

2023 Enforcement Activity Involving Auditors

**SEC & PCAOB ENFORCEMENT ACTIONS BROUGHT
AGAINST PUBLIC ACCOUNTING FIRMS &
ASSOCIATED INDIVIDUALS**

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Brattle

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I. Executive Summary

In their efforts to hold accountable those that put investors at risk, both the Public Company Accounting Oversight Board (PCAOB) and the US Securities and Exchange Commission (SEC) have placed a renewed emphasis on enforcement in the last two years. Both regulators imposed record penalties against auditors in 2022, and many trends established that year continued in 2023.

This marked increase in enforcement, coupled with an uptick in pledges from PCAOB and SEC leadership to punish alleged wrongdoers, came as the administrations of both regulatory bodies changed hands. 2023 was the second full calendar year of SEC enforcement under Chair Gary Gensler – who assumed office in April 2021, succeeding former Chair Jay Clayton¹ – and Director of Enforcement Gurbir Grewal, who was appointed shortly after Chair Gensler joined the SEC.

Months into Chair Gensler and Director Grewal’s term, [the SEC overhauled the five-member PCAOB board](#) based on Chair Gensler’s concern – per a *Wall Street Journal* article – that the PCAOB “wasn’t adequately fulfilling its mission.” This overhaul came shortly after a May 2021 [letter from Senators Elizabeth Warren and Bernie Sanders](#) calling for the SEC to “immediately remove and replace” the entire PCAOB board. According to the Senators, under the leadership of then-PCAOB Chair William Duhnke III,² the PCAOB had “brazenly abandoned its mission to protect investors and the integrity of our financial system” by weakening independence standards, decreasing enforcement, reducing inspections, and excluding advisory groups and investor advocates from participating in the board’s policymaking process. Current Chair Erica Williams and three additional board members were appointed in November 2021 and sworn in by January 2022 (one board member from the prior regime remained on the board until the completion of his term in October 2023).

Under this new leadership, both the PCAOB and SEC approached enforcement in 2022 with “[a renewed vigilance](#)” and “[sense of urgency](#).” PCAOB enforcement was at record levels in 2022, with the highest number of enforcement actions since 2017 and double the level of activity

¹ Jay Clayton served as SEC Chair from May 4, 2017 to December 23, 2020.

² William Duhnke III served as PCAOB Chair from January 2, 2018 through June 4, 2021.

disclosed in 2021. It imposed monetary sanctions totaling over \$11 million, the largest penalties brought any year in PCAOB history. The SEC also brought record monetary sanctions against auditors in 2022, totaling nearly \$130 million.

In 2023, auditor enforcement continued to trend upwards, especially for the PCAOB. The number of initiated actions increased from the prior year and was nearly twice the levels brought during the prior administration. PCAOB penalties in 2023 were nearly twice 2022's record-breaking levels. In fact, more than half of the total penalties imposed by the PCAOB in its 19-year enforcement history have been imposed on respondents in the last two years alone.

Though the SEC brought fewer actions against auditors in 2023, the number of initiated actions was in line with the prior administration. While SEC penalties were down significantly from 2022's record levels, [statements from the current administration](#) make it clear that holding accountable individual gatekeepers – specifically auditors, who share responsibility for protecting investors and play a critical role as the first line of defense against misconduct – remains a priority.

LEVEL OF ENFORCEMENT ACTIVITY (SEE SECTION III)

FIGURE 1: ACTIONS INITIATED AGAINST AUDITORS: 2018–2021, 2022 & 2023

Number of Actions	2018–2021 Average		2022		2023	
	No.	%	No.	%	No.	%
PCAOB	23.00	61%	42	71%	46	77%
SEC	14.75	39%	17	29%	14	23%
Total	37.75		59		60	

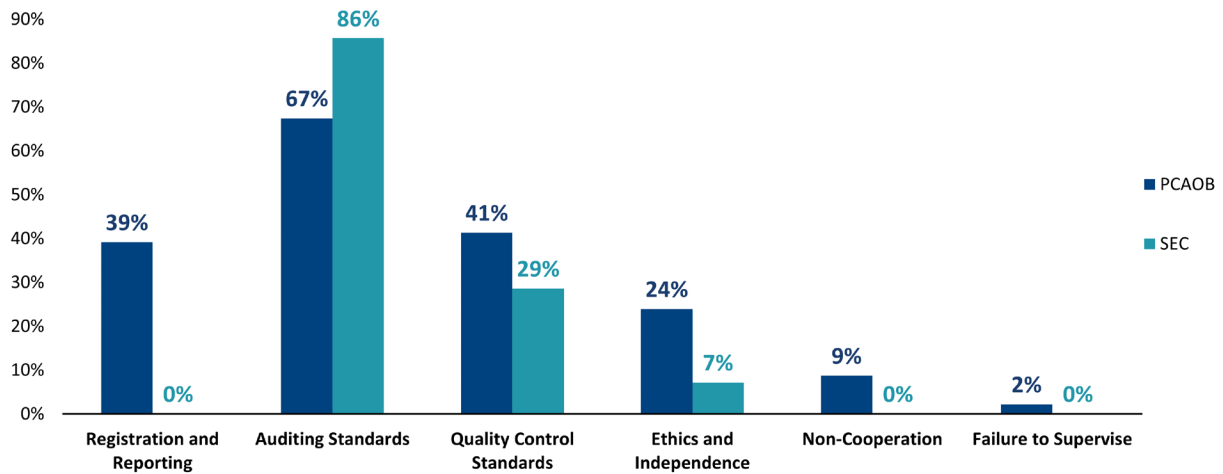
Sources: <https://www.sec.gov/page/litigation>; <https://pcaobus.org/oversight/enforcement>.

- Overall enforcement activity has remained high for the second year in a row. Together, the PCAOB and SEC brought 60 enforcement actions against auditors in 2023, up slightly from the prior year (59), but nearly 60% higher than 2018–2021 levels.
- Increased enforcement activity against auditors during the current administrations (2022–2023) has been driven largely by the PCAOB. Roughly three-quarters of the total actions initiated against auditors in 2022 and 2023 were brought by the PCAOB, up from 61% of total actions during 2018–2021.

- The PCAOB disclosed 46 actions in 2023, up 10% compared to 2022 (42) and twice the average level of 23 during the prior administration (2018–2021).
- The number of actions initiated by the SEC in 2023 (14) was down from 2022 levels (17) but in line with the 2018–2021 average (14.75).
- The PCAOB has been shifting towards a focus on firm respondents, while the SEC has remained focused on individual respondents.
 - The PCAOB charged a firm respondent in 93% of its 2023 actions, up from 71% in 2022 and 64% in 2018–2021. By contrast, the SEC charged a firm in half of its initiated actions in 2023, similar to 2022 (53%) and the 2018–2021 average (47%).
 - 27% of PCAOB actions in 2023 involved individual respondents, down from 50% in 2022 and 70% during the prior administration. The SEC, on the other hand, charged one or more individual respondents in 86% of 2023 actions, up from 71% in 2022 and 81% during 2018–2021.
- In 2023, 22% of total SEC and PCAOB actions involved GNF respondents, down from 42% in 2022. 78% of total actions in 2023 involved NAF respondents, up from 58% the prior year.
 - There were 13 total SEC and PCAOB actions in 2023 involving GNF respondents (all brought by the PCAOB), a decrease of 48% from 25 actions in 2022, but in line with the 2018–2021 average of 13.75.
 - 47 total actions were brought against NAF respondents in 2023, a 38% increase from 2022 (34) and nearly double the 2018–2021 average (24).
- 60% of total actions in 2023 were brought against US respondents, in line with 2022 (59%) but down from the 2018–2021 average (74%).
 - 36 actions involving US respondents were brought by the SEC and PCAOB in 2023, in line with 2022 (35) and up nearly 30% over the 2018–2021 average (28).
 - There were 24 actions involving non-US respondents in both 2023 and 2022, up nearly 150% from an average of 9.75 during 2018–2021.
 - 96% of actions involving non-US respondents brought by the current administrations were brought by the PCAOB.

ALLEGED VIOLATIONS (SEE SECTION IV)

FIGURE 2: ALLEGED VIOLATIONS IN ACTIONS INITIATED IN 2023 AGAINST AUDITORS: PCAOB VS. SEC



Sources: <https://www.sec.gov/page/litigation>; <https://pcaobus.org/oversight/enforcement>

Note: An action may be included in multiple categories.

- Alleged violations in enforcement actions initiated by the PCAOB and SEC in 2023 – with some exceptions – largely mirrored those seen the year prior.
- Violations of auditing standards remained the most common allegation in 2023, seen in 67% of initiated PCAOB actions and the vast majority (86%) of SEC actions.
 - Consistent with 2022, in actions alleging auditing standard violations, the standards alleged to have been violated most often in 2023 involved due professional care and audit documentation.
 - Alleged violations related to audit committee communications increased significantly in 2023.
 - 2023 is the first year in which the PCAOB and SEC brought actions involving critical audit matters (CAMs).
- 38% of all 2023 actions alleged a violation of quality control (QC) standards, up slightly from 36% in 2022.
- While the number of PCAOB actions involving ethics and independence allegations (11) more than doubled in 2023, the number of SEC actions alleging ethics and independence violations declined from three in 2022 to one in 2023.

SANCTIONS IN FINALIZED ACTIONS (SEE SECTION V)

FIGURE 3: MONETARY SANCTIONS IN FINALIZED ACTIONS AGAINST AUDITORS: 2018–2021, 2022 & 2023

	2018–2021 Average		2022		2023	
PCAOB	Individual	Firm	Individual	Firm	Individual	Firm
Respondents	20.50	14.75	26	30	19	43
# of Respondents Fined	11.75	13.00	24	30	18	43
% of Respondents Fined	57%	88%	92%	100%	95%	100%
Monetary Sanctions	\$ 0.2 M	\$ 1.3 M	\$ 1.0 M	\$ 10.0 M	\$ 0.9 M	\$ 19.1 M
SEC	Individual	Firm	Individual	Firm	Individual	Firm
Respondents	15.75	6.75	19	9	19	6
# of Respondents Dismissed					8	1
# of Respondents Fined	8.00	5.00	6	6	9	4
% of Respondents Fined	51%	74%	32%	67%	82%	80%
Monetary Sanctions	\$ 0.3 M	\$ 18.8 M	\$ 0.1 M	\$ 127.3 M	\$ 0.3 M	\$ 11.1 M
Combined	Individual	Firm	Individual	Firm	Individual	Firm
Respondents	36.25	21.50	45	39	38	49
# of Respondents Dismissed					8	1
# of Respondents Fined	19.75	18.00	30	36	27	47
% of Respondents Fined	54%	84%	67%	92%	90%	98%
Monetary Sanctions	\$ 0.5 M	\$ 20.1 M	\$ 1.1 M	\$ 137.3 M	\$ 1.2 M	\$ 30.3 M

Sources: <https://www.sec.gov/page/litigation>; <https://pcaobus.org/oversight/enforcement>.

- Together, the PCAOB and SEC imposed \$31.5 million in monetary sanctions against auditors in 2023, a steep decline from \$138.5 million in 2022 but 53% higher than the 2018–2021 average.
 - During 2018–2023, there were five settlements of \$10 million or more. Excluding these large settlements, total monetary sanctions in 2023 were 16% higher than 2022 levels and nearly four times the 2018–2021 average.

- 56% of total monetary sanctions imposed in 2023 were imposed on NAF respondents, up substantially from 6% in 2022 and 7% in 2018–2021.
- 46% of monetary sanctions in 2023 were imposed on non-US respondents, up from 22% in 2022 and 8% during the prior administrations.
- The PCAOB imposed record penalties in 2023, totaling over \$20 million, up 82% from its prior record of \$11 million imposed in 2022.
 - 2023 is the first year in our sample in which the PCAOB imposed higher monetary sanctions on auditors than the SEC.
 - More than half of the total penalties imposed by the PCAOB in its 19-year enforcement history have been imposed on respondents in the last two years.
- Total monetary sanctions imposed by the SEC dropped to \$11.5 million in 2023 from \$127.4 million in 2022.
 - This steep decline was driven by the highest penalty imposed by the SEC each year, declining from \$100 million in 2022 to \$10 million in 2023. The \$100 million settlement in 2022 was the highest monetary sanction against an audit firm in SEC history and twice the prior record of \$50 million imposed by the SEC in 2019.
- 90% of individual respondents in settled or adjudicated PCAOB and SEC actions in 2023 were barred or suspended.
- The regulators required an independent monitor or consultant in 15% of settled actions in 2022–2023 involving a firm respondent, up from 10% during 2018–2021.

LOOKING FORWARD (SEE SECTION VI)

Based on our analysis of PCAOB and SEC enforcement actions and other publicly available information, we make the following predictions about enforcement activity against auditors in 2024 and beyond:

- Overall enforcement activity will remain elevated.
- Enforcement activity involving PCAOB-registered firms in the People’s Republic of China (PRC) and Hong Kong will increase.
- Heightened focus on “audit firm culture” may drive increased enforcement pertaining to systems of quality control, independence, and ethics.
- PCAOB and SEC enforcement activity will increasingly focus on critical audit matters (CAMs).
- We may see more joint actions brought by both the PCAOB and SEC.

II. Background

Auditors, often [referred to](#) as “gatekeepers of financial reporting in capital markets,” are subject to both PCAOB and SEC enforcement. While the SEC is an independent federal agency tasked with regulating securities and protecting investors, the PCAOB is a nonprofit corporation that oversees audits of public companies and of SEC-registered brokers and dealers. Established by Congress through the passage of the Sarbanes-Oxley Act of 2002 (SOX), the PCAOB is overseen by the SEC.

Auditors of all US-listed companies are required to register with the PCAOB. Because auditors headquartered outside of the US are often involved with audits of US-listed companies (for example, audits of foreign companies accessing US capital markets or of foreign subsidiaries of US companies), many foreign audit firms are registered with the PCAOB and are thus [subject to PCAOB inspection and enforcement](#).

