, staff, and supervise the audit. See AU §§ 150.02, *Generally Accepted Auditing Standards*; 210.01; 230.06; 311.01 *et seq.*, *Planning and Supervision*; 311.11 *et seq.* This includes “obtain[ing] a level of knowledge of the entity’s business that will enable” the auditor to understand transactions and practices that may have a significant effect on the financial statements. AU § 311.06.

43. Further, AU § 316, *Consideration of Fraud in a Financial Statement Audit*, requires the auditor to assess the risks of material misstatement due to fraud and to presume that revenue recognition is a fraud risk.

44. The Audit Manager was responsible for supervising and reviewing documentation of field work performed. As the engagement partner, Brown had overall responsibility for the engagement to ensure that Dohan + Co.’s audit of ICTV’s 2007 financial statements was conducted in accordance with PCAOB auditing standards, including planning and supervising the audit and the review of field work. Dohan, as the concurring partner, knew that his role was to “give a fresh, clean look at a job, to provide a fresh set of eyes on the engagement, and to assist where necessary in making sure the engagement goes out to the best of the firm’s ability.”

45. Indeed, Dohan and Brown were already on notice that the PCAOB had identified material audit deficiencies with respect to many of the auditing standards discussed above, per an inspection of Dohan + Co. by the PCAOB prior to Respondents’ 2007 ICTV audit. As a result of that inspection, Dohan and Brown learned that the PCAOB found a number of deficiencies regarding the firm’s audits of other clients, including the failure to adequately test revenue and to obtain sufficient evidential matter, as well as deficiencies in Dohan + Co.’s quality control procedures, including concurring partner reviews.

46. During the 2007 ICTV audit, Respondents unreasonably departed from the PCAOB auditing standards in numerous instances, including in the manner further described below.

47. Respondents failed to demonstrate the required level of proficiency. Brown was not aware of applicable GAAP guidance that prohibits revenue recognition if payment of the related sales receivable was dependent upon sell-through by the customer. Although Dohan was aware of some of the applicable GAAP guidance, and knew that ICTV’s revenue recognition practices potentially violated GAAP, he failed to conduct additional research or direct another member of the audit team to follow up.

48. Respondents failed to obtain sufficient evidential matter. Respondents failed to understand, or obtain a copy of, ICTV's written contract with HSN, despite the fact that each knew that ICTV had an "agreement" or "business arrangement" with HSN to sell ICTV's product. In addition, Brown and Dohan each reviewed the working papers that expressly stated that ICTV's revenue had materially increased in 2007 due to an "agreement" with HSN.

49. Respondents failed to exercise due professional care and skepticism in the face of numerous red flags and inconsistencies. Respondents never asked ICTV for a copy of any HSN agreement or documentation of the terms of the agreement. Brown and Dohan + Co. ignored or disregarded specific audit program steps regarding, among others, long payment terms, buyer conditions in the sale of product, the confirmation of significant accounts receivable, and the observation of physical inventory counts. Dohan, during his review, either agreed that such procedures were not necessary or failed to identify his fellow auditors' disregard for these auditing steps. Respondents also failed to reconcile numerous inconsistencies during their review of the working papers.

50. Respondents failed to send out accounts receivable confirmations as required by the audit program or to ensure adequate alternative procedures. Further, Brown and Dohan + Co. knew that the audit program also recommended that the auditors send out sales terms and conditions and inventory confirmations but elected not to do so. Dohan supported these decisions despite his belief that ICTV's revenue recognition practice with respect to HSN presented an issue under SAB 101 and with the knowledge that the audit program recommended these confirmations be sent.

51. Respondents failed to adequately plan, staff and supervise the audit. Brown never visited ICTV or the office of the other accounting firm, and relied upon the Audit Manager to manage all of the field work. Dohan failed to ensure that Brown and the Audit Manager were adequately proficient to conduct the audit.

52. Brown and Dohan + Co. failed to sufficiently understand ICTV's business to enable it to understand transactions that had a significant effect on ICTV's financial statements. Brown and Dohan + Co. failed to identify the impact of ICTV's 30-day free trial period, or applicable GAAP standards prohibiting revenue recognition prior to customer acceptance where a trial or evaluation period exists. The working papers also do not reflect that Brown or Dohan + Co. performed any substantive testing of ICTV's stated returns for direct sales, or that they considered the impact of applicable GAAP guidance on estimating future returns for such sales. The auditors also failed to reconcile an inherent inconsistency between ICTV's stated returns and its disclosed historical return rate for direct consumer sales.

