

2024 Enforcement Activity Involving Auditors

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

PREPARED BY

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I. Executive Summary

In 2022 and 2023, with new leadership in place, the Public Accounting Oversight Board (PCAOB) and the US Securities and Exchange Commission (SEC) both approached auditor enforcement with heightened levels of vigilance and urgency. As detailed in our January 2024 report, “2023 Enforcement Activity Involving Auditors,”¹ this led to a substantial increase in combined enforcement activity against auditors when compared to the regulators’ prior administrations (proxied by 2018–2021 – see **Appendix: Defined Terms**).

Notably, the PCAOB’s enforcement levels under current Chair Erica Williams’ leadership were twice the levels seen under prior Chair William D. Duhnke III’s administration, and the PCAOB imposed record-high penalties in both 2022 and 2023. The SEC, led by Chair Gary Gensler, imposed record penalties against auditors in 2022, and 2023 penalties remained 50% higher than under the prior administration led by Chair Jay Clayton.

With Ms. Williams and Mr. Gensler still at the helm of the PCAOB and the SEC, respectively, 2024 was poised to be another year of high enforcement – and, at first glance, it was. Between the two regulators, a total of 58 enforcement actions against auditors were initiated during the year, keeping overall activity consistent with the first two years of the Williams/Gensler administrations. Together, the PCAOB and SEC imposed \$52.2 million in total monetary sanctions against auditors in 2024, a 66% increase from \$31.5 million in 2023.

The aggregate activity for the year, however, obscures a notable shift from 2022 and 2023. SEC activity was significantly muted in 2024, as the regulator brought only seven actions in 2024, down 50% from 2023 activity and the lowest level during any year in our sample (2018–2024). The decline was undoubtedly influenced by the Supreme Court’s June 2024 decision in *SEC v. Jarkesy*, in which the Court ruled that the SEC’s use of administrative proceedings to seek financial civil penalties in a securities fraud lawsuit was unconstitutional.

And, while the PCAOB imposed record-breaking penalties for the third straight year, enforcement statistics saw an unprecedented drop-off in the second half of the year (H2). An uncharacteristically low 33% of the 51 actions initiated by the PCAOB in 2024 were brought in H2 2024, a departure from the 76–86% in the second half of each of the prior four years. Strikingly, only 2% of penalties imposed by the PCAOB in 2024 were imposed in H2 – a sharp contrast from 2023, when 83% of total penalties were imposed in the second half of the year.

While the reasons behind the drop in PCAOB activity in the second half of 2024 are unclear, one factor may have been constitutional challenges facing the PCAOB, which likely grew stronger after the June 2024 *Jarkesy* decision.

DATA ANALYZED

This report analyzes the enforcement activity brought by the PCAOB and SEC against public accounting firms (“firms”) and professionals employed by public accounting firms (“individuals”) during 2018–2024. In particular, it compares enforcement activity during 2024 to the first two full years of the Williams/Gensler administrations (2022 and 2023) and to activity during 2018–2021, a proxy for the regulators’ prior administrations.

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 the Sarbanes-Oxley Act (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.

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.

NOTABLE DEVELOPMENTS IN 2024 (SEE SECTION II)

- The Supreme Court’s June ruling in *SEC v. Jarkesy* is arguably the most significant development affecting auditor enforcement activity in 2024. The Court’s decision not only permanently altered how the SEC can pursue enforcement moving forward, but also raised still-to-be-resolved constitutional questions about the PCAOB’s enforcement authority.
- The PCAOB has been facing its own legal challenges to its enforcement authority through multiple lawsuits filed under the pseudonym “John Doe.”
- The PCAOB and the SEC approved amendments to PCAOB Rule 3502, expanding contributory liability in PCAOB enforcement matters to persons associated with a registered

public accounting firm who, through “negligent conduct,” have a direct and significant role in a firm’s violations. Prior to the amendment, individuals were required to have demonstrated “reckless” conduct.

- The PCAOB and SEC approved a new risk-based quality control (QC) standard – QC 1000, *A Firm’s System of Quality Control* – that will become effective on December 15, 2025. QC 1000 could be a catalyst for increased enforcement activity.

