

UNITED STATES OF AMERICA
Before the
SECURITIES AND EXCHANGE COMMISSION

In the Matter of

LBB & ASSOCIATES LTD., LLP and
CARLOS LOPEZ, CPA,

Respondents.

FILE NO. 3-18967

RESPONDENTS LBB & ASSOCIATES LTD., LLP AND CARLOS LOPEZ'S
ANSWER AND AFFIRMATIVE DEFENSES

COMES NOW Respondents LBB & Associates Ltd., LLP ("LBB") and Carlos Lopez ("Mr. Lopez") (collectively, "Respondents"), by and through their undersigned counsel and pursuant to Rule 220 of the U.S. Securities and Exchange Commission's (the "Commission") Rules of Practice, and hereby answer the Division of Enforcement's (the "Division") Order Instituting Administrative and Cease-and-Desist Proceedings (the "OIP"). In furtherance of the same, Respondents respectfully state as follows in response to the OIP's allegations:

A. SUMMARY

1. The allegations set forth in paragraph 1 of the OIP contain the Division's statement of the case and legal arguments, and therefore do not require a response from Respondents. In the alternative, Respondents deny the same and demand strict proof thereof.

2. The allegations set forth in paragraph 2 of the OIP contain the Division's statement of the case and legal arguments, and therefore do not require a response from Respondents. In the alternative, Respondents deny the same and demand strict proof thereof.

3. Respondents deny the allegations set forth in paragraph 3 of the OIP.

4. Respondents deny the allegations set forth in paragraph 4 of the OIP.
5. Respondents deny the allegations set forth in paragraph 5 of the OIP.
6. The allegations set forth in paragraph 6 of the OIP are legal conclusions, and therefore do not require a response from Respondents. In the alternative, Respondents deny the same and demand strict proof thereof.

**B. RESPONDENTS**

7. Respondents admit that LBB is a PCAOB-registered accounting and auditing firm based in Houston, Texas. Respondents deny the remaining allegations set forth in paragraph 7 of the OIP.

8. Respondents admit the allegations set forth in paragraph 8 of the OIP.

**C. OTHER RELEVANT ENTITIES**

9. Respondents are without knowledge or information sufficient to form a belief as to the truth of the allegations set forth in paragraph 9 of the OIP, and therefore deny the same.

**D. FACTS**

**i. Background**

10. Respondents admit the allegations set forth in paragraph 10 of the OIP.

11. Respondents admit the allegations set forth in paragraph 11 of the OIP.

**ii. Respondents Were Aware that BRS Audits Were High Risk and that BRS Planned to Provide Its Audited Financial Statements to Investors**

12. Respondents deny that they were aware that BRS was a high-risk audit client based, in part, on their prior audit work for BRS. Respondents admit the remaining allegations set forth in paragraph 12 of the OIP.

13. Respondents admit that they noted in the 2012 audit's Risk Assessment Summary Form that management override of internal controls presented a significant risk in connection with the audit and that they would not test or rely on BRS's internal controls during the audit, but would base the audit on substantive audit procedures. Respondents deny the remaining allegations set forth in paragraph 13 of the OIP.

14. Respondents admit the allegations set forth in paragraph 14 of the OIP.

iii. Respondents Failed to Conduct the 2012 BRS Audit in Accordance with PCAOB Standards

a. *Failure to Conduct Audit Steps for Identifying Related Party Transactions*

15. The allegations set forth in paragraph 15 of the OIP contain the Division's statement of the case and legal arguments, and therefore do not require a response from Respondents. In the alternative, Respondents deny the same and demand strict proof thereof.

16. Respondents deny that Lopez was aware of several red flags indicating the possible existence of unidentified party transactions. Respondents admit the remaining allegations set forth in paragraph 16 of the OIP.

17. Respondents admit that BRS had no policies for identifying related parties. Respondents deny the remaining allegations set forth in paragraph 17 of the OIP.

18. Respondents admit that in 2012 BRS paid Blackstone approximately \$1.5 million. Respondents deny the remaining allegations set forth in paragraph 18 of the OIP.

19. The allegations set forth in paragraph 19 of the OIP are legal conclusions, and therefore do not require a response from Respondents. In the alternative, Respondents deny the same and demand strict proof thereof.

*b. Respondents Also Failed to Conduct Appropriate Audit Steps for Known Related Party Transactions*

20. The allegations set forth in paragraph 20 of the OIP are legal conclusions, and therefore do not require a response from Respondents. In the alternative, Respondents deny the same and demand strict proof thereof.

21. The allegations set forth in paragraph 21 of the OIP are legal conclusions, and therefore do not require a response from Respondents. In the alternative, Respondents deny the same and demand strict proof thereof.

22. Respondents are without knowledge or information sufficient to form a belief as to the truth of the allegation that the board of directors having not held any board meetings in 2012, calls into question whether the board had approved payments to Related Party A. Respondents admit the remaining allegations set forth in paragraph 22 of the OIP.

23. Respondents deny that the result of the analysis should have prompted Mr. Lopez to conduct additional audit steps, including gathering additional evidence to understand what caused such a significant increase in consultant expenses and that he did not complete any such steps. Respondents admit the remaining allegations set forth in paragraph 23 of the OIP.

24. Respondents admit that the audit work papers noted that “[p]er inquiry, the increase of consulting fee is mostly due to BRS utilized [Related Party A] more this year to help out with investor relations. Appears reasonable as the revenue is not enough to cover the operating expenses and company needs funding through out [sic] the year.” Respondents deny the remaining allegations set forth in paragraph 24 of the OIP.