53. Finally, Respondents also failed to consider other Standards of Field Work contained in AU Section 300, including AU Section 316, *Consideration of Fraud in a Financial Statement Audit*; AU Section 329, *Analytical Procedures*; and AU Section 331, *Inventories*.

## **E. VIOLATIONS**

54. Rule 102(e)(1)(ii) of the Commission's Rules of Practice and Section 4C of the Exchange Act authorize the Commission to censure or deny, temporarily or permanently, the privilege of appearing or practicing before the Commission to accountants who are found to have engaged in improper professional conduct. Under 102(e)(1)(iv), the term "improper professional conduct" includes "repeated instances of unreasonable conduct, each resulting in a violation of applicable professional standards, that indicate a lack of competence to practice before the Commission."

55. Dohan + Co.'s, Dohan's and Brown's actions during the engagements were unreasonable, failed to conform to applicable professional standards and indicate a lack of competence to practice before the Commission. Dohan and Brown failed to (i) obtain sufficient evidential matter regarding ICTV's relationship with HSN; (ii) demonstrate the required level of proficiency, particularly with respect to applicable GAAP guidance that prohibited ICTV's revenue recognition practices; (iii) exercise due professional care and professional skepticism in performing the audit of ICTV; (iv) issue accounts receivable confirmations or to ensure adequate alternative procedures; and (v) adequately plan the audit and properly supervise the audit personnel in connection with the 2007 engagement. Dohan + Co. issued an unqualified audit report for ICTV's Form 10-K/SB stating that it had conducted its audit in accordance with PCAOB standards and that ICTV's financial statements were fairly reported in conformity with GAAP. Dohan + Co.'s audit, however, was not conducted in accordance with PCAOB standards, in part due to Dohan's and Brown's failures described above.

## **F. FINDINGS**

56. As a result of the conduct described above, the Commission finds that Respondents Dohan + Co., Dohan, and Brown engaged in improper professional conduct pursuant to Rules 102(e)(1)(ii) and 102(e)(1)(iv)(B)(2) of the Commission's Rules of Practice and Section 4C of the Exchange Act.

## **G. UNDERTAKINGS**

Dohan + Co. undertakes the following:

1. Acceptance of New Public Company Audit Clients. The goal of this undertaking is to provide adequate time for Dohan + Co. to implement the undertakings concerning the auditing and quality control matters described below and implement such other adjustments to its audit practice required by the suspensions of Dohan and Brown from appearing or practicing before the Commission. Dohan + Co. undertakes that, following the issuance of the Order, it will not accept new engagements for public company audits prior to the later of 12 months from the date of entry of the Order, or the date that an independent consultant certifies in writing that the undertakings discussed herein have been completed to the satisfaction of the Independent Consultant, as described in paragraph 4(b), below. A public company audit is defined as an engagement to audit the financial

statements of an “issuer” as that term is defined in Section 3(a)(8) of the Exchange Act.