LEVEL OF ENFORCEMENT ACTIVITY (SEE SECTION III)

FIGURE 1: ACTIONS INITIATED AGAINST AUDITORS: 2018–2021, 2022, 2023 & 2024

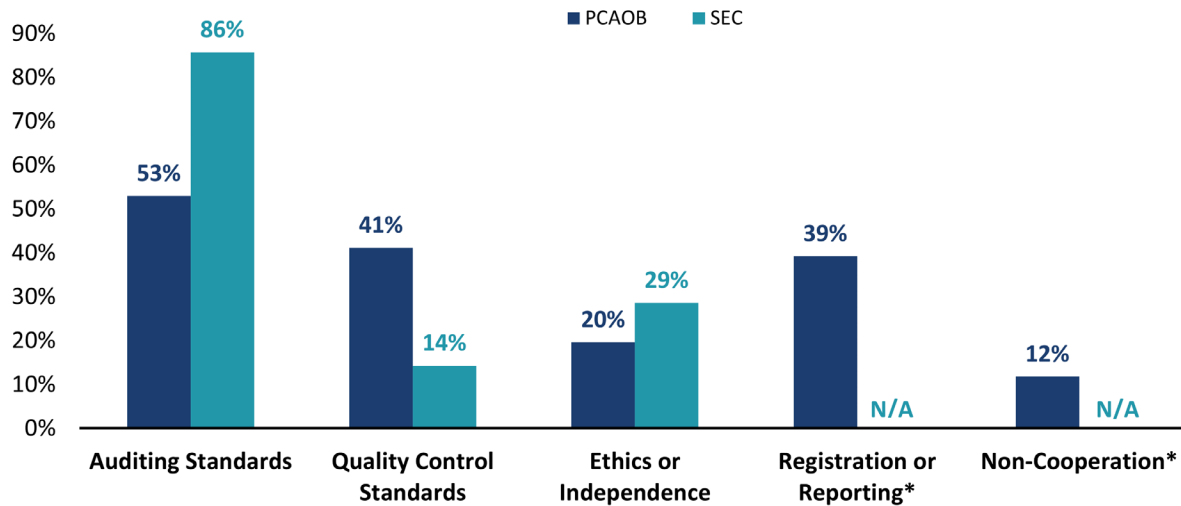
Number of Actions	2018–2021 Average		2022		2023		2024	
	No.	%	No.	%	No.	%	No.	%
PCAOB	23.00	61%	42	71%	46	77%	51	88%
SEC	14.75	39%	17	29%	14	23%	7	12%
Total	37.75		59		60		58	

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

- Overall enforcement activity has remained high for the third year in a row. Together, the PCAOB and SEC brought 58 enforcement actions against auditors in 2024, in line with 2023 (60) and 2022 (59) levels, but more than 50% higher than the average number of initiated actions (37.75) during the regulators’ prior administrations (2018–2021).
- 2024 enforcement was driven primarily by the PCAOB, which brought 88% of actions initiated against auditors in 2024. The PCAOB initiated 51 actions during 2024, the highest level of PCAOB enforcement activity since 2017.
- Enforcement activity in 2024 appears to have been substantially impacted by *Jarkesy* and the constitutional challenges facing the PCAOB.
 - Only one-third of PCAOB actions in 2024 were disclosed in H2, the lowest level of H2 activity of any year in our seven-year sample.
 - The number of enforcement actions involving auditors initiated by the SEC in 2024 (7) was down 50% from 2023 (14) and was at the lowest level of any year in our sample.

ALLEGED VIOLATIONS (SEE SECTION IV)

FIGURE 2: ALLEGED VIOLATIONS IN INITIATED ACTIONS AGAINST AUDITORS: PCAOB VS. SEC (2024)



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

Note: One action may include multiple violations. Violations marked with an asterisk (*) are applicable only to PCAOB actions.

- Alleged violations in enforcement actions initiated by the PCAOB and SEC in 2024 – with some exceptions – largely mirrored those seen the year prior.
- Violations of auditing standards remained the most common allegation in 2024, seen in 53% of initiated PCAOB actions and all but one SEC actions (86%).
- The PCAOB charged more QC standards violations than the SEC, alleging QC violations in 41% of initiated actions, compared to 14% by the SEC.

SANCTIONS IN FINALIZED ACTIONS (SEE SECTION V)

FIGURE 3: MONETARY SANCTIONS IN FINALIZED ACTIONS AGAINST AUDIT FIRMS AND INDIVIDUAL RESPONDENTS: 2018–2021, 2022, 2023 & 2024

	Firms				Individuals			
PCAOB	2018–2021 Average	2022	2023	2024	2018–2021 Average	2022	2023	2024
Respondents	14.75	30	43	39	20.50	26	19	25
% of Respondents Fined	88%	100%	100%	92%	57%	92%	95%	92%
Median Fine	\$ 0.02 M	\$ 0.04 M	\$ 0.05 M	\$ 0.04 M	\$ 0.01 M	\$ 0.03 M	\$ 0.05 M	\$ 0.05 M
Total Fine	\$ 1.30 M	\$ 10.02 M	\$ 19.14 M	\$ 34.41 M	\$ 0.21 M	\$ 1.01 M	\$ 0.89 M	\$ 1.33 M
SEC	2018–2021 Average	2022	2023	2024	2018–2021 Average	2022	2023	2024
Respondents	6.75	9	6	9	15.75	19	19	11
# of Respondents Dismissed			1	2		1	8	7
% of Respondents Fined	74%	67%	80%	100%	51%	32%	82%	100%
Median Fine	\$ 0.10 M	\$ 2.83 M	\$ 0.55 M	\$ 0.27 M	\$ 0.02 M	\$ 0.02 M	\$ 0.03 M	\$ 0.04 M
Total Fine	\$ 18.78 M	\$ 127.31 M	\$ 11.13 M	\$ 14.37 M	\$ 0.26 M	\$ 0.14 M	\$ 0.33 M	\$ 2.10 M

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

Note: “% of Respondents Fined” is the number of respondents fined as a percentage of non-dismissed respondents.