The PCAOB’s [Division of Enforcement and Investigations](#) investigates respondents for violations of PCAOB rules, professional standards, SOX, and provisions of securities laws relating to the preparation and issuance of audit reports for any issuer, broker, or dealer. In contrast, the SEC’s Division of Enforcement investigates a wide range of potential violations of federal securities laws and regulations, with a particular focus on [investor protection](#).³ Both regulators refer potential enforcement matters to each other on a regular basis.

While the SEC and PCAOB generally have concurrent jurisdiction over auditors, there may be instances – due to differences between allowable charges and remedies, the nature of the conduct, and the standards involved – in which it is preferable for one organization to be principally responsible for investigating an auditor’s conduct.

For instance, under [PCAOB Rule 3502](#), *Responsibility Not to Knowingly or Recklessly Contribute to Violations*, the PCAOB may not charge an individual who is merely *negligent* but not *reckless*. Further, the PCAOB may charge only an “associated person” of the firm that violated the rules and/or standards. The SEC, on the other hand, may discipline an individual for causing a public

³ Actions involving auditors constitute a small portion of the SEC’s total enforcement activity. For example, fewer than 3% of the SEC’s total civil actions and standalone administrative proceedings initiated in fiscal year 2023 involved auditors.

accounting firm to commit a violation when the individual is merely *negligent* but not *reckless*, and the individual does not need to be an associated person of the firm.

In general, however, the two regulatory bodies have not been transparent about why certain actions go to the PCAOB versus the SEC, or vice versa, when both have jurisdiction over a given respondent and the nature of the violations seemingly could be enforced by either.

A. Data Analyzed

This report analyzes the level of 2023 enforcement activity brought by the PCAOB and SEC against public accounting firms (“firms”) and professionals employed by public accounting firms (“individuals”), the nature of the violations alleged, and the sanctions imposed on respondents.

In particular, this report examines:

- Total activity (i.e., combined PCAOB and SEC enforcement activity) in 2023 vs. total activity in 2022 (the first full year under the current administrations) and total activity during 2018–2021 (a proxy for the prior administrations).
- PCAOB vs. SEC enforcement activity
- Activity by type of respondents:
 - Firm vs. individual respondents
 - Respondents (firms and individuals) associated with the six largest global network firms (referred to herein as “GNF respondents”) vs. respondents associated with other non-affiliated firms (referred to as “NAF respondents”).⁴
 - US vs. non-US respondents

Analyses of the level of enforcement activity and alleged violations are based on the date an action is initiated, regardless of when it was finalized. As required by SOX, PCAOB investigations and disciplinary proceedings are [confidential and non-public](#) until finalized; as a result, actions are considered to be **initiated** and **finalized** at the same time. Meanwhile, SEC actions can be initiated and disclosed on a given date but finalized (settled, adjudicated, or dismissed) later.

⁴ The PCAOB often reports audit quality statistics separately for “global network firms” (GNFs) and “non-affiliated firms” (NAFs). According to the [PCAOB](#), GNFs are firms affiliated with the six largest global networks: BDO International Limited, Deloitte Touche Tohmatsu Limited, Ernst & Young Global Limited, Grant Thornton International Limited, KPMG International Cooperative, and PricewaterhouseCoopers International Limited. All other firms are considered to be NAFs.

Analyses of imposed sanctions (both monetary and nonmonetary) are based on the date a respondent settled or otherwise finalized the action, regardless of when the action was initiated. For actions in which monetary sanctions are imposed jointly and severally upon an individual and a firm, our analysis allocates half of the monetary sanction to the individual and half to the firm.

Please see the **Appendix** for a list of defined terms.

III. Level of Initiated Enforcement Activity

In 2023, the level of enforcement activity initiated by the PCAOB and SEC against auditors remained high when compared to the levels under the two regulators' prior administrations (2018–2021), with a combined total of 60 initiated actions.

The PCAOB was especially active, with its 46 initiated actions surpassing the number brought the prior year (42) and accounting for over 75% of total enforcement actions between both regulators in 2023. PCAOB activity alone was higher in 2023 than the combined PCAOB and SEC activity during all but one year during the prior administrations. In contrast, the SEC initiated 14 actions against auditors in 2023 – three fewer actions than in 2022, but in line with 2018–2021 averages.

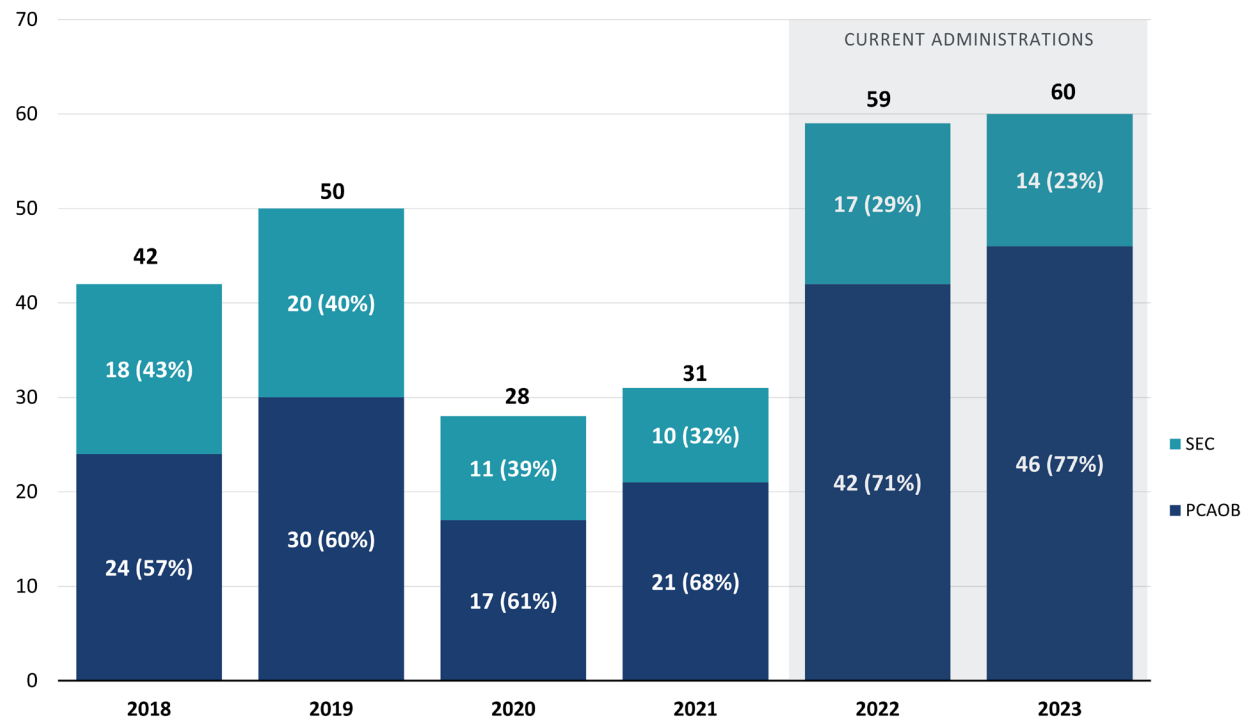
Together, the SEC and the PCAOB brought charges against a firm in nearly 85% of its 2023 enforcement actions. The PCAOB alone charged a firm in 93% of its initiated actions in 2023 due, at least in part, to its notable [increase in sweeps](#), which “enable[] the PCAOB to collect information on potential violations from a number of firms at the same time.” The regulator began expanding its strategic use of sweeps to strengthen enforcement in 2022, and nearly 40% of its 2023 actions resulted from these efforts. The SEC, on the other hand, was relatively more focused on individual respondents – charging one or more individual respondents in 86% of 2023 actions. This focus on individuals is consistent with its [repeated statements](#) that “individual accountability is a pillar of the SEC’s enforcement program.”

2023 also saw a substantial increase in the percentage of actions involving NAF respondents – at 78% of all actions in 2023, up from 58% the prior year. All actions involving GNF respondents in 2023 were brought by the PCAOB.

For the second straight year, in 2023, the PCAOB brought half of its actions against non-US respondents, including the PCAOB’s [first settlements with PRC and Hong Kong firms](#) since it secured historic access to inspect and investigate firms headquartered in the PRC and Hong Kong in 2022. The SEC, on the other hand, has initiated all but one action against US respondents in each of the last two years.

A. Total Enforcement Activity Remained High in 2023

FIGURE 4: TOTAL ACTIONS INITIATED AGAINST AUDITORS: 2018–2023



Sources: <https://www.sec.gov/page/litigation>; <https://pcaobus.org/oversight/enforcement>.

TOTAL ENFORCEMENT ACTIVITY

- In 2023, the PCAOB and SEC brought a total of 60 enforcement actions against auditors, up slightly over the prior year (59) and nearly 60% higher than the 2018–2021 average (37.75).
 - The total number of respondents in actions initiated in 2023 (83) was slightly below the total respondents in 2022 initiated actions (85) but up 42% over the 2018–2021 average (58.25).
- Nearly three-quarters of the actions brought against auditors in 2022 and 2023 under the current PCAOB and SEC administrations were generated by the PCAOB, up from 61% during 2018–2021.

PCAOB ENFORCEMENT ACTIVITY

- The number of PCAOB actions in 2023 (46) was up 10% from 42 actions in 2022 and was double the 2018–2021 average of 23.
 - There were 62 respondents in 2023 PCAOB actions, an 11% increase from 56 respondents in 2022 and 75% higher than the 2018–2021 average of 35.5.
- Two PCAOB actions in 2023 were disclosed as adjudicated actions, up from one adjudicated action in 2022. All other actions were settled with the respondents.
- The audit clients were named in over three quarters of initiated PCAOB actions in 2023, up from 38% in 2022.

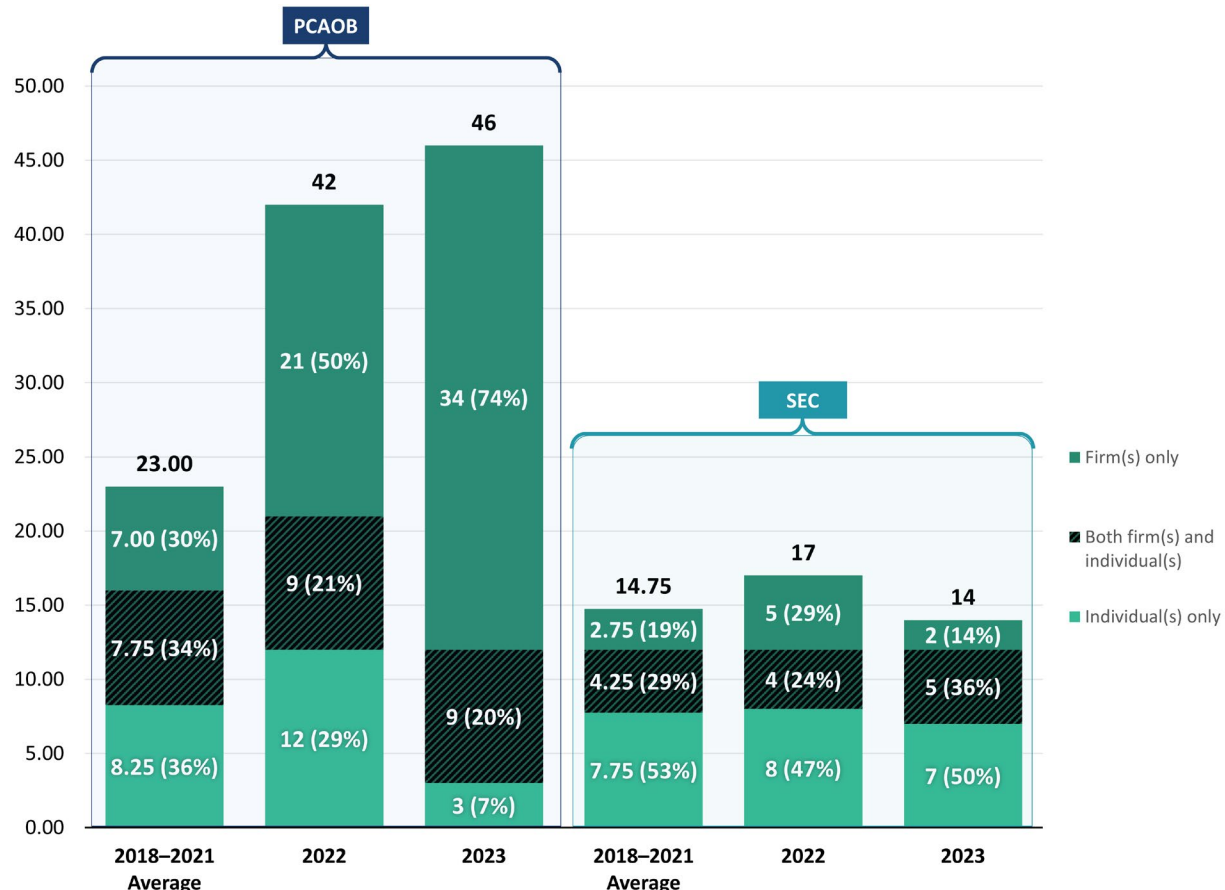
SEC ENFORCEMENT ACTIVITY

- The number of SEC actions in 2023 (14) declined 18% from 17 in 2022 and remained slightly below the 2018–2021 average of 14.75.
 - Similarly, the number of SEC respondents in initiated 2023 actions (21) was down 28% from respondents in 2022 actions (29) and 8% from the 2018–2021 average of 22.75.
- Two SEC actions in 2023 were initiated as civil actions. All other SEC actions in 2022 and 2023 were initiated as administrative proceedings.
- The SEC named the audit clients in nearly half of 2023 actions, down from over 80% in 2022.

B. Type of Respondents in Initiated Actions

1. Actions Involving Firm Respondents Increased in 2023

FIGURE 5: ACTIONS INITIATED AGAINST AUDITORS: FIRMS VS. INDIVIDUAL RESPONDENTS (2018–2021, 2022 & 2023)



Sources: <https://www.sec.gov/page/litigation>; <https://pcaobus.org/oversight/enforcement>.