2. Auditing Matters. The goal of this undertaking is to require Dohan + Co. to engage in an internal review of its existing policies and procedures concerning compliance with the relevant professional, regulatory and firm requirements with respect to public company audit engagements. Within 12 months from the date of entry of the Order, Dohan + Co. shall adopt and implement policies and procedures, including but not limited to Quality Control Policy and Procedures, to provide Dohan + Co. with a reasonable assurance, for its audit and review engagements, that the firm and its personnel comply with professional auditing standards and applicable regulatory and legal requirements, and that the firm or engagement partners issue reports that are appropriate in the circumstances. The elements of quality control are identified in the PCAOB’s Interim Standard, *System of Quality Control for a CPA Firm’s Accounting and Auditing Practice* (“QC 20”). The Principals/Partners of Dohan + Co. should have a working knowledge of Dohan + Co.’s procedures and how they meet the requirements of QC 20.
3. Professional Development. The goal of this undertaking is to require Dohan + Co. auditing personnel to participate in professional development activities in subjects that are relevant to their responsibilities and will contribute to their technical training and proficiency as an auditor. Dohan + Co. undertakes to require all of its professional accounting and auditing personnel, to undergo training as follows:
  - (a) A minimum of 40 hours of continuing professional education (“CPE”) in the following areas of generally accepted accounting principles set forth in FASB Accounting Standard Codifications: (i) Topic 205: Presentation of Financial Statements; (ii) Topic 330: Inventory; (iii) Topic 450: Contingencies; and (iv) Topic 605: Revenue Recognition (at least 16 hours on this Topic). The CPE must meet the requirements of the Florida State Board of Accountancy.
  - (b) A minimum of 40 hours of CPE in the following PCAOB topics and auditing standards<sup>3</sup>: (i) Audit Confirmations; (ii) Consideration of Fraud in a Financial Statement Audit; (iii) Audit Planning; (iv) Audit Evidence; (v) Inventories; (vi) Training and Proficiency of the Independent Auditor; (vii) Planning and Supervision; (viii) Due Professional Care in the Performance of Work and (ix)

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<sup>3</sup> PCAOB auditing standards consist of recent auditing standards adopted by the PCAOB and approved by the Commission (“AS”), as well as preexisting AICPA auditing standards adopted as interim standards by the PCAOB in April 2003 (“AU”).

Supervision of an Audit.<sup>4</sup> The CPE must meet the requirements of the Florida State Board of Accountancy.

- (c) A minimum of 40 hours of independent self-study (need not be a formal review course) in the following areas of accounting and auditing standards, including interpretative guidance by the Commission staff: (i) Staff Accounting Bulletin No. 99: Materiality; (ii) Staff Accounting Bulletin Nos. 101: Revenue Recognition in Financial Statements, and 104: Revision of Topic 13; (iii) Staff Accounting Bulletin No. 108: Considering the Effects of Prior Year Misstatements When Quantifying Misstatements in Current Year Financial Statements; (iv) FASB Accounting Standard Codification Topic 605-15-25: Sale of Product when Right of Return Exists; (v) AU 150: Generally Accepted Auditing Standards; (vi) AU 550: Other Information in Documents Containing Audited Financial Statements; and (vii) AS No. 7: Engagement Quality Review.

4. Independent Consultant. Dohan + Co. shall retain an Independent Consultant acceptable to the Commission staff, to work with Dohan + Co. to assure the Commission staff that Dohan + Co. has satisfactorily implemented the undertakings expressed herein and that after such undertakings it is reasonable to expect that the violations found have been remedied and that Dohan + Co.'s future audits should result in compliance with the relevant professional, regulatory and firm requirements with respect to public company audit engagements. The Independent Consultant shall report to the Commission staff as follows:

- (a) The Independent Consultant shall report to the Commission staff in writing six months and 12 months from the date work has begun as to the findings of the Independent Consultant's review and Dohan + Co.'s efforts at correcting the violations.
- (b) The suspension from accepting new audit engagements for public company clients, as described in paragraph 1, above, shall continue until the Independent Consultant has certified in writing that the undertakings discussed herein have been completed to the satisfaction of the Independent Consultant.
- (c) The Independent Consultant will review a sampling of Dohan + Co.'s audits of SEC registrants after the 12-month suspension discussed in paragraph 1, above, has elapsed and after Dohan + Co. has resumed

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<sup>4</sup> PCAOB guidance on many of the auditing standards listed herein are in transition. Certain existing standards are expected to be amended or superseded. Specifically, the PCAOB has recently adopted AS No. 8 through AS No. 15 (Eight New Risk Assessment Standards), which have been submitted to the Commission for approval (*see* Securities and Exchange Commission Release No. 34-62919). The standards, if approved, will become effective for audits of fiscal periods beginning on or after December 15, 2010. The CPE completed pursuant to these undertakings should focus on the requirements of the new standards, including changes made to existing standards if approved.

auditing SEC registrants, for a 12-month period. The Independent Consultant and Dohan + Co. shall certify that they each have no reason to believe that Dohan + Co.'s audits do not conform with the relevant professional, regulatory and firm requirements with respect to public company audit engagements in all material matters.