- Combined, the PCAOB and SEC imposed \$52.2 million in monetary sanctions against auditors in 2024, an increase of 66% from 2023 and 2.5 times higher than the 2018–2021 average.
 - During 2018–2024, there were seven settlements of \$10 million or more (“mega-settlements”). Excluding mega-settlements, total monetary sanctions in 2024 were down from 2023, but remained nearly three times larger than the 2018–2021 average.
 - 59% of total monetary sanctions imposed in 2024 were imposed on GNF respondents – respondents associated with one of six large global networks tracked separately by the PCAOB – up from 44% in 2023, but down substantially from 93% in 2018–2021.
 - 55% of monetary sanctions in 2024 were imposed on non-US respondents, up from 46% in 2023, 22% in 2022, and 8% during the regulators’ prior administrations.
- For the third year in a row, the PCAOB imposed record penalties.
 - 2024 penalties of \$35.7 million were up nearly 80% over the \$20 million imposed in 2023 and were more than triple the then-record of \$11 million imposed in 2022.
 - Over 70% of the total penalties imposed by the PCAOB in its 20-year enforcement history have been imposed in the last three years.

- Median monetary sanctions brought by the PCAOB and SEC against firms in 2024 (\$50,000) were in line with 2023 and 2022 and twice the median during 2018–2021 (\$25,000).
- Median monetary sanctions brought by the PCAOB and SEC against individuals in 2024 (\$50,000) were up 33% over 2023 and were more than three times the median during 2018–2021 (\$15,000).
 - The median fine imposed by the PCAOB on individuals during 2024 (\$50,000) was five times larger than the median fine under the PCAOB’s prior administration (\$10,000).
 - The median fine imposed by the SEC against individual respondents was \$37,500 in 2024, up 70% from the prior administration (\$22,000).

LOOKING FORWARD: OUR PREDICTIONS FOR 2025 AND BEYOND (SEE SECTION VI)

President Trump’s re-election will have significant implications for PCAOB and SEC enforcement in and after 2025. As of the issuance of this report, Paul Atkins – who has long criticized the PCAOB² – is awaiting confirmation as Chair of the SEC. After his confirmation, we anticipate a decrease in auditor oversight by the SEC and an overhaul of the PCAOB board. This, coupled with recent and ongoing constitutional challenges (*Jarkesy* and *Doe vs. PCAOB* matters), will likely bring significant changes to the auditor enforcement landscape.

In particular, we make the following predictions:

- The PCAOB (assuming it continues to survive as a separate entity) and SEC will revert back to a focus on individual accountability.
- Penalties:
 - SEC penalties will fall and return to a more predictable determination, akin to a framework on financial penalties articulated by the SEC nearly two decades ago.³
 - After three consecutive years of record PCAOB penalties, both a change in leadership and *Jarkesy*-related fallout will significantly dampen PCAOB penalties.
- Areas of focus:
 - The friendlier regulation of the cryptocurrency markets will lead to more crypto-related fraudulent activity and a rise in crypto-related enforcement against auditors.
 - PCAOB-registered firms in the People’s Republic of China (PRC) and Hong Kong will remain a priority due to President Trump’s vows to take an aggressive approach towards the PRC.
 - We will see fewer “first of its kind” enforcement activity. Both regulators will focus enforcement efforts on established rules and standards.

II. Notable Developments in 2024

A. Constitutional Challenges

1. *SEC v. Jarkesy*

The Supreme Court's ruling in *SEC v. Jarkesy* last June is arguably the single most important development in 2024 impacting auditor enforcement activity. Not only did it lead to lower enforcement activity in 2024, but it also permanently changed the way the SEC can pursue enforcement going forward and raised still-to-be-resolved constitutional questions about PCAOB enforcement.