Note: Percentages may not sum to 100% due to rounding.

TOTAL ENFORCEMENT ACTIVITY

- Combined, the PCAOB and SEC charged firms (i.e., in actions involving firms exclusively or in actions involving both firms and individuals) in 83% of 2023 actions, up from 66% in 2022 and 58% during 2018–2021.
- In 2023, the PCAOB and SEC charged individuals (i.e., in actions involving individuals exclusively or those involving both firms and individuals) in 40% of total actions, down from 56% of total actions in 2022 and 74% during 2018–2021.

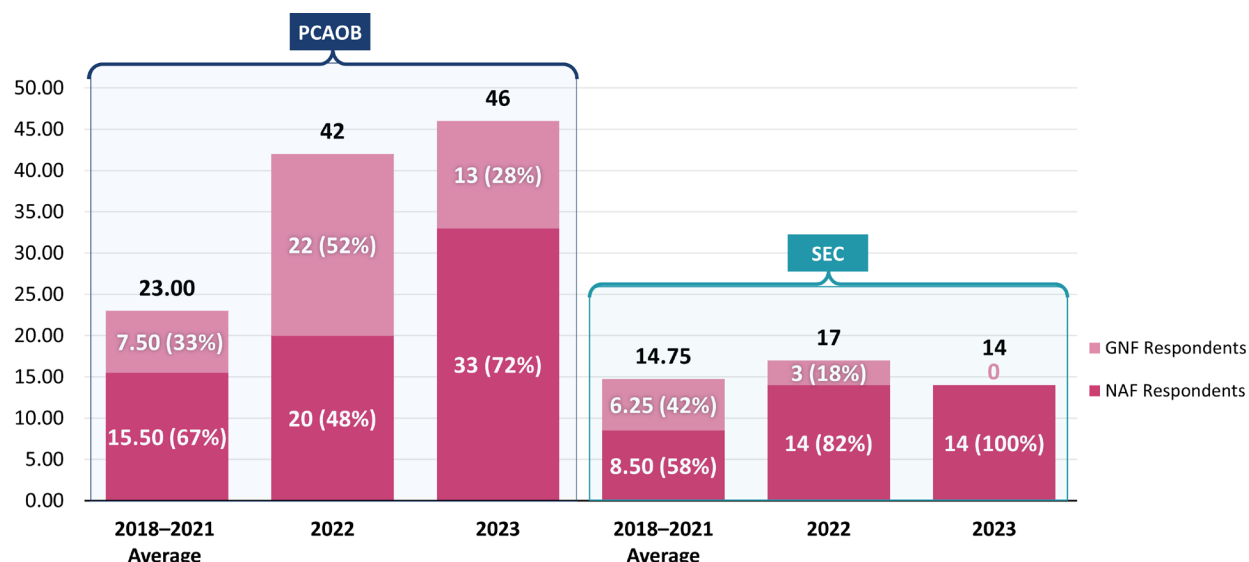
- In both 2022 and 2023, nearly a quarter of total actions involved both firms and individuals, down from about a third of actions in 2018–2021.
- During 2022 and 2023, PCAOB and SEC actions averaged 1.4 respondents per action, and nearly two-thirds of the total PCAOB and SEC actions charged only one respondent.

PCAOB VS. SEC ENFORCEMENT ACTIVITY

- The PCAOB charged a firm respondent in 93% of initiated actions in 2023, up from 71% in 2022 and 64% during 2018–2021. By contrast, the SEC charged a firm in only half of its 2023 actions, similar to 2022 (53%) and the 2018–2021 average (47%).
- Just over one-quarter of PCAOB actions in 2023 involved individuals, a substantial decline from 50% in 2022 and 70% during 2018–2021. The SEC, on the other hand, charged one or more individual respondents in 86% of 2023 actions, up from 71% in 2022 and 81% in 2018–2021.
- The increase in firm respondents by the PCAOB in 2023 was driven in part by sweeps, in which the PCAOB investigates multiple firms simultaneously for the same potential violations.
 - 17 (37%) of PCAOB actions in 2023 resulted from sweeps, up from 10 (24%) PCAOB actions in 2022.

2. Over Three-Quarters of Initiated Enforcement Actions in 2023 Involved NAF Respondents

FIGURE 6: ACTIONS INITIATED AGAINST AUDITORS: GNF VS. NAF RESPONDENTS (2018–2021, 2022 & 2023)



Sources: <https://www.sec.gov/page/litigation>; <https://pcaobus.org/oversight/enforcement>.

Notes: GNF respondents include firms and individuals associated with GNFs. All other firm and individual respondents are considered to be NAF respondents. Percentages may not sum to 100% due to rounding.

TOTAL ENFORCEMENT ACTIVITY

- In 2023, 22% of total SEC and PCAOB actions involved GNF respondents, down from 42% in 2022 and 36% during 2018–2021. 78% of total actions in 2023 involved NAF respondents, up from 58% in 2022 and an average of 64% during 2018–2021.⁵
- In 2023, all actions involving GNF respondents were brought by the PCAOB, up from 88% in 2022 and 55% under the prior administrations.

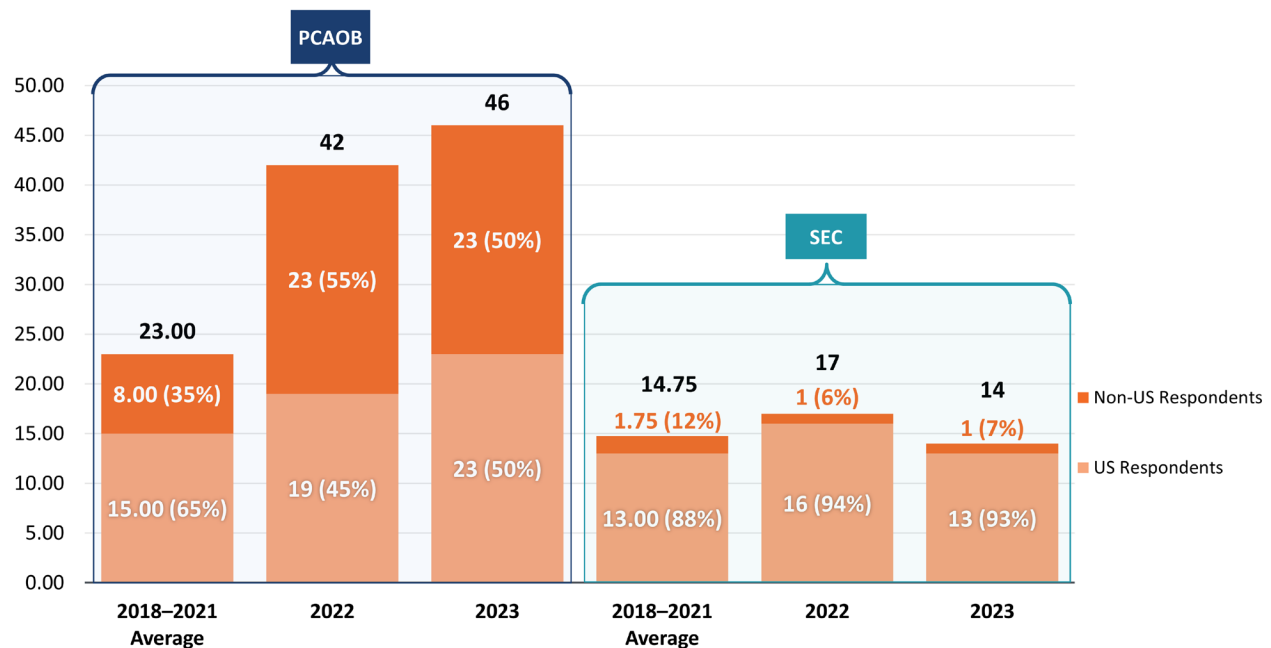
⁵ As noted in Section II, respondents (firms and individuals) associated with the six largest global network firms are referred to as “GNF respondents.” According to the [PCAOB](https://pcaobus.org/oversight/enforcement), GNFs are firms affiliated with the six largest global networks: BDO International Limited, Deloitte Touche Tohmatsu Limited, Ernst & Young Global Limited, Grant Thornton International Limited, KPMG International Cooperative, and PricewaterhouseCoopers International Limited. All other firms are considered to be NAFs. The PCAOB often reports GNF and NAF audit quality statistics separately.

PCAOB VS. SEC ENFORCEMENT ACTIVITY

- In the last two years, 40% of PCAOB actions and 10% of SEC actions involved GNF respondents. During the prior administrations, 33% and 40% of PCAOB and SEC actions, respectively, involved GNF respondents.

3. The PCAOB Initiated a Higher Percentage of Actions Against Non-US Respondents than the SEC

FIGURE 7: ACTIONS INITIATED AGAINST AUDITORS: US VS. NON-US RESPONDENTS (2018–2021, 2022 & 2023)



Sources: <https://www.sec.gov/page/litigation>; <https://pcaobus.org/oversight/enforcement>.

TOTAL ENFORCEMENT ACTIVITY

- 60% of total actions in 2023 were brought against US respondents, in line with 59% in 2022 but well below the 2018–2021 average of 74%.

PCAOB VS. SEC ENFORCEMENT ACTIVITY

- 64% of 2023 actions involving US respondents were brought by the PCAOB. 96% of 2023 actions involving non-US respondents were brought by the PCAOB.
 - On November 30, 2023, the PCAOB announced enforcement actions against three PRC/Hong Kong-based firms. This was the [first time](#) in its history that the PCAOB was

able to bring an enforcement action against a firm in the PRC or Hong Kong based on its audit deficiencies.⁶

- Half of all PCAOB actions in 2023 actions involved non-US respondents, down from 55% in 2022 – the only year in PCAOB enforcement history in which more than half of PCAOB actions involved non-US respondents – but higher than the 2018–2021 average of 35%. In contrast, the SEC brought only one action in 2023 involving non-US respondents, which is consistent with 2022 and down slightly from the average of 1.75 during 2018–2021.

⁶ As discussed in more detail in Section VI.B, in August 2022, for the first time in its history, the PCAOB secured [full access](#) to inspect PCAOB-registered firms in the PRC and Hong Kong.

IV. Alleged Violations in Initiated Enforcement Actions

Alleged violations in enforcement actions against auditors initiated by the PCAOB and SEC in 2023 – with some exceptions – largely mirrored those seen the year prior. Alleged violations of auditing standards remained the most common, seen in 67% of initiated PCAOB actions and the vast majority (86%) of SEC actions.

For purposes of this report, violations are grouped into six categories for the PCAOB (registration and reporting, auditing standards, quality control standards, ethics and independence, failure to supervise, and non-cooperation) and three categories for the SEC (auditing standards, quality control standards, and ethics and independence).⁷

Actions involving quality control (QC) standards increased for the PCAOB in 2023, with relevant violations alleged in over 40% of initiated actions. In contrast, SEC actions alleging QC violations decreased in 2023, charged in just under 30% of actions against auditors.

While the number of PCAOB actions involving ethics and independence allegations (11) more than doubled in 2023, the number of SEC actions alleging ethics and independence violations declined from three in 2022 to one in 2023.

The engagement quality review (EQR) standard was an increasing focus for both regulators in 2023, with violations alleged in 36% of actions alleging an auditing standards violation, up from 27% in 2022. A recent [PCAOB Spotlight report](#) discussed a “troubling” trend of a “high and

⁷ Actions are categorized into one or more of the following based on the on the rules and/or standards allegedly violated:

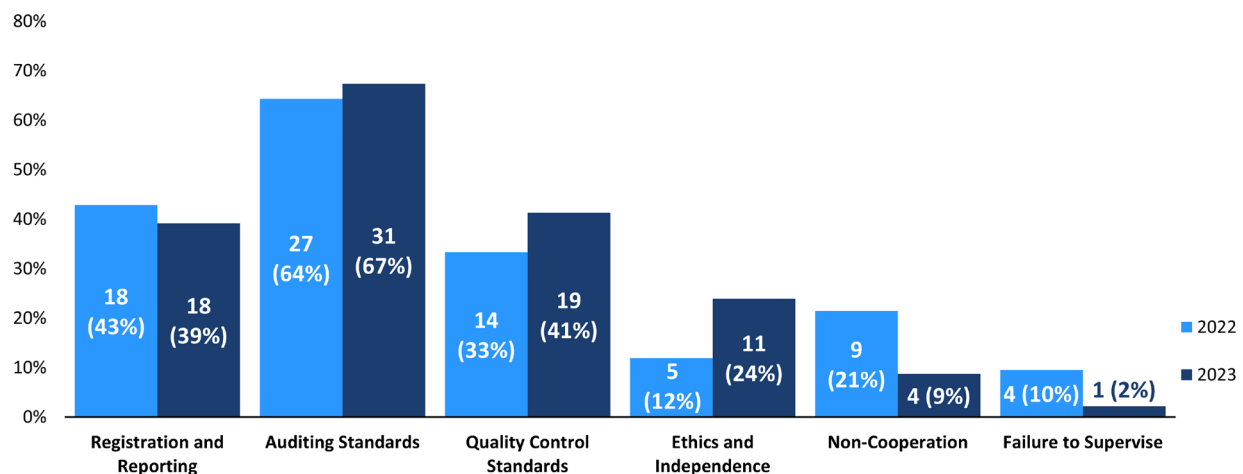
- “Registration and reporting”: Violation of Rules 2100, 2200, 2201, 2202, 2203, and/or 3211.
- “Auditing standards”: Violation of PCAOB Rule 3200, a specific AICPA or PCAOB auditing standard, and/or an AICPA attestation standard. Excludes actions in which the only alleged violation relates to QC standards.
- “Quality control (QC) standards”: Violation of PCAOB Rule 3400T and/or a specific PCAOB or AICPA quality control standard.
- “Ethics and independence”: Violations of Rule 2-01 of Regulation S-X, Rules 3500T, and/or Rules 3520–3526.
- “Failure to supervise”: Violation of SOX 105(c)(6).
- “Non-Cooperation”: Violation of Rules 4006 and/or 5110.

increasing rate of audit deficiencies related to EQRs,” suggesting that enforcement actions alleging EQR violations may continue to rise.