25. The allegations set forth in paragraph 25 of the OIP are legal conclusions, and therefore do not require a response from Respondents. In the alternative, Respondents deny the same and demand strict proof thereof.

c. *Other 2012 Audit Failures*

26. The allegations set forth in paragraph 26 of the OIP are legal conclusions, and therefore do not require a response from Respondents. In the alternative, Respondents deny the same and demand strict proof thereof.

27. The allegations set forth in paragraph 27 of the OIP are legal conclusions, and therefore do not require a response from Respondents. In the alternative, Respondents deny the same and demand strict proof thereof.

28. The allegations set forth in paragraph 28 of the OIP are legal conclusions, and therefore do not require a response from Respondents. In the alternative, Respondents deny the same and demand strict proof thereof.

29. The allegations set forth in paragraph 29 of the OIP are legal conclusions, and therefore do not require a response from Respondents. In the alternative, Respondents deny the same and demand strict proof thereof.

30. The allegations set forth in paragraph 30 of the OIP are legal conclusions, and therefore do not require a response from Respondents. In the alternative, Respondents deny the same and demand strict proof thereof.

31. The allegations set forth in paragraph 31 of the OIP are legal conclusions, and therefore do not require a response from Respondents. In the alternative, Respondents deny the same and demand strict proof thereof.

32. The allegations set forth in paragraph 32 of the OIP are legal conclusions, and therefore do not require a response from Respondents. In the alternative, Respondents deny the same and demand strict proof thereof.

33. The allegations set forth in paragraph 33 of the OIP are legal conclusions, and therefore do not require a response from Respondents. In the alternative, Respondents deny the same and demand strict proof thereof.

34. The allegations set forth in paragraph 34 of the OIP are legal conclusions, and therefore do not require a response from Respondents. In the alternative, Respondents deny the same and demand strict proof thereof.

35. The allegations set forth in paragraph 35 of the OIP are legal conclusions, and therefore do not require a response from Respondents. In the alternative, Respondents deny the same and demand strict proof thereof.

iv. Respondents Failed to Conduct the 2013 and 2014 BRS EQRs in Accordance with PCAOB Standards

36. Respondents admit that after serving as the engagement partner for the 2012 audit, Mr. Lopez served as the EQR partner for both the 2013 and 2014 audits. The remaining allegations set forth in paragraph 36 of the OIP are legal conclusions, and therefore do not require a response from Respondents. In the alternative, Respondents deny the same and demand strict proof thereof.

**E. VIOLATIONS**

37. The allegations set forth in paragraph 37 of the OIP are legal conclusions, and therefore do not require a response from Respondents. In the alternative, Respondents deny the same and demand strict proof thereof.

38. The allegations set forth in paragraph 38 of the OIP are legal conclusions, and therefore do not require a response from Respondents. In the alternative, Respondents deny the same and demand strict proof thereof.

39. The allegations set forth in paragraph 39 of the OIP are legal conclusions, and therefore do not require a response from Respondents. In the alternative, Respondents deny the same and demand strict proof thereof.

### **AFFIRMATIVE DEFENSES**

The foregoing matters do not support a claim against Respondents. In addition, the following affirmative defenses nullify any potential liability.

#### **First Affirmative Defense**

There is no basis to support a censure from practice before the Commission against Respondents, pursuant to Section 4C of the Securities Exchange Act of 1934 and Rule 102(e)(1)(ii) of the Commission's Rules of Practice. The allegations as set forth in the OIP fail to state a claim that Respondents have engaged in unethical or improper professional conduct.

#### **Second Affirmative Defense**

The Division's claims as set forth in the OIP are barred by a five year statute of limitations pursuant to 28 U.S.C. § 2462. Respondents' alleged improper conduct occurred during the 2012 BRS audit and during the EQRs for the 2013 and 2014 BRS audits. Any alleged improper conduct occurring outside of the five period is time-barred.

### **RESERVATION**

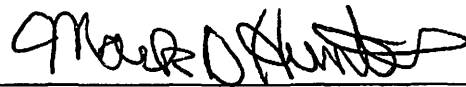
Respondents reserve the right to assert such further affirmative defenses as may be determined to be applicable during discovery.

**WHEREFORE**, Respondents LBB & Associates Ltd., LLP and Carlos Lopez respectfully request that all relief the Securities and Exchange Commission has requested in the OIP be denied in its entirety.

Dated: February 11, 2019  
Coral Gables, Florida

Respectfully submitted,

**Hunter Taubman Fischer & Li LLC**



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**CERTIFICATE OF SERVICE**

I hereby certify that I have caused the foregoing to be served on Nicholas Margida, Esq. and Paul Kisslinger, Esq., counsel for the Division of Enforcement, Securities and Exchange Commission, 100 F Street, N.E., Washington, DC 20549, Email: [margidan@sec.gov](mailto:margidan@sec.gov), [kisslingerp@sec.gov](mailto:kisslingerp@sec.gov), and have filed the original and three (3) copies with the Office of the Secretary, the U.S. Securities and Exchange Commission at 100 F Street, N.E., Washington, DC 20549-2557, Email: [APFilings@sec.gov](mailto:APFilings@sec.gov), via Federal Express and email, all this on the 11th day of February 2019.

  
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Mark David Hunter