

UNITED STATES OF AMERICA
Before the
SECURITIES AND EXCHANGE COMMISSION

SECURITIES EXCHANGE ACT OF 1934
Release No. 55031 / December 29, 2006

ACCOUNTING AND AUDITING ENFORCEMENT
Release No. 2530 / December 29, 2006

ADMINISTRATIVE PROCEEDING
File No. 3-12522

In the Matter of

PAUL HEIDBRINK, CPA,

Respondent.

**ORDER INSTITUTING PUBLIC
ADMINISTRATIVE PROCEEDINGS
PURSUANT TO RULE 102(e) OF THE
COMMISSION'S RULES OF PRACTICE,
MAKING FINDINGS, AND IMPOSING
REMEDIAL SANCTIONS**

I.

The Securities and Exchange Commission ("Commission") deems it appropriate that public administrative proceedings be, and hereby are, instituted against Paul Heidbrink, CPA ("Respondent" or "Heidbrink") pursuant to Rule 102(e)(1)(ii) of the Commission's Rules of Practice.¹

II.

In anticipation of the institution of these proceedings, Respondent has submitted an Offer of Settlement (the "Offer") which the Commission has determined to accept. Solely for the purposes of these proceedings and any other proceedings brought by or on behalf of the

¹ Rule 102(e)(1)(ii) provides, in pertinent part, that:

The Commission may . . . deny, temporarily or permanently, the privilege of appearing or practicing before it . . . to any person who is found . . . to have engaged in unethical or improper professional conduct.

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 him and the subject matter of these proceedings, which are admitted, Respondent consents to the entry of this Order Instituting Public Administrative Proceedings Pursuant to Rule 102(e) of the Commission's Rules of Practice, Making Findings, and Imposing Remedial Sanctions ("Order"), as set forth below.

III.

On the basis of this Order and Respondent's Offer, the Commission finds² that:

A. SUMMARY

These proceedings arise from Paul Heidbrink's audit and three quarterly reviews of the financial statements of Whitemark Homes, Inc. ("Whitemark"). Whitemark misstated its inventory and other accounts in filings with the Commission relating to the year ended December 31, 2001, and the quarters ended March 31, 2002, June 30, 2002, and September 30, 2002. Heidbrink conducted audits or quarterly reviews of the financial statements Whitemark included in each of these filings, but failed to perform procedures in accordance with Generally Accepted Auditing Standards ("GAAS").

B. RESPONDENT AND RELEVANT ENTITY

1. Respondent Paul Heidbrink, age 55, is a certified public accountant licensed in the State of Florida since 1974. Heidbrink is a partner in Beemer, Pricher, Kuehnhackl, and Heidbrink, PA ("Beemer"), an accounting firm located in Winter Park, Florida.

2. Whitemark, a Colorado corporation based in Oveido, Florida, develops and builds residential communities. Whitemark stock is registered under Section 12(g) of the Exchange Act, and has been traded on the Over the Counter Bulletin Board since April 2001.

C. FACTS

1. During the relevant period, Heidbrink served as the engagement partner for Beemer's annual audit and quarterly reviews of Whitemark's financial statements. As the engagement partner, Heidbrink planned and supervised the services Beemer provided to Whitemark.

2. Whitemark's 2001 Form 10-K contained an unqualified audit report representing that Beemer had conducted an audit in accordance with GAAS and that Whitemark's financial statements were presented in conformity with generally accepted accounting principles ("GAAP"). In fact, however, Heidbrink did not conduct Beemer's audit of Whitemark's financial statements for the year ended December 31, 2001, in accordance with GAAS, and Whitemark's financial statements were not presented in conformity with GAAP. Heidbrink also failed to conduct

² The findings herein are made pursuant to Respondent's Offer of Settlement and are not binding on any other person or entity in this or any other proceeding.

Beemer's reviews of Whitemark's financial statements for the first three quarters of 2002 in accordance with GAAS.

3. The objective of an audit of financial statements by an independent auditor is the expression of an opinion on the fairness of their presentation in conformity with GAAP. GAAS requires that auditors exercise due professional care in performing an audit and in preparing the audit report. Due professional care requires that the auditor exercise professional skepticism, which includes an objective evaluation of audit evidence.³ GAAS also requires an auditor to obtain and evaluate sufficient competent evidential matter.⁴

4. In an audit, the auditor should perform procedures to determine whether disclosure of events occurring subsequent to the period of the financial statements is required to assure a fair presentation of the financial statements.⁵ Such procedures include making inquiries of management. In addition, an auditor should make additional inquiries or perform additional procedures as appropriate to dispose of questions that arise during the subsequent events review.⁶