Notably, 2023 was the first year that the PCAOB and SEC brought actions involving critical audit matters (CAMs). It was also the second year, after initiating four relevant actions in 2022, that the PCAOB charged respondents for failure to supervise personnel under SOX §105(c)(6).

A. PCAOB Actions Alleged a Broad Range of Issues

FIGURE 8: VIOLATIONS ALLEGED IN INITIATED PCAOB ACTIONS AGAINST AUDITORS: 2022 VS. 2023



Source: <https://pcaobus.org/oversight/enforcement>.

Note: An action may be included in multiple categories.

PCAOB ENFORCEMENT ACTIVITY

- The most commonly alleged violations in 2023 involved those related to compliance with auditing standards, which were alleged in 67% of PCAOB actions, up slightly from 64% in 2022.
- The PCAOB alleged violations of QC standards in 41% of 2023 actions, up from 33% in 2022.
 - During 2022 and 2023, all but one action alleging QC violations included a firm respondent. Individuals were charged with recklessly contributing to a QC violation in roughly a third of the actions alleging a QC violation.⁸

⁸ QC charges against individuals will likely increase if the PCAOB’s September 2023 [Proposed Amendment to Rule 3502 Governing Contributory Liability](#) is enacted, which would lower the bar for individuals to be charged for

Continued on next page

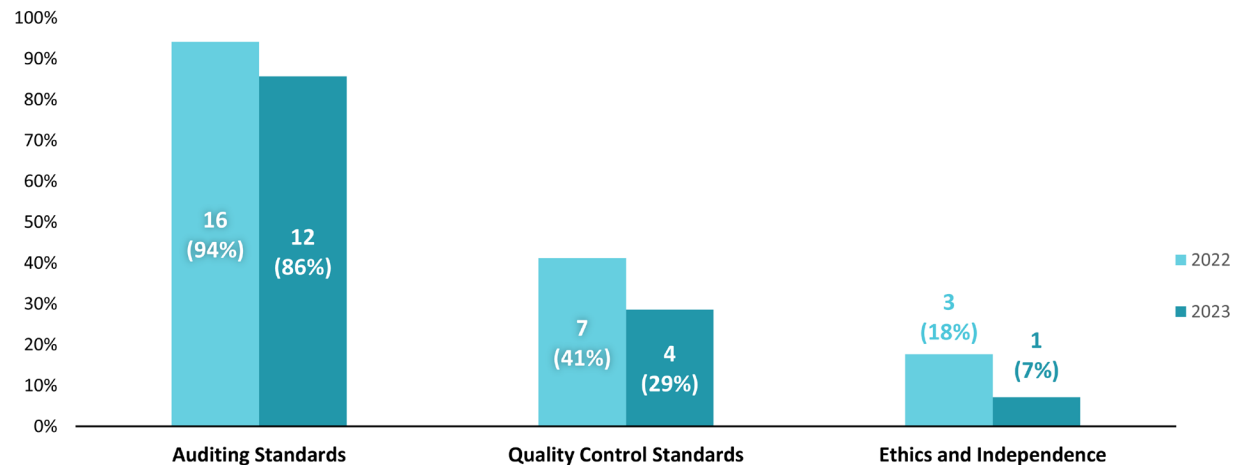
- Charges pertaining to alleged ethics and independence violations increased from five actions (12%) in 2022 PCAOB actions to 11 actions (24%) in 2023.
 - All five actions in 2022 alleging ethics and independence violations alleged violations of ET § 102, *Integrity and Objectivity* related to improper alteration of work papers and failure to cooperate with inspectors.⁹
 - 10 of the 11 actions in 2023 allege a violation of Rule 2-01 of Regulation S-X. Five of the actions allege violations of Rule 3524, *Audit Committee Pre-Approval of Certain Tax Services*.
 - One action in 2023 marked the PCAOB’s first-ever independence-related sanction due to the audit of valuations performed by an accounting firm that was a member of the [same accounting alliance](#).
- Nearly a third of 2022 actions and over 20% of 2023 actions alleged *only* a registration and reporting and/or non-cooperation violation. Close to three-quarters of these actions resulted from sweeps.
- In addition to alleging violations of PCAOB rules and standards, in April 2022, for the first time in its history, the PCAOB charged respondents for failure to supervise personnel [under SOX §105\(c\)\(6\)](#), bringing four such actions in 2022 and one in 2023.

contributing to a firm’s violations from “reckless” to “negligent” conduct and expands the types of individuals that can be charged. In its proposed amendment, the PCAOB “observed that registered firms that commit a QC violation often have multiple individuals with overlapping QC responsibility but that no single individual was reckless in failing to act, and thus no individual can be held personally accountable for the firm’s QC failure. And yet, individuals with QC responsibility at a firm are often in some of the most important, decision-making roles within the firm because a compliant QC system serves as the backstop to ensure that all other professional standards are followed.”

⁹ Four of the five actions were all related actions (i.e., they pertained to the same alleged misconduct).

B. The Vast Majority of SEC Actions Alleged Auditing Standards Violations

FIGURE 9: VIOLATIONS ALLEGED IN INITIATED SEC ACTIONS AGAINST AUDITORS: 2022 VS. 2023



Source: <https://www.sec.gov/page/litigation>.

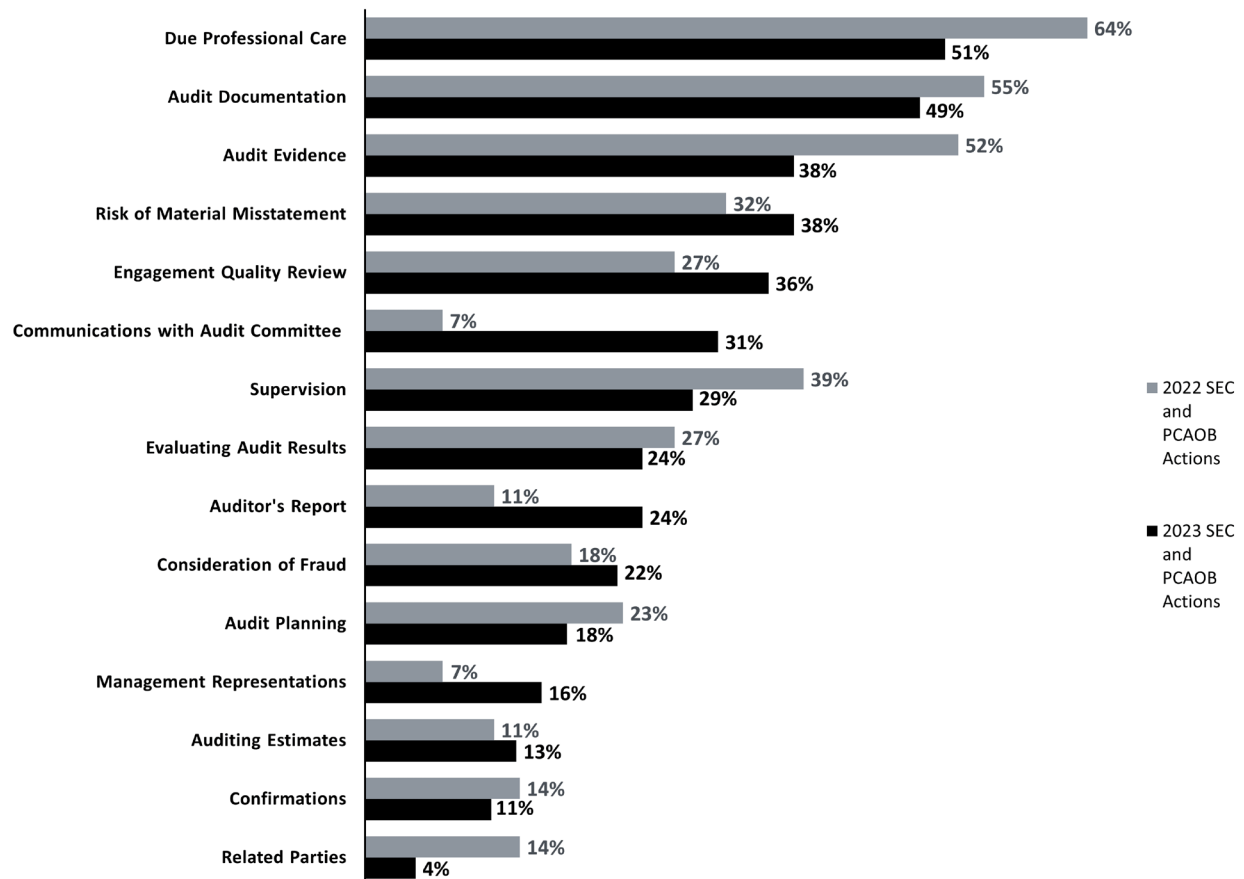
Note: An action may be included in multiple categories.

SEC ENFORCEMENT ACTIVITY

- In both 2022 and 2023, the majority of SEC actions alleged violations of auditing standards.
- Nearly 29% of 2023 actions alleged QC violations, down from over 40% in 2022.
 - According to SEC Director Grewal, this decline doesn't indicate a reduced focus by the agency on QC. Rather, alleged violations in a given year reflect the SEC's assessment of the audit firm's overall QC environment.
- The number of actions alleging ethics and independence violations dropped to one action (7%) in 2023 from three actions (18%) in 2022.

C. Alleged Violations of AICPA or PCAOB Auditing Standards¹⁰

FIGURE 10: VIOLATIONS OF AUDITING STANDARDS ALLEGED IN INITIATED ACTIONS AGAINST AUDITORS: 2022 VS. 2023



Sources: <https://www.sec.gov/page/litigation>; <https://pcaobus.org/oversight/enforcement>.

Notes: Data are presented as a percentage of actions alleging one or more auditing or attestation standard violations. The figure includes the top 15 alleged violations only.

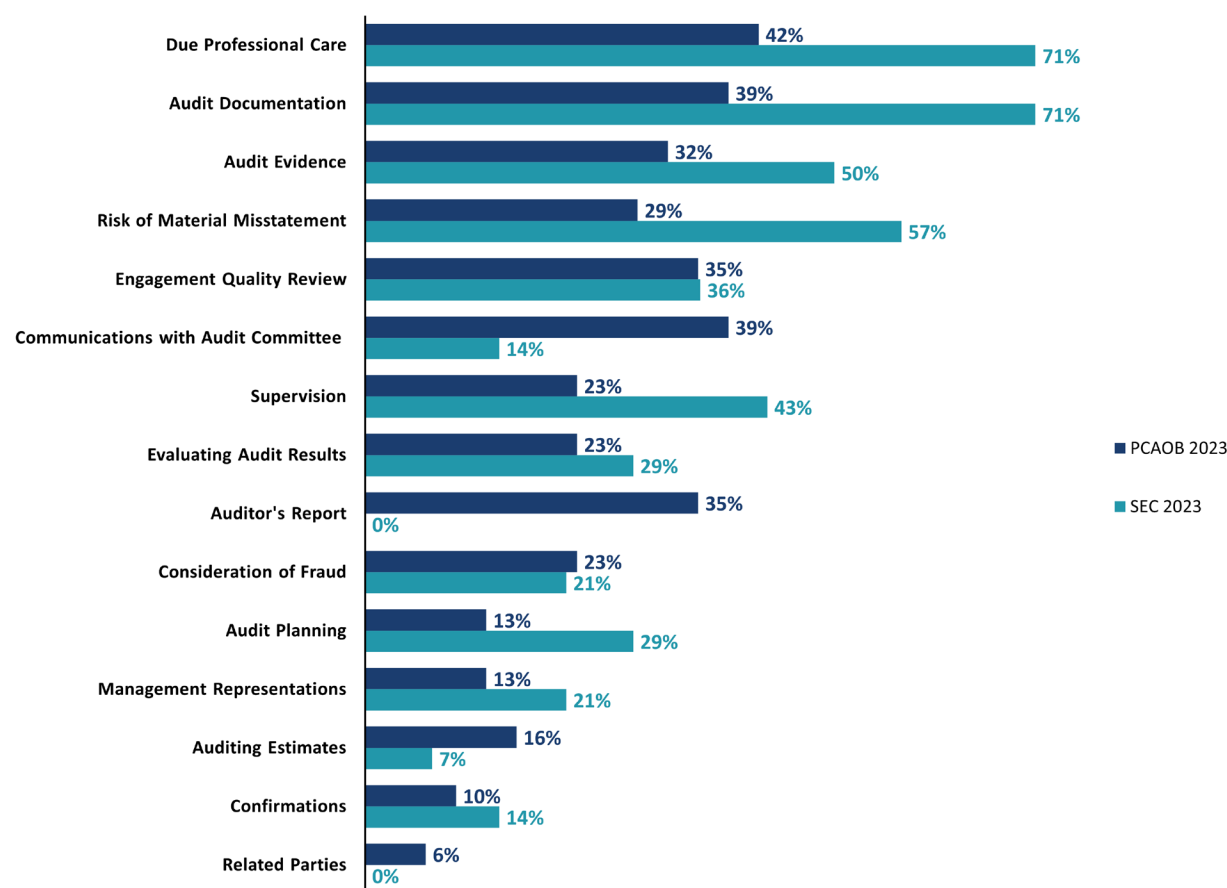
TOTAL ENFORCEMENT ACTIVITY

- Consistent with 2022, in actions alleging an auditing standard violation, the standards alleged to have been violated most often in 2023 involved due professional care and audit documentation.

¹⁰ Statistics provided in this section are as a percent of actions alleging one or more auditing standard violation.