All reports and certifications shall be submitted to Tracy Davis, Assistant Regional Director, San Francisco Regional Office or her successor, with copies to the Office of Chief Counsel of the Enforcement Division and to the PCAOB, Director of Registration and Inspection.

5. Independent Consultant Independence. Dohan + Co. will require the Independent Consultant to enter into an agreement that provides that for the period of engagement and for a period of two years from completion of the engagement, the Independent Consultant shall not enter into any employment, consultant, attorney-client, auditing or other professional relationship with Dohan + Co., or any of its present or former affiliates, directors, officers, employees, or agents acting in their capacity. The agreement will also provide that the Independent Consultant will require that any firm with which he/she is affiliated or of which he/she is a member, and any person engaged to assist the Independent Consultant in performance of his/her duties under the Order shall not, without prior written consent of the San Francisco Regional Office, enter into any employment, consultant, attorney-client, auditing or other professional relationship with Dohan + Co., or any of its present or former affiliates, directors, officers, employees, or agents acting in their capacity as such for the period of the engagement and for a period of two years after the engagement.
6. Joint Audit Arrangements. Dohan + Co. agrees to cease permanently all joint audit arrangements with other auditors in which Dohan + Co. serves as the principal auditor in connection with audits of SEC registrants, other than joint arrangements required by foreign jurisdictions.
7. Certification of Compliance. Dohan + Co. will certify, in writing, compliance with the undertakings set forth 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 Commission staff may make reasonable requests for further evidence of compliance, and Dohan + Co. agrees to provide such evidence. The certification and supporting material shall be submitted to Tracy Davis, Assistant Regional Director, San Francisco Regional Office or her successor, with a copy to the Office of Chief Counsel of the Enforcement Division, no later than sixty (60) days from the date of the completion of the undertakings.

### III.

In view of the foregoing, the Commission deems it appropriate to impose the sanctions agreed to in Respondents' Offers.

Accordingly, it is hereby ORDERED, effective immediately, that:

#### **Dohan + Co.**

A. Dohan + Co. is hereby censured pursuant to Rule 102(e)(1)(ii) and 102(e)(1)(iv)(B)(2) of the Commission's Rules of Practice and Section 4C of the Exchange Act.

#### **Dohan**

B. Dohan is denied the privilege of appearing or practicing before the Commission as an accountant.

C. After three years from the date of this order, Dohan may request that the Commission consider his reinstatement by submitting an application (attention: Office of the Chief Accountant) to resume appearing or practicing before the Commission as:

1. a preparer or reviewer, or a person responsible for the preparation or review, of any public company's financial statements that are filed with the Commission. Such an application must satisfy the Commission that Dohan's work in his practice before the Commission will be reviewed either by the independent audit committee of the public company for which he works or in some other acceptable manner, as long as he practices before the Commission in this capacity; and/or

2. an independent accountant. Such an application must satisfy the Commission that:

(a) Dohan, or the public accounting firm with which he is associated, is registered with the Public Company Accounting Oversight Board ("Board") in accordance with the Sarbanes-Oxley Act of 2002, and such registration continues to be effective;

(b) Dohan, or the registered public accounting firm with which he is associated, has been inspected by the Board and that inspection did not identify any criticisms of or potential defects in the respondent's or the firm's quality control system that would indicate that the respondent will not receive appropriate supervision;

(c) Dohan has resolved all disciplinary issues with the Board, and has complied with all terms and conditions of any sanctions imposed by the Board (other than reinstatement by the Commission); and

(d) Dohan acknowledges his responsibility, as long as Dohan appears or practices before the Commission as an independent accountant, to comply with all



requirements of the Commission and the Board, including, but not limited to, all requirements relating to registration, inspections, concurring partner reviews and quality control standards.

D. The Commission will consider an application by Dohan to resume appearing or practicing before the Commission provided that his state CPA license is current and he has resolved all other disciplinary issues with the applicable state boards of accountancy. However, if state licensure is dependent on reinstatement by the Commission, the Commission will consider an application on its other merits. The Commission's review may include consideration of, in addition to the matters referenced above, any other matters relating to Dohan's character, integrity, professional conduct, or qualifications to appear or practice before the Commission.