5. In a quarterly review, the accountant's procedures should include reading the financial information to consider whether, on the basis of information coming to the accountant's attention, the information to be reported is presented in conformity with GAAP.⁷ An accountant should consider the consistency of management's statements in light of the results of other inquiries.⁸ Additionally, the procedures for a review may be modified to take the results of previous audit procedures into consideration.⁹ An accountant conducting a quarterly review should also inquire about the manner in which changes in accounting practices and their effects are to be reported in the quarterly financial statements.¹⁰

CONSOLIDATION WITHOUT CONTROL

6. For each of the relevant periods, Whitemark overstated its inventory account as a result of its consolidation of the financial statements of entities it did not control. In the audit of Whitemark's financial statements for the year ended December 31, 2001, Heidbrink did not obtain sufficient competent evidential matter with respect to Whitemark's consolidation of these entities. Heidbrink was aware that Whitemark held only options to purchase the consolidated entities.

³ Codification of Statements on Auditing Standards (AU), §§230.07-.08.

⁴ AU §326.25.

⁵ AU §560.12.

⁶ Id.

⁷ AU §722.13.

⁸ Id.

⁹ AU §722.19.

¹⁰ AU §722.16.

EXPIRED OPTIONS

7. For each of the relevant periods, Whitemark also included in its inventory account the value of certain options its subsidiary held to purchase development properties or to purchase entities that owned development properties. Pursuant to the contracts with the property owners, five of these purchase options were set to expire in the first quarter of 2002. Although Whitemark filed its Form 10-K for the year ended December 31, 2001 after the expiration of these options, it did not disclose that these options had expired by their express terms. Whitemark also did not make appropriate adjustments to its financial statements when these options expired by their express terms in the first quarter of 2002, and continued to carry values associated with these purchase options in its inventory account through the second and third quarters of 2002. As a result, Whitemark overstated its inventory, understated its associated expenses, and understated its net losses in its Forms 10-Q for the first three quarters of 2002.

8. Heidbrink's audit workpapers contained documents showing that many of Whitemark's options expired by their express terms in January 2002. In March 2002, Whitemark's management represented to Heidbrink that it continued to hold rights to exercise all options. Heidbrink issued Beemer's audit report after the express expiration of these options. In the audit of Whitemark's financial statements for the year ended December 31, 2001, Heidbrink did not perform appropriate additional procedures to assure that Whitemark still held these options or had appropriately disclosed their expiration as a subsequent event.

9. Whitemark's management informed Heidbrink that Whitemark had appropriately recorded its assets in its financial statements for each of the first three quarters of 2002. In the quarterly reviews of these financial statements, Heidbrink did not appropriately consider management's representations in conjunction with knowledge he previously obtained during the annual audit showing that many of Whitemark's purchase options were set to expire by their terms in January 2002. Heidbrink did not modify his review procedures to resolve inconsistencies about the dates on which these options expired.

IMPROPER REALLOCATION OF PURCHASE PRICE

10. In its financial statements for the third quarter of 2002, Whitemark improperly changed its method for allocating the purchase price of a previously-acquired subsidiary and improperly considered post-acquisition events to reallocate the purchase price among the assets acquired. Had Whitemark not changed its allocation method, it would have reported a substantially greater net loss for the quarter. Whitemark's financial statements also failed to disclose Whitemark's change in accounting method and its effect, and did not accurately state Whitemark's method of valuing those assets.

11. In his quarterly review of Whitemark's financial statements for the quarter ended September 30, 2002, Heidbrink reviewed Whitemark's reallocation of the purchase price for the prior acquisition. Heidbrink did not appropriately consider whether Whitemark's change in method and consideration of post-acquisition events when performing the reallocation conformed

with GAAP. Heidbrink also did not inquire about Whitemark's lack of disclosure regarding its change in accounting practice and the effect this change had on Whitemark's financial statements. Heidbrink further did not identify Whitemark's incorrect disclosure of its valuation method in the notes to its financial statements.

FINDING

12. Based on the foregoing, the Commission finds that Heidbrink engaged in improper professional conduct pursuant to Rule 102(e)(1)(ii) of the Commission's Rules of Practice.

IV.

In view of the foregoing, the Commission deems it appropriate to impose the sanctions agreed to in Respondent Heidbrink's Offer.

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

1. Heidbrink is denied the privilege of appearing or practicing before the Commission as an accountant for six months from the date of this Order.
2. As long as he practices before the Commission as 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, Heidbrink'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; and/or
3. As long as he appears or practices before the Commission as an independent accountant:
 - (a) Heidbrink, or the public accounting firm with which he is associated, is and will remain registered with the Public Company Accounting Oversight Board ("Board") in accordance with the Sarbanes-Oxley Act of 2002; and

(b) Heidbrink will 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.

By the Commission.

Nancy M. Morris
Secretary