- Alleged violations related to audit committee communications increased significantly in 2023. More than half of the actions alleging a violation of AS 1301, *Communications with Audit Committees*, resulted from two related [sweeps](#) by the PCAOB.
- The engagement quality review (EQR) standard continued to be a focus of the regulators, with violations alleged in 36% of initiated actions alleging an auditing standards violation in 2023, up from 27% in 2022.
- For the first time, the PCAOB and SEC brought actions in 2023 involving critical audit matters (CAMs), which [have been required](#) under AS 3101, *The Auditor's Report on an Audit of Financial Statements When the Auditor Expresses an Unqualified Opinion*, for fiscal years ending on or after June 30, 2019 (for large accelerated filers) or December 15, 2020 (for other companies).

FIGURE 11: VIOLATIONS OF AUDITING STANDARDS ALLEGED IN 2023 INITIATED ACTIONS AGAINST AUDITORS: PCAOB VS. SEC



Sources: <https://www.sec.gov/page/litigation>; <https://pcaobus.org/oversight/enforcement>

Notes: Data are presented as a percentage of actions alleging one or more auditing or attestation standard violations. The figure includes the top 15 alleged violations only.

PCAOB VS. SEC ENFORCEMENT ACTIVITY

- In 2023 actions alleging a violation of an auditing standard, on average the SEC alleged roughly 6.5 auditing standards violations, compared to approximately four alleged violations on average per PCAOB action.
- The percentage of SEC actions alleging a violation of the audit documentation standard increased from just over half of 2022 actions alleging an auditing standards violation to nearly three-quarters of 2023 actions. PCAOB actions alleging violations of the audit documentation standard, on the other hand, dropped from 56% in 2022 to 39% in 2023.
- In 2023, the SEC did not allege any violations of the related parties standard, down from nearly a third of actions in 2022.

V. Sanctions in Finalized Enforcement Actions

The PCAOB and SEC imposed over \$31 million in total monetary sanctions against auditors in 2023. This was a steep decline from 2022 when – driven by a \$100 million fine against a Big 4 firm, the highest SEC penalty against an auditor in history – total penalties surpassed \$138 million. However, monetary sanctions in 2023 remained more than 50% higher than the average during the prior administrations (2018–2021).

Excluding actions with settlements of \$10 million or more,¹¹ total monetary sanctions in 2023 were 16% higher than 2022 levels and nearly four times the annual average during 2018–2021.

The PCAOB imposed a historic level of penalties in 2023 (\$20 million), surpassing its prior record of \$11 million in 2022 by more than 80%. In fact, more than half of the total penalties in the PCAOB’s 19-year enforcement history have been imposed by the current administration. 2023 was the first year in our sample that the PCAOB imposed higher monetary sanctions against auditors than the SEC, which imposed \$11.5 million in total fines. However, the SEC’s median settlement of approximately \$550,000 with firm respondents was 11 times higher than that of its counterpart (\$50,000).

The percentage of respondents that were sanctioned with a monetary penalty increased from 65% during the prior administrations to 95% in 2023. The increase was driven, in large part, by an increase in the percentage of individuals fined, up from 54% during 2018–2021 to 90% in 2023.

Notable in 2023 was the relatively high monetary sanctions placed on non-US respondents (\$14.4 million, 46% of total fines) – almost exclusively imposed by PCAOB – which, though lower than non-US respondent fines in 2022, were more than eight times that of the 2018–2021 average.

Also of note, the fines imposed on NAF respondents rose from 7% of total monetary sanctions imposed during 2018–2022 to 56% in 2023 – largely due to parallel enforcement against

¹¹ During 2018–2023, there were five firms that settled for \$10 million or more: (1) \$50 million imposed on a US Big 4 firm in 2019 for alleged integrity-related misconduct; (2) \$10 million imposed on a US Big 4 firm in 2021 for alleged independence violations; (3) \$100 million imposed in 2022 on a US Big 4 firm for alleged integrity-related misconduct; (4) \$20 million imposed on a PRC affiliate of a Big 4 firm in 2022 for alleged audit failures; and (5) \$10 million imposed on a US NAF firm in 2023 for alleged audit failures and quality control violations. All penalties of \$10 million or more were imposed by the SEC.

Marcum LLP, with combined penalties of \$13 million.¹² The \$3 million fine imposed on Marcum LLP by the PCAOB was the highest penalty the regulator has ever imposed on a NAF respondent, and the \$10 million imposed by the SEC was nearly triple the next highest penalty imposed by the SEC on any other NAF respondent in our sample. The PCAOB's settlement with Marcum resulted in first-of-its-kind [nonmonetary sanctions](#) – requiring the firm to create a new Chief Quality Officer role and a committee responsible for the oversight function of the audit practice.

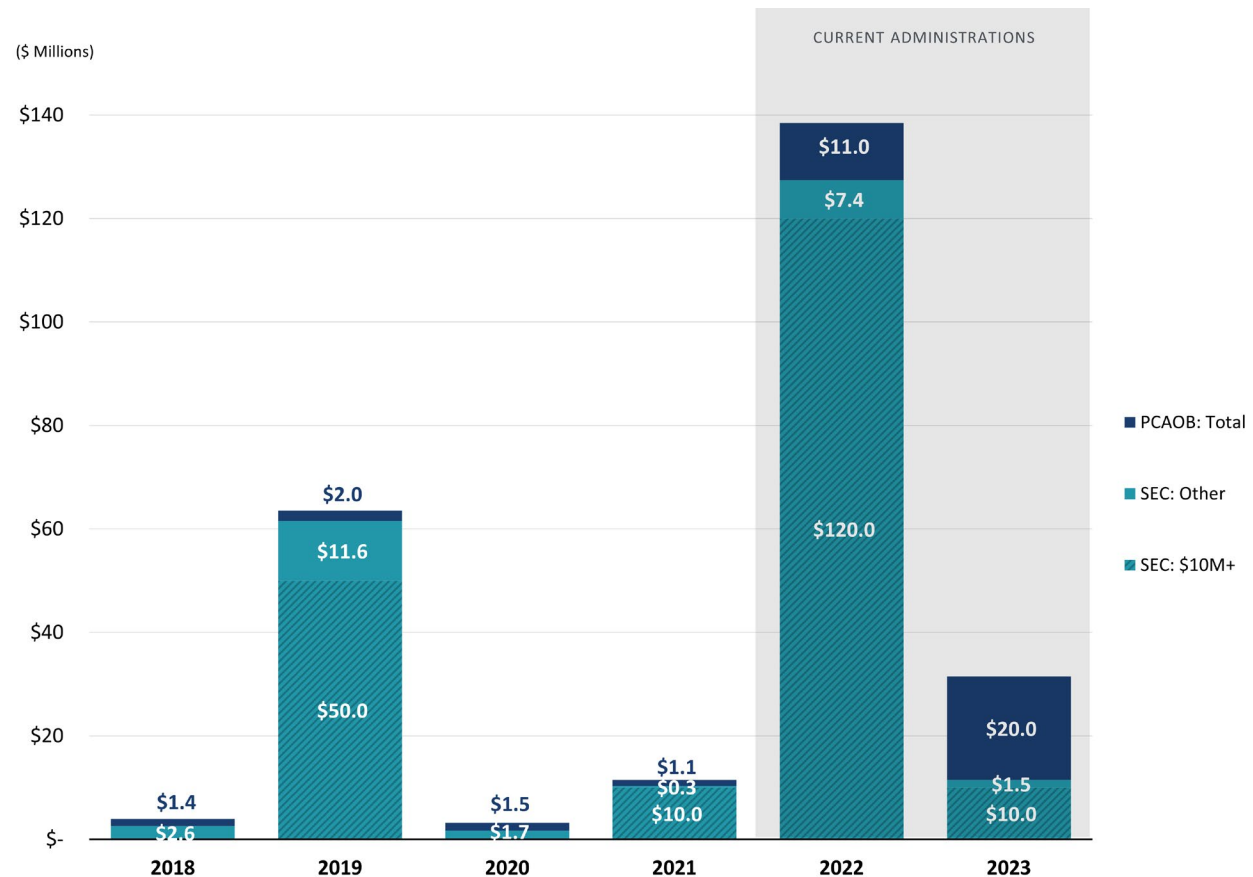
Together, the PCAOB and SEC imposed an independent monitor or independent consultant in 13 actions (15%) involving a firm respondent during the current administrations, up from nine actions (10%) during the prior administrations.

¹² See Section VI.E. for additional discussion of the Marcum LLC actions.

A. Monetary Sanctions in Finalized Actions

1. The PCAOB Imposed Higher Penalties in 2023 than the SEC

FIGURE 12: TOTAL MONETARY SANCTIONS IN FINALIZED ACTIONS AGAINST AUDITORS: 2018–2023



Sources: <https://www.sec.gov/page/litigation>; <https://pcaobus.org/oversight/enforcement>.

TOTAL ENFORCEMENT ACTIVITY

- PCAOB and SEC monetary sanctions totaled \$31.5 million in 2023, less than a quarter of 2022 totals (\$138.5 million) but more than 50% higher than the 2018–2021 average (\$20.5 million).
 - The decline from 2022 was driven by the highest penalty imposed by the SEC, declining from \$100 million in 2022 to \$10 million in 2023.
 - The \$100 million settlement in 2022 was the highest monetary sanction against an audit firm in SEC history and twice the prior record of \$50 million imposed by the SEC in 2019.
 - Excluding penalties of \$10 million or more, total monetary sanctions in 2023 were 16% higher than 2022 levels and nearly four times the 2018–2021 average.

- 2023 is the first year in our sample in which the PCAOB imposed higher monetary sanctions against auditors than the SEC.
- In 2023, the SEC brought 23% of the actions involving auditors and imposed 36% of the total monetary sanctions. In comparison, in 2022, the SEC brought 29% of total actions involving auditors but imposed 92% of the penalties.
 - Excluding penalties of \$10 million or more, the SEC imposed 7% of total monetary sanctions in 2023, down from 40% in 2022 and the 2018–2021 average of 81%.

PCAOB ENFORCEMENT ACTIVITY

- Penalties imposed by the PCAOB in 2023 (\$20 million) – the highest annual penalties imposed in PCAOB history – were nearly double its prior record of \$11 million in 2022 and were more than 13 times the 2018–2021 average (\$1.5 million).
- More than half of the roughly \$60 million in penalties imposed by the PCAOB in its 19-year enforcement history¹³ have been imposed on respondents in the last two years.
- The PCAOB obtained full or partial admissions of charges from three respondents in two actions in 2023, down from four respondents in four related actions in 2022.
- In Q4 2022, with respect to imposed monetary penalties, the PCAOB began prohibiting respondents from (1) accepting reimbursement or indemnification from any source, (2) claiming tax deductions or credits, or (3) benefiting from offsets of awards of compensatory damages in private actions based on substantially the same facts. The PCAOB included this prohibition in all settled actions in 2023.

SEC ENFORCEMENT ACTIVITY

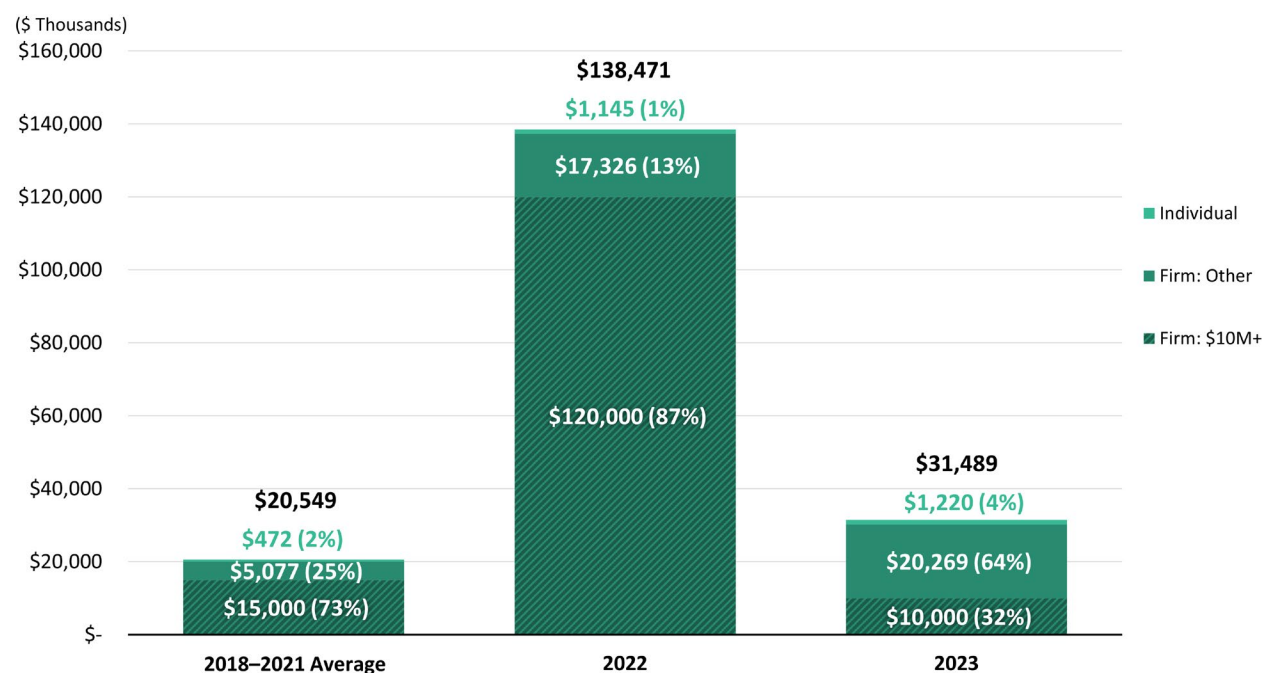
- SEC monetary sanctions are comprised of civil penalties, disgorgement, and pre-judgment interest. In both 2022 and 2023, civil penalties made up over 95% of total monetary sanctions.
- Total monetary sanctions imposed by the SEC dropped to \$11.5 million in 2023 from \$127.4 million in 2022 and was down 40% from the average during 2018–2021 (\$19 million).
- One SEC action in 2022 included an admission of the charges. There were no admissions in 2023.