E. As a condition for reinstatement, Dohan shall have completed the professional training as described in Section III(G)(3), above.

### **Brown**

F. Brown is denied the privilege of appearing or practicing before the Commission as an accountant.

G. After three years from the date of this order, Brown may request that the Commission consider her reinstatement by submitting an application (attention: Office of the Chief Accountant) to resume appearing or practicing before the Commission as:

1. a preparer or reviewer, or a person responsible for the preparation or review, of any public company's financial statements that are filed with the Commission. Such an application must satisfy the Commission that Brown's work in her practice before the Commission will be reviewed either by the independent audit committee of the public company for which she works or in some other acceptable manner, as long as she practices before the Commission in this capacity; and/or

2. an independent accountant. Such an application must satisfy the Commission that:

(a) Brown, or the public accounting firm with which she is associated, is registered with the Public Company Accounting Oversight Board ("Board") in accordance with the Sarbanes-Oxley Act of 2002, and such registration continues to be effective;

(b) Brown, or the registered public accounting firm with which she is associated, has been inspected by the Board and that inspection did not identify any criticisms of or potential defects in the respondent's or the firm's quality control system that would indicate that the respondent will not receive appropriate supervision;

(c) Brown has resolved all disciplinary issues with the Board, and has complied with all terms and conditions of any sanctions imposed by the Board (other than reinstatement by the Commission); and

(d) Brown acknowledges her responsibility, as long as Brown appears or practices before the Commission as an independent accountant, to comply with all requirements of the Commission and the Board, including, but not limited to, all requirements relating to registration, inspections, concurring partner reviews and quality control standards.

H. The Commission will consider an application by Brown to resume appearing or practicing before the Commission provided that her state CPA license is current and she has resolved all other disciplinary issues with the applicable state boards of accountancy. However, if state licensure is dependent on reinstatement by the Commission, the Commission will consider an application on its other merits. The Commission's review may include consideration of, in

addition to the matters referenced above, any other matters relating to Brown's character, integrity, professional conduct, or qualifications to appear or practice before the Commission.

I. As a condition for reinstatement, Brown shall have completed the professional training as described in Section III(G)(3), above.

By the Commission.

Elizabeth M. Murphy  
Secretary

## Service List

Rule 141 of the Commission's Rules of Practice provides that the Secretary, or another duly authorized officer of the Commission, shall serve a copy of the Order Making Findings and Imposing Remedial Sanctions Pursuant to Section 4C of the Securities Exchange Act of 1934 and Rule 102(e) of the Commission's Rules of Practice as to Dohan + Company CPAs, Steven H. Dohan, CPA, and Nancy L. Brown, CPA ("Order"), on the Respondents and their legal agents.

The attached Order has been sent to the following parties and other persons entitled to notice:

Honorable Carol Fox Foelak  
Administrative Law Judge  
Securities and Exchange Commission  
100 F Street, N.E.  
Washington, DC 20549-2557

Lloyd Farnham, Esq.  
John Yun, Esq.  
Jason Habermeyer, Esq.  
San Francisco Regional Office  
Securities and Exchange Commission  
44 Montgomery Street, Suite 2600  
San Francisco, CA 94104

Dohan + Company CPAs  
c/o Michael Tarre, Esq.  
Two South Biscayne Boulevard, Suite 3700  
Miami, FL 33131

Mr. Steven H. Dohan  
c/o Michael Tarre, Esq.  
Two South Biscayne Boulevard, Suite 3700  
Miami, FL 33131

Ms. Nancy L. Brown  
c/o Susan E. Trench, Esq.  
Goldstein, Tanen & Trench, P.A.  
One Biscayne Tower, Suite 3700  
Two South Biscayne Boulevard  
Miami, FL 33131

Michael Tarre, Esq.  
Two South Biscayne Boulevard, Suite 3700  
Miami, FL 33131  
(Counsel for Dohan + Company CPAs and Steven H. Dohan)

Susan E. Trench, Esq.  
Goldstein, Tanen & Trench, P.A.  
One Biscayne Tower, Suite 3700  
Two South Biscayne Boulevard  
Miami, FL 33131  
(Counsel for Nancy L. Brown)