¹³ The PCAOB disclosed its first finalized enforcement actions in 2005.

- In 2022 and 2023, all respondents required to pay a monetary penalty were precluded by the SEC from offsetting an award of compensatory damages in a related investor action by the amount of the penalty.

2. Monetary Sanctions Against Firms Remained Higher than Under the Previous Administrations

FIGURE 13: TOTAL MONETARY SANCTIONS IN FINALIZED ACTIONS AGAINST AUDITORS: INDIVIDUALS VS. FIRMS (2018–2021, 2022 & 2023)



Sources: <https://www.sec.gov/page/litigation>; <https://pcaobus.org/oversight/enforcement>.

TOTAL ENFORCEMENT ACTIVITY

Firm Respondents

- Combined, PCAOB and SEC monetary sanctions against firms in 2023 (\$30.3 million) were 50% higher than the average total sanctions during 2018–2021. Excluding settlements of \$10 million or more, the \$20.3 million in monetary settlements against firms was 17% higher than in 2022 and was nearly four times the 2018–2021 average.
 - PCAOB monetary sanctions imposed on firms in 2023 totaled \$19.1 million, nearly double the \$10 million imposed on firms in 2022 and nearly 15 times the average penalties imposed on firms under the prior administration.
 - The SEC imposed total monetary sanctions of \$11.1 million against firms, less than 9% of its record \$127.3 million imposed on firms in 2022 and down approximately 40% from

the 2018–2021 average of \$18.8 million. Excluding penalties of \$10 million or more, SEC fines against firms in 2023 were down 85% from 2022 levels and 82% from the 2018–2021 average.

- Median monetary sanctions brought by the PCAOB and SEC against firms in 2023 (\$50,000) were in line with 2022 and twice the median during 2018–2021 (\$25,000).
 - The median fine imposed by the PCAOB on firms in 2023 was \$50,000. The median fine imposed by the SEC on a firm was 11 times higher (over \$550,00).
- Fines were imposed on 98% of total firm respondents in settled or adjudicated actions in 2023, up slightly from 92% in 2022.
 - The PCAOB and SEC fined 100% and 80% of firm respondents in 2023, respectively.

Individual Respondents

- PCAOB and SEC monetary sanctions imposed on individuals totaled \$1.2 million in 2023, in line with 2022 and more than twice the 2018–2021 average (\$0.5 million).
- Median monetary sanctions brought by the PCAOB and SEC against individuals in 2023 (\$37,500) were 50% higher than in 2022 (\$25,000) and 2.5 times the median during 2018–2021 (\$15,000).
 - The median fine imposed by the PCAOB on individuals during 2023 (\$45,000) was 80% higher than the median fine imposed by the SEC against individual respondents (\$25,000).
- Fines were imposed on 90% of total individual respondents subject to a fine in finalized actions in 2023, up from 67% in 2022 and 54% during 2018–2021.
 - The PCAOB fined all but one (95%) individual respondents in 2023, up from 92% in 2022 and 57% during 2018–2021. Excluding eight individual respondents whose actions were dismissed in June 2023,¹⁴ the SEC imposed penalties on 82% of individuals in 2023, up from 32% in 2022 and an average of 51% during 2018–2021.
- In total, the PCAOB and SEC disclosed that they rewarded respondents for extraordinary cooperation in six actions in 2023, down from nine actions in 2022. Neither the SEC nor PCAOB discloses the amounts that fines are reduced as a result of cooperation.

¹⁴ On [June 2, 2023, the SEC dismissed proceedings](#) against one audit firm and eight individual auditors because of a “control deficiency related to the separation of [SEC] enforcement and adjudicatory functions.” The dismissal also affected dozens of non-auditor respondents that are not included in our analysis.

FIGURE 14: MONETARY SANCTIONS IN FINALIZED ACTIONS AGAINST AUDITORS: INDIVIDUALS VS. FIRM (2018–2021, 2022 & 2023)

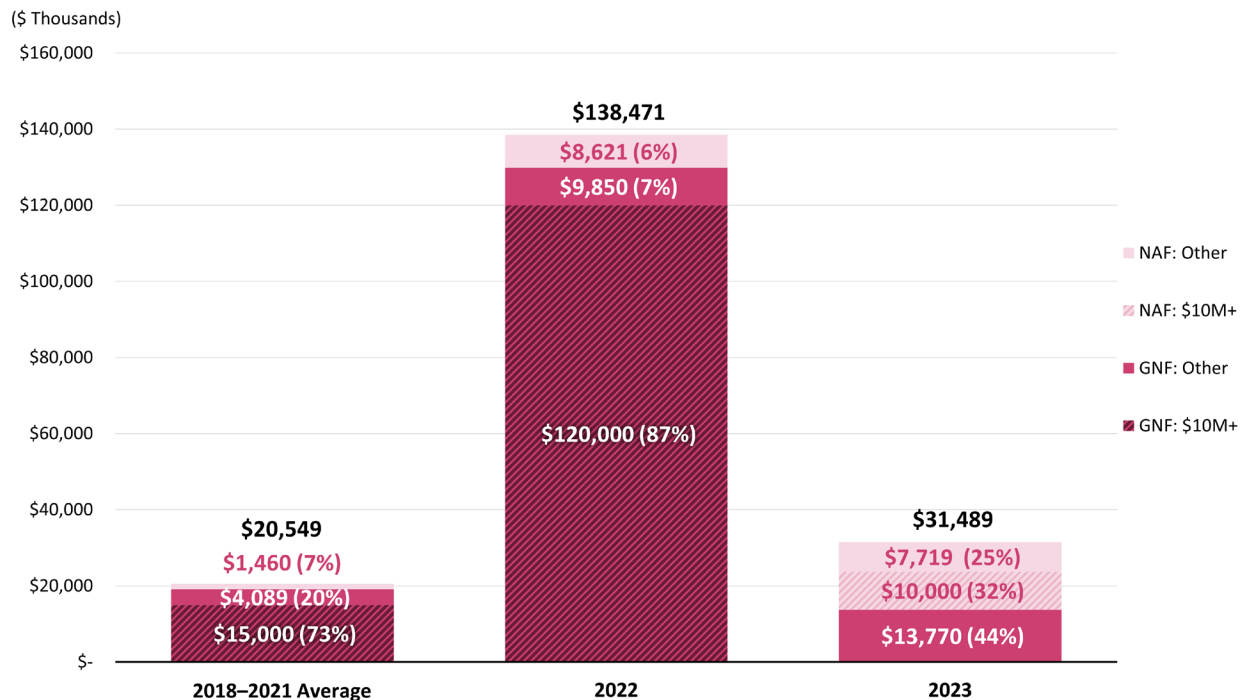
	2018–2021 Average		2022		2023	
PCAOB	Individual	Firm	Individual	Firm	Individual	Firm
Respondents	20.50	14.75	26	30	19	43
# of Respondents Fined	11.75	13.00	24	30	18	43
% of Respondents Fined	57%	88%	92%	100%	95%	100%
Max Fine	\$ 0.05 M	\$ 0.75 M	\$ 0.15 M	\$ 4.00 M	\$ 0.10 M	\$ 4.00 M
Average Fine	\$ 0.02 M	\$ 0.10 M	\$ 0.04 M	\$ 0.33 M	\$ 0.05 M	\$ 0.45 M
Median Fine	\$ 0.01 M	\$ 0.02 M	\$ 0.03 M	\$ 0.04 M	\$ 0.05 M	\$ 0.05 M
Total	\$ 0.21 M 14%	\$ 1.30 M 86%	\$ 1.01 M 9%	\$ 10.02 M 91%	\$ 0.89 M 4%	\$ 19.14 M 96%
SEC	Individual	Firm	Individual	Firm	Individual	Firm
Respondents	15.75	6.75	19	9	19	6
# of Respondents Dismissed					8	1
# of Respondents Fined	8.00	5.00	6	6	9	4
% of Respondents Fined	51%	74%	32%	67%	82%	80%
Max Fine	\$ 0.15 M	\$ 50.00 M	\$ 0.03 M	\$ 100.00 M	\$ 0.09 M	\$ 10.00 M
Average Fine	\$ 0.03 M	\$ 3.76 M	\$ 0.02 M	\$ 21.22 M	\$ 0.04 M	\$ 2.78 M
Median Fine	\$ 0.02 M	\$ 0.10 M	\$ 0.02 M	\$ 2.83 M	\$ 0.03 M	\$ 0.55 M
Total	\$ 0.26 M 1%	\$ 18.78 M 99%	\$ 0.14 M 0%	\$ 127.31 M 100%	\$ 0.33 M 3%	\$ 11.13 M 97%
Combined	Individual	Firm	Individual	Firm	Individual	Firm
Respondents	36.25	21.50	45	39	38	49
# of Respondents Dismissed					8	1
# of Respondents Fined	19.75	18.00	30	36	27	47
% of Respondents Fined	54%	84%	67%	92%	90%	98%
Max Fine	\$ 0.15 M	\$ 50.00 M	\$ 0.15 M	\$ 100.00 M	\$ 0.10 M	\$ 10.00 M
Average Fine	\$ 0.02 M	\$ 1.12 M	\$ 0.04 M	\$ 3.81 M	\$ 0.05 M	\$ 0.64 M
Median Fine	\$ 0.02 M	\$ 0.03 M	\$ 0.03 M	\$ 0.05 M	\$ 0.04 M	\$ 0.05 M
Total	\$ 0.47 M 2%	\$ 20.08 M 98%	\$ 1.15 M 1%	\$ 137.33 M 99%	\$ 1.22 M 4%	\$ 30.27 M 96%

Sources: <https://www.sec.gov/page/litigation>; <https://pcaobus.org/oversight/enforcement>.

Note: “% of Respondents Fined” is as a percent of respondents subject to a penalty.

3. Monetary Sanctions Against GNF vs. NAF Respondents

FIGURE 15: TOTAL MONETARY SANCTIONS IN FINALIZED ACTIONS AGAINST AUDITORS: GNF VS. NAF RESPONDENTS (2018–2021, 2022 & 2023)



Sources: <https://www.sec.gov/page/litigation>; <https://pcaobus.org/oversight/enforcement>.

Note: GNF respondents include firms and individuals associated with GNFs. All other firm and individual respondents are considered to be NAF respondents.

TOTAL ENFORCEMENT ACTIVITY

GNF Respondents

- 44% of the \$31.5 million in total monetary sanctions imposed in 2023 were imposed on GNF respondents, a stark contrast from 94% in 2022 and 93% in 2018–2021.
- All monetary sanctions imposed on GNF respondents in 2023 were imposed by the PCAOB. The \$13.8 million in monetary sanctions imposed on GNF respondents in 2023 was down 90% from 2022 levels (\$129.9 million) and 28% from the 2018–2021 average (\$19.1 million).
 - Excluding penalties of \$10 million or more, monetary sanctions imposed on GNFs in 2023 were up 40% from 2022 and were more than three times the 2018–2021 average.
- Penalties were imposed on all GNF respondents that faced a potential fine in 2023, up slightly from 93% in 2022 and a substantial increase from 60% during 2018–2021.

NAF Respondents

- 56% of total monetary sanctions imposed in 2023 were imposed on NAF respondents, up substantially from 6% in 2022 and 7% in 2018–2021.
- The \$17.7 million in monetary sanctions imposed on NAF respondents in 2023 were more than twice the fines imposed on NAF respondents during the prior year and more than 12-fold the average penalties imposed on NAF respondents during 2018–2021.
 - \$13 million of the \$17.7 million – nearly three-quarters of total monetary sanctions imposed on NAF respondents – resulted from parallel enforcement actions brought by the [PCAOB](#) and [SEC](#) on June 21, 2023 against Marcum LLP.¹⁵ The PCAOB’s \$3 million penalty imposed on Marcum LLC was the [highest penalty](#) the PCAOB has imposed on an NAF respondent in its history. The \$10 million penalty imposed by the SEC was nearly triple the next highest penalty imposed by the SEC on any other NAF respondent in our sample.
 - Excluding penalties of \$10 million or more, monetary sanctions imposed on NAF firms in 2023 were down 10% from 2022 but were more than five times the 2018–2021 average.
- Penalties were imposed on 94% of NAF respondents that faced a potential fine in 2023, a considerable increase from 71% in 2022 and 67% during 2018–2021.

¹⁵ See Section VI for additional discussion of the Marcum LLC actions.

FIGURE 16: MONETARY SANCTIONS IN FINALIZED ACTIONS AGAINST AUDITORS: GNF VS. NAF RESPONDENTS (2018–2021, 2022 & 2023)

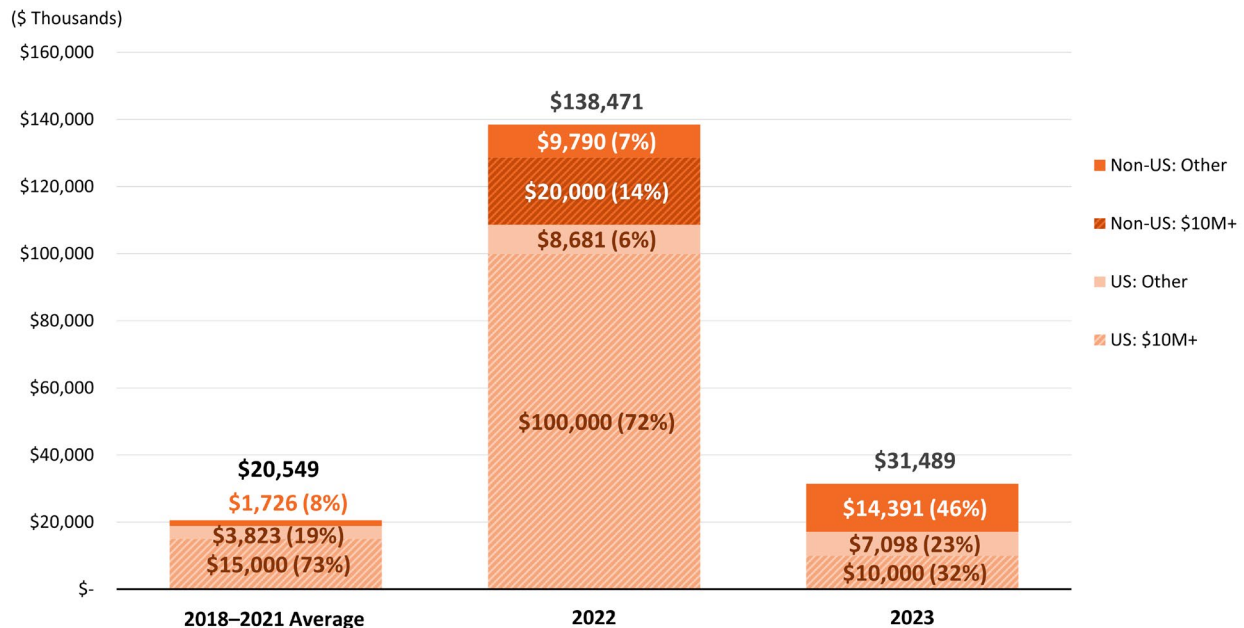
	2018–2021 Average		2022		2023	
PCAOB	GNF	NAF	GNF	NAF	GNF	NAF
Respondents	10.50	25.00	26	30	15	47
# of Respondents Fined	7.25	17.50	24	30	15	46
% of Respondents Fined	69%	70%	92%	100%	100%	98%
Max Fine	\$ 0.75 M	\$ 0.45 M	\$ 4.00 M	\$ 0.20 M	\$ 4.00 M	\$ 3.00 M
Average Fine	\$ 0.14 M	\$ 0.03 M	\$ 0.41 M	\$ 0.04 M	\$ 0.92 M	\$ 0.14 M
Median Fine	\$ 0.03 M	\$ 0.02 M	\$ 0.07 M	\$ 0.03 M	\$ 0.05 M	\$ 0.05 M
Total	\$ 1.00 M 66%	\$ 0.51 M 34%	\$ 9.85 M 89%	\$ 1.18 M 11%	\$ 13.77 M 69%	\$ 6.26 M 31%
SEC	GNF	NAF	GNF	NAF	GNF	NAF
Respondents	9.00	13.50	2	26	1	24
# of Respondents Dismissed					1	8
# of Respondents Fined	4.50	8.50	2	10	0	13
% of Respondents Fined	50%	63%	100%	38%	n/a	81%
Max Fine	\$ 50.0 M	\$ 1.50 M	\$ 100.00 M	\$ 3.75 M	\$ 0.00 M	\$ 10.00 M
Average Fine	\$ 4.0 M	\$ 0.11 M	\$ 60.00 M	\$ 0.74 M	\$ 0.00 M	\$ 0.88 M
Median Fine	\$ 0.1 M	\$ 0.03 M	\$ 60.00 M	\$ 0.03 M	\$ 0.00 M	\$ 0.03 M
Total	\$ 18.09 M 95%	\$ 0.95 M 5%	\$ 120.00 M 94%	\$ 7.45 M 6%	\$ 0.00 M 0%	\$ 11.46 M 100%
Combined	GNF	NAF	GNF	NAF	GNF	NAF
Respondents	19.50	38.50	28	56	16	71
# of Respondents Dismissed					1	8
# of Respondents Fined	11.75	26.00	26	40	15	59
% of Respondents Fined	60%	68%	93%	71%	100%	94%
Max Fine	\$ 50.00 M	\$ 1.50 M	\$ 100.00 M	\$ 3.75 M	\$ 4.00 M	\$ 10.00 M
Average Fine	\$ 1.66 M	\$ 0.06 M	\$ 4.99 M	\$ 0.22 M	\$ 0.92 M	\$ 0.30 M
Median Fine	\$ 0.05 M	\$ 0.02 M	\$ 0.08 M	\$ 0.03 M	\$ 0.05 M	\$ 0.05 M
Total	\$ 19.09 M 93%	\$ 1.46 M 7%	\$ 129.85 M 94%	\$ 8.62 M 6%	\$ 13.77 M 44%	\$ 17.72 M 56%

Sources: <https://www.sec.gov/page/litigation>; <https://pcaobus.org/oversight/enforcement>.

Note: “% of Respondents Fined” is as a percent of respondents subject to a penalty.

4. Non-US Respondents Faced Relatively Higher Monetary Sanctions in 2023 than in Prior Years

FIGURE 17: TOTAL MONETARY SANCTIONS IN FINALIZED ACTIONS AGAINST AUDITORS: US AND NON-US RESPONDENTS (2018–2021, 2022 & 2023)



Sources: <https://www.sec.gov/page/litigation>; <https://pcaobus.org/oversight/enforcement>.

TOTAL ENFORCEMENT ACTIVITY

US Respondents

- 54% of monetary sanctions in 2023 were imposed against US respondents, down from 78% in 2022 and 92% during the prior administrations.
- Monetary sanctions imposed on US respondents in 2023 totaled \$17.1 million, down 84% from 2022 and 9% from the 2018–2021 average. Excluding penalties of \$10 million or more, monetary sanctions imposed on US respondents in 2023 were down 18% from 2022 levels but 86% higher than the 2018–2021 average.
- 61% of the penalties imposed on US respondents in 2023 were imposed by the SEC, down from 99% in 2022 and 96% during 2018–2021.
- Monetary sanctions were imposed on 93% of total US respondents subject to a penalty in 2023, up from 71% in 2022 and 61% under the prior administrations.

Non-US Respondents

- 46% of monetary sanctions in 2023 were imposed against non-US respondents, up from 22% in 2022 and 8% during the prior administrations.
- The \$14.4 million imposed on non-US respondents in 2023 was roughly half of 2022 levels, but more than eight times the 2018–2021 average. Excluding penalties of \$10 million or more, monetary sanctions imposed on non-US respondents in 2023 increased 47% from 2022 levels.
- Of the total fines imposed on non-US respondents in 2023, 93% were imposed by the PCAOB, up from 33% in 2022 and 42% during 2018–2021.
 - Two-thirds of total PCAOB penalties were imposed on non-US respondents, down from nearly 90% in 2022. During 2018–2021, less than half of the total PCAOB penalties were imposed on non-US respondents.
- Monetary sanctions were imposed on 97% of non-US respondents in 2023, up from 93% in 2022 and 76% in 2018–2023.

FIGURE 18: MONETARY SANCTIONS IN FINALIZED ACTIONS AGAINST AUDITORS: US AND NON-US RESPONDENTS (2018–2021, 2022 & 2023)

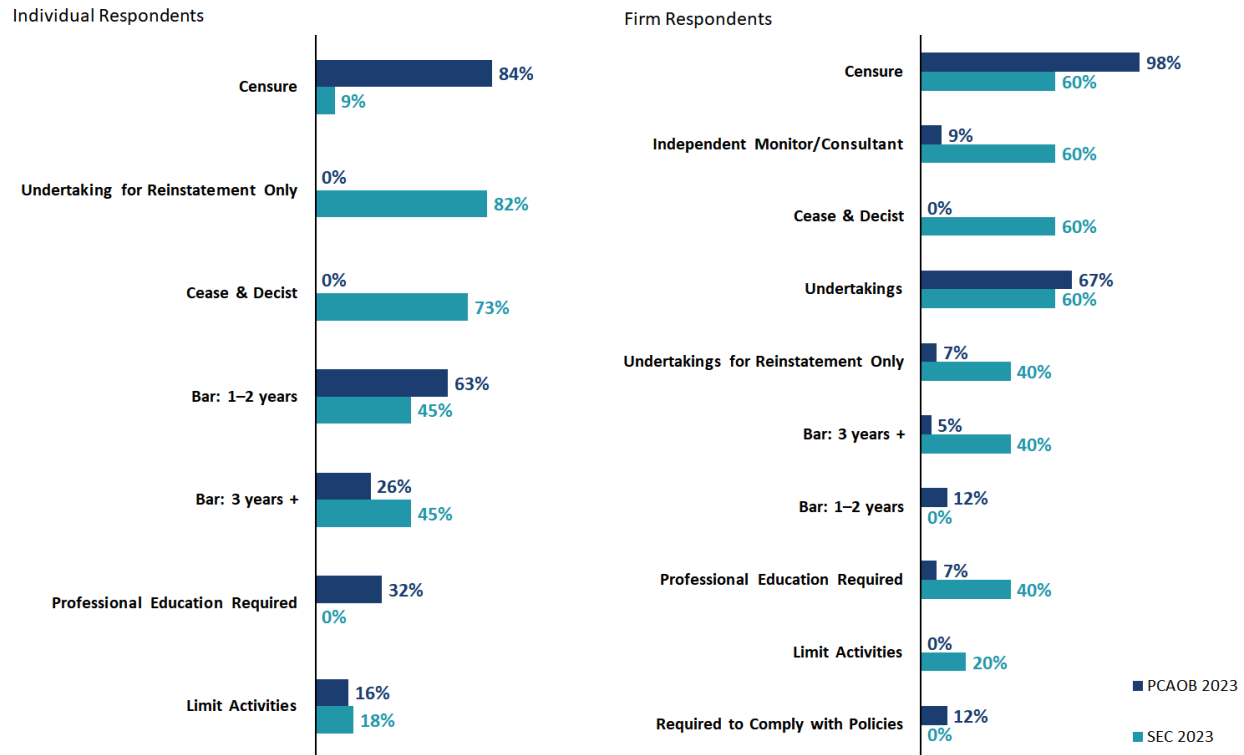
	2018–2021 Average		2022		2023	
PCAOB	US	Non-US	US	Non-US	US	Non-US
Respondents	24.00	11.50	29	27	33	29
# of Respondents Fined	15.25	9.50	29	25	33	28
% of Respondents Fined	64%	83%	100%	93%	100%	97%
Max Fine	\$ 0.75 M	\$ 0.50 M	\$ 0.20 M	\$ 4.00 M	\$ 3.00 M	\$ 4.00 M
Average Fine	\$ 0.05 M	\$ 0.08 M	\$ 0.04 M	\$ 0.39 M	\$ 0.20 M	\$ 0.48 M
Median Fine	\$ 0.02 M	\$ 0.02 M	\$ 0.03 M	\$ 0.05 M	\$ 0.04 M	\$ 0.05 M
Total	\$ 0.78 M 52%	\$ 0.73 M 48%	\$ 1.24 M 11%	\$ 9.79 M 89%	\$ 6.64 M 33%	\$ 13.39 M 67%
SEC	US	Non-US	US	Non-US	US	Non-US
Respondents	19.50	3.00	27	1	22	3
# of Respondents Dismissed					9	0
# of Respondents Fined	11.50	1.50	11	1	10	3
% of Respondents Fined	59%	50%	41%	100%	77%	100%
Max Fine	\$ 50.00 M	\$ 2.01 M	\$ 100.00 M	\$ 20.00 M	\$ 10.00 M	\$ 0.97 M
Average Fine	\$ 1.57 M	\$ 0.67 M	\$ 9.77 M	\$ 20.00 M	\$ 1.05 M	\$ 0.33 M
Median Fine	\$ 0.03 M	\$ 0.12 M	\$ 0.03 M	\$ 20.00 M	\$ 0.04 M	\$ 0.03 M
Total	\$ 18.04 M 95%	\$ 1.00 M 5%	\$ 107.45 M 84%	\$ 20.00 M 16%	\$ 10.46 M 91%	\$ 1.00 M 9%
Combined	US	Non-US	US	Non-US	US	Non-US
Respondents	43.50	14.50	56	28	55	32
# of Respondents Dismissed					9	0
# of Respondents Fined	26.75	11.00	40	26	43	31
% of Respondents Fined	61%	76%	71%	93%	93%	97%
Max Fine	\$ 50.00 M	\$ 2.01 M	\$ 100.00 M	\$ 20.00 M	\$ 10.00 M	\$ 4.00 M
Average Fine	\$ 0.71 M	\$ 0.17 M	\$ 2.72 M	\$ 1.15 M	\$ 0.40 M	\$ 0.46 M
Median Fine	\$ 0.02 M	\$ 0.03 M	\$ 0.03 M	\$ 0.06 M	\$ 0.04 M	\$ 0.05 M
Total	\$ 18.82 M 92%	\$ 1.73 M 8%	\$ 108.68 M 78%	\$ 29.79 M 22%	\$ 17.10 M 54%	\$ 14.39 M 46%

Sources: <https://www.sec.gov/page/litigation>; <https://pcaobus.org/oversight/enforcement>.

Note: “% of Respondents Fined” is as a percent of respondents subject to a penalty.

B. Nonmonetary Sanctions

FIGURE 19: NONMONETARY SANCTIONS IMPOSED ON INDIVIDUALS AND FIRMS IN 2023 FINALIZED ACTIONS AGAINST AUDITORS: PCAOB VS. SEC



Sources: <https://www.sec.gov/page/litigation>; <https://pcaobus.org/oversight/enforcement>.

Notes: Figures are a percent of respondents sanctioned. “Bars” include suspensions, revocations of registrations, and denials of privileges of appearing. “Undertakings” are commitments or promises made by a party to take specific actions or refrain from certain activities to address the issues raised in the enforcement proceedings. A sanction is considered to be an “undertaking” if the word “undertake” or “undertaking” is included in the sanction language and excludes undertakings that are only required if the respondent applies for reinstatement (these sanctions are captured separately as “undertakings for reinstatement only”).

TOTAL ENFORCEMENT ACTIVITY

- 90% of individual respondents in settled or adjudicated actions were barred or suspended in 2023, up from 84% in 2022.
- Nearly two-thirds of firm settlements in 2023 included undertakings. In addition, another 10% required undertakings for reinstatement, and 10% required firms to comply with recently updated policies and procedures.
- The PCAOB and SEC imposed an independent monitor or independent consultant in 13 actions in 2022–2023 (15% of actions involving a firm respondent), up from nine actions (10%) during 2018–2021.

VI. Looking Forward: Our Predictions for 2024 and Beyond

Based on our analysis of PCAOB and SEC enforcement actions and other publicly available information, we make the following predictions about SEC and PCAOB enforcement activity against auditors in 2024 and beyond.

A. Overall Enforcement Activity Will Remain Elevated

As discussed throughout this report, both the SEC and PCAOB stepped up enforcement efforts under their current administrations.

Neither regulator has indicated that their interest in enforcement against auditors is waning. The PCAOB continued to reiterate throughout 2023 that “strengthening enforcement” remains one of its “[key pillars](#)” for investor protection and, in recent remarks, PCAOB enforcement Director Robert Rice stated, “You should expect to see more of the same” when discussing enforcement plans for 2024.¹⁶

Similarly, the SEC remains focused on [gatekeeper accountability](#). In response to a question regarding the potential impact of the *SEC v. Jarkesy* matter currently before the Supreme Court,¹⁷ Director [Grewal stated](#), “We are not going to just stop holding auditors and other gatekeepers responsible when they fall short of their professional obligations just because there is some uncertainty in the court.”

¹⁶ PCAOB Registration, Inspection, and Enforcement Updates panel at the AICPA & CIMA Conference on Current SEC and PCAOB Developments, December 6, 2023.

¹⁷ [The Jarkesy matter](#) addresses the following issues:

1. Whether statutory provisions that empower the Securities and Exchange Commission (SEC) to initiate and adjudicate administrative enforcement proceedings seeking civil penalties violate the Seventh Amendment.
2. Whether statutory provisions that authorize the SEC to choose to enforce the securities laws through an agency adjudication instead of filing a district court action violate the nondelegation doctrine.
3. Whether Congress violated Article II by granting for-cause removal protection to administrative law judges in agencies whose heads enjoy for-cause removal protection.”

In addition, because PCAOB inspections are a significant source of referrals to its enforcement division, recent PCAOB inspection results provide another signal that enforcement against auditors will remain elevated. In its [July 2023 inspection observations](#), PCAOB staff noted a “concerning trend” of deteriorating audit quality, a trend that Chair Williams called “[absolutely unacceptable](#).”

B. Enforcement Activity Involving PCAOB-Registered Firms in the People’s Republic of China (PRC) and Hong Kong Will Increase

For the first time in its history, in August 2022, the PCAOB obtained [full access](#) to inspect PCAOB-registered firms in the PRC and Hong Kong, allowing the PCAOB unprecedented “sole discretion to select the firms, audit engagements, and potential violations it inspected and investigated – without consultation with, nor input from, PRC authorities.” The PCAOB also obtained access to complete audit workpapers and to interview or take testimony from all personnel associated with the audits being inspected.

Subsequent [PCAOB inspections](#) covered firms that “audited 99% of the total market cap of US-listed companies audited by Hong Kong and mainland China firms.” According to Chair Williams, as of December 2023, PCAOB inspectors “are on track to inspect firms that audited [100% of the total market cap](#) by the end of 2024.”

Chair Williams also stated that, “where appropriate,” PCAOB inspectors will [refer inspection findings](#) to the PCAOB’s enforcement staff, who “will not hesitate to recommend sanctions, including imposing significant [monetary] penalties and barring bad actors from performing future audits” if violations are found.

True to her word, in late [November 2023](#), the PCAOB disclosed enforcement actions involving three PRC/Hong Kong-based firms, two of which were “a direct result of information learned in the inspections [the PCAOB] conducted last year.” According to Chair Williams, “The days of China-based firms [evading accountability](#) are over.”

C. Heightened Focus on “Audit Firm Culture” May Drive Increased Enforcement Pertaining to Systems of Quality Control, Independence, and Ethics

“Audit firm culture” was a hot topic at the December 2023 AICPA & CIMA Conference on Current SEC and PCAOB Developments.

Christine Gunia, the PCAOB’s Acting Director of inspections, discussed a new PCAOB inspections initiative to evaluate firm culture at the six US GNFs.¹⁸ She described firm culture as an inherent part of an effective system of quality control that is “inseparable” from audit quality. “Audit firms need the right culture to drive the right behaviors, which in turn drive audit quality.” PCAOB inspections staff “are interested in why [] deficiency trends are not improving and whether audit firms’ cultures are [playing a role](#) in this failure to improve.”

In a separate panel at the same conference, PCAOB Board member George Botic discussed the PCAOB’s goal of understanding how audit firm cultures, behaviors, decisions, and systems drive or detract from audit quality. [Chair Williams](#), in her keynote address, stated: “When firms fail to enforce a culture of honesty and integrity, they aren’t just risking an enforcement action, they are threatening the investor confidence our system relies on.”

The SEC also focused on firm culture at the conference. In a panel discussion of projects in the Office of the Chief Accountant (OCA), SEC staff discussed its focus on audit firm culture, stressing the importance of consistently maintaining appropriate ethical mindsets and behaviors, including auditor independence. In addition, SEC Chief Accountant Paul Munter emphasized the importance of firm culture and auditor independence when striving for high-quality audits. In a December 2023 [Wall Street Journal article](#), Mr. Munter reinforced the “importance of firm culture” in response to recent enforcement actions involving exam cheating and backdating of work papers. Mr. Munter noted that “Someone might characterize each one of these as one-offs, but when you see a number of these happening in close proximity to one another, it’s troubling.”

¹⁸ The PCAOB identified following areas of focus: (1) behaviors, including tone at the top and peer pressure, (2) how decisions are rewarded or punished, and (3) systems and structures, including policies, procedures, organizational structure, performance management system, and code of conduct. “PCAOB Registration, Inspection, and Enforcement Update” at the AICPA & CIMA Conference on Current SEC and PCAOB Developments, Christine Gunia, Acting Director, Division of Registration and Inspections, December 3, 2023, slide 9.

D. PCAOB and SEC Enforcement Activity Will Increasingly Focus on Critical Audit Matters (CAMs)

For audits of large accelerated filers, auditors have been required to report on critical audit matters (CAMs) in reports beginning with audits of fiscal years ending on or after June 30, 2019. For all other companies audited under PCAOB standards, the requirements became effective for audits of financial statements for fiscal years ending on or after December 15, 2021.

CAMs are defined in [AS 3101](#), *The Auditor's Report on the Audit of Financial Statements When the Auditor Expresses an Unqualified Opinion*, as “any matter arising from the audit of the financial statements that was communicated or required to be communicated to the audit committee and that: (1) relates to accounts or disclosures that are material to the financial statements and (2) involved especially challenging, subjective, or complex auditor judgment.”

As discussed in Section III.C, the PCAOB and SEC brought actions involving CAMs for the first time in 2023. In July of last year, PCAOB [inspections staff reported](#) that it found deficiencies related to the auditor's assessment and reporting of CAMs in nearly a third of recently-inspected audits, suggesting an increased likelihood of additional enforcement actions involving CAMs in 2024.

E. We May See More Joint Actions Brought by Both the PCAOB and SEC

While PCAOB/SEC coordination on audit-related investigations is common practice, during 2023, we saw increasing discussion of interest in bringing joint enforcement actions – a departure from historical practice.¹⁹

For example, during a May 2023 ALI-CLE Accountants Liability Conference, the PCAOB's Deputy Director of Enforcement and Investigations, John Abell, said, “We can expect to see” more parallel proceedings with the SEC, due, in part, to the “slightly different remedies” available and the “stronger deterrent impact” if there are concurrent actions by both entities. Similarly, in her keynote speech at the same conference, Natasha Guinan, Chief Counsel in the SEC's Office of the Chief Accountant, stated she “hope[s] for and look[s] forward to more joint actions,” noting

¹⁹ See, e.g., [‘When you are a hammer, the world is a nail’ – SEC and PCAOB Senior Staff Signal Increased SEC and PCAOB Gatekeeper Enforcement](#), Akin Gump Strauss Hauer & Feld LLP, June 16, 2023.

that in SOX, Congress envisioned both the SEC and PCAOB having jurisdiction over enforcement and “both regulators being on the scene when and if warranted.”

Subsequently, on June 21, 2023, both the [SEC](#) and [PCAOB](#) disclosed coordinated enforcement actions against Marcum LLC, primarily concerning the firm’s audit work for hundreds of special purpose acquisition companies (SPACs) beginning in 2020.

There was significant overlap between the two enforcement actions. In particular, both actions charged Marcum with systemic quality control failures related to client acceptance, partner supervision, risk assessments, technical consultations, audit committee communications, and timely and complete audit documentation. Both regulators imposed significant sanctions:

- The PCAOB and SEC imposed civil monetary penalties of \$3 million and \$10 million, respectively.
- Both required Marcum to engage an independent consultant to review and make recommendations concerning the firm’s quality control policies and procedures and implement those recommendations.

The two enforcement actions also included some notable differences:

- The SEC concluded that the nature and range of deficiencies extended beyond Marcum’s SPAC audits and “reflect[ed] deficiencies relevant to and impacting Marcum’s *entire public company audit practice*.”
- With respect to sanctions, the PCAOB required Marcum to hire an individual to serve as Chief Quality Officer to head of the firm’s quality control system and to create an Audit Oversight Committee responsible for the oversight function for the audit practice. This was the first time in its history that the [PCAOB required](#) “functional changes” to a respondent’s quality control supervisory structure.
- [Under the settlement with the SEC](#), Marcum “also agreed to restrictions on the type and number of new audit clients that the firm may accept.”

The extent to which these predictions materialize in 2024 or in the following years remains to be seen. The 2024 presidential election, in particular, is a wild card that could have a significant impact on PCAOB and SEC enforcement in and after 2025, particularly if former President Trump wins his bid for re-election.

We will continue to follow developments in enforcement activity against auditors and plan to issue mid-year and annual updates to this report.

VII. Appendix: Defined Terms

Auditing standards violation	Violation of PCOAB Rule 3200, a specific AICPA or PCAOB auditing standard, and/or an AICPA attestation standard. Excludes actions in which the only alleged violation relates to a QC standard.
Auditors	Public accounting firms and individuals associated with public accounting firms.
Bar	Includes bars, suspension, revocation of registration, or denial of privilege of appearing.
Current administration	<p>Proxied by the years 2022–2023.</p> <p>For the SEC, Chair Gensler was sworn into office in April 2021, followed by Enforcement Director Grewal in late July.</p> <p>For the PCAOB, Chair Williams was sworn in January 2022.</p>
Ethics and independence violation	Violation of PCAOB Rule 3500T, PCOAB Rules 3520–3526, and/or Rule 2-01 of Regulation S-X. Excludes actions solely alleging violations of QC standards related to ethics and independence.
Failure to supervise violation	Violation of SOX 105(c)(6).
Finalized action	Includes settled, adjudicated, and dismissed actions. Most settled actions are initiated and finalized on the same day.
Global networks	The six large global networks identified by the PCAOB : BDO International Limited, Deloitte Touche Tohmatsu Limited, Ernst & Young Global Limited, Grant Thornton International Limited, KPMG International Cooperative, and PricewaterhouseCoopers International Limited.
Global network firm (GNF)	A firm that is a member of one of the six large global networks identified by the PCAOB : BDO International Limited, Deloitte Touche Tohmatsu Limited, Ernst & Young Global Limited, Grant Thornton International Limited, KPMG International Cooperative, or PricewaterhouseCoopers International Limited.

GNF action	An action involving a firm or individual respondent associated with a GNF.
GNF respondent	A firm or individual respondent that is associated with a GNF.
Individuals associated with a public accounting firm	Professionals employed by a public accounting firm. Includes auditors and non-auditors involved with audit-related issues (e.g., tax preparers and attorneys in matters alleging independence violations).
Initiated action	The first action related to a particular matter. Most actions are initiated and finalized on the same day.
Monetary sanctions	Civil money penalties. For SEC actions, also includes disgorgement and pre-judgment interest. For actions in which the PCAOB or SEC impose joint and several penalties upon an individual and a firm, our analysis allocates half of the monetary sanction to the individual and half to the firm.
NAF respondent	An individual or firm respondent that is not associated with a GNF.
Non-affiliated firm (NAF)	A firm that is not identified as a GNF.
Non-cooperation violation	For PCAOB actions, violation of PCAOB Rules 4006 and/or 5110.
Non-US respondent	Firm respondents headquartered outside the United States or individual respondents associated with a firm headquartered outside of the United States.
PCAOB actions	All settled and adjudicated disciplinary orders available at https://pcaobus.org/oversight/enforcement/enforcement-actions .
Prior administration	<p>Proxied by 2018–2021.</p> <p>For the SEC, former Chair Jay Clayton served from May 2017 to December 2020.</p> <p>For the PCAOB, former Chair William D. Duhnke III served from January 2018 to June 2021.</p>

Public accounting firm	Any proprietorship, partnership, incorporated association, corporation, limited liability company, limited liability partnership, or other legal entity that is engaged in the practice of public accounting or preparing or issuing audit reports.
Quality control (QC) violation	Violation of PCAOB Rule 3400T and/or a specific PCAOB or AICPA quality control standard.
Registration and reporting violation	Violation of PCAOB Rules 2100, 2200, 2201, 2202, 2203, and/or 3211.
Respondents	Individuals and/or firms listed as respondents in PCAOB and SEC administrative proceedings or defendants in SEC civil actions.
SEC actions	SEC enforcement actions involving respondents that are public accounting firms or individuals associated with a public accounting firm, available at https://www.sec.gov/litigation/litreleases or https://www.sec.gov/divisions/enforce/friaction .
Sweep	PCAOB investigations of multiple firms simultaneously for the same potential violation.
Undertaking	A commitment or promise made by a party to take specific actions or refrain from certain activities to address the issues raised in the enforcement proceedings. In this report, a sanction is considered to be an “undertaking” if the word “undertake” or “undertaking” is included in the sanction language and excludes undertakings that are only required if the respondent applies for reinstatement (these sanctions are captured separately as “undertakings for reinstatement only”).
US respondents	Firm respondents headquartered in the United States or individual respondents associated with a firm headquartered in the United States.