History of the *Jarkesy* Matter

Prior to *Jarkesy*, the SEC primarily pursued enforcement actions involving auditors through administrative proceedings under Rule 102(e).⁴ In *Jarkesy*, an SEC-appointed administrative law judge (ALJ) found that the defendants – hedge fund founder George Jarkesy and his fund's advisory firm, Patriot28 LLC – had committed securities fraud and imposed monetary penalties of \$300,000, among other sanctions. The defendants subsequently challenged the constitutionality of the SEC's use of its in-house administrative forum to seek civil penalties in a securities fraud lawsuit. The Fifth Circuit vacated the ALJ's order on multiple grounds, including that the SEC's adjudication process violated the defendants' Seventh Amendment right to a jury trial. On June 27, 2024, the Supreme Court upheld the Fifth Circuit's Seventh Amendment finding.⁵

Impact of the *Jarkesy* Matter

Despite the *Jarkesy* ruling, some industry observers still expect to see a significant number of SEC settlements in the administrative forum.⁶ However, when the SEC is unable to settle a matter in which it seeks civil penalties, it must pursue the case in federal court, where defendants are entitled to a jury trial. Because litigating in federal court is generally more resource- and time-intensive than administrative proceedings, industry participants believe the shift resulting from *Jarkesy* may make the SEC more selective in its approach to enforcement actions.⁷

Even before the Supreme Court’s decision in June 2024, the uncertainties raised by *Jarkesy* appeared to dampen auditor enforcement. The SEC initiated only seven actions in 2024, the lowest level of annual activity of any year in our sample.

After the ruling, the SEC Division of Enforcement, without explanation, filed motions in August to dismiss eight enforcement actions – apparently *all* of its administrative proceedings pending against accountants.⁸ Legal experts observed that this rare – if not unprecedented – move was especially notable because, in some cases, the SEC was poised to win. It is unknown whether the SEC has dropped these matters altogether or whether it intends to pursue any of them in federal court.

According to legal experts, in addition to the impact *Jarkesy* will have on SEC enforcement in the future, the *Jarkesy* decision may have potentially far greater implications for the viability of PCAOB enforcement proceedings because the PCAOB does not have statutory authority to bring proceedings in federal court.⁹

2. *John Doe v. PCAOB* Matters

The PCAOB has been facing its own legal challenges to its enforcement authority through lawsuits filed under the pseudonym “John Doe.” According to *Thomson Reuters*, “The PCAOB is facing the most concerted attack in years on its enforcement powers through a trio of lawsuits that could test the reach of the Supreme Court’s *Jarkesy* ruling in audit industry oversight.”¹⁰

Since January 2023, two individual auditors subject to disciplinary actions and one firm under investigation have anonymously filed separate but similar lawsuits against the PCAOB, challenging the constitutionality of the regulator’s use of in-house proceedings. The action against the firm was recently dismissed after the PCAOB informed the court that it had closed its investigation and would not be pursuing an enforcement action.¹¹

The constitutional challenges raised in the two remaining *Doe* matters include allegations that the PCAOB is unlawfully exercising judicial powers reserved for federal courts by prosecuting and adjudicating matters against auditors, and that the proceedings violate plaintiffs’ Fifth Amendment right to due process and their right to a jury trial guaranteed under the Sixth and Seventh Amendments.¹²

B. Amendments to PCAOB Rules and Standards Likely to Impact Future Enforcement

1. Expanding Contributory Liability (PCAOB Rule 3502)

During 2024, the PCAOB and the SEC approved amendments to PCAOB Rule 3502 (previously named *Responsibility to Not Knowingly or Recklessly Contribute to Violations*), expanding contributory liability in PCAOB enforcement matters.¹³ The amended rule, which applies to persons associated with a registered public accounting firm who “directly and substantially contribute” to a firm’s violations, *reduces* the liability standard from “knowing or reckless” conduct to “negligent” conduct.

Prior to the amendment, the PCAOB’s only avenue to hold individual contributors liable for firm violations was if the individual acted *recklessly*, defined as “an *extreme departure* from the standard of ordinary care” that “presents a danger to investors or to the markets that is either known to the actor or is so obvious they must have been aware of it.”¹⁴ The revised PCAOB Rule 3502, *Responsibility Not to Contribute to Violations*, which became effective last October, requires only *negligent* conduct – that is, “the failure to exercise reasonable care or competence.”¹⁵

Some industry observers believe that the amended Rule 3502 may have “major consequences,” including sanctions of professionals who make good faith judgments.¹⁶

2. Enhanced Quality Control Requirements (QC 1000)

Last year, the PCAOB adopted and the SEC approved a new quality control standard, QC 1000, *A Firm’s System of Quality Control*.¹⁷ QC 1000 has been referred to as a “landmark reform” that is “poised to have a profound impact on the auditing industry.”¹⁸

Among its new provisions, the standard requires firms to evaluate their QC systems annually and report the results of their evaluations to the PCAOB. Further, the largest US accounting firms – those that audit 100 or more public companies – must establish an external quality control function (EQCF) composed of one or more independent individuals.¹⁹ The responsibilities of the EQCF include, at a minimum, “evaluating the significant judgments made and the related conclusions reached by the firm when evaluating and reporting on the effectiveness of its QC system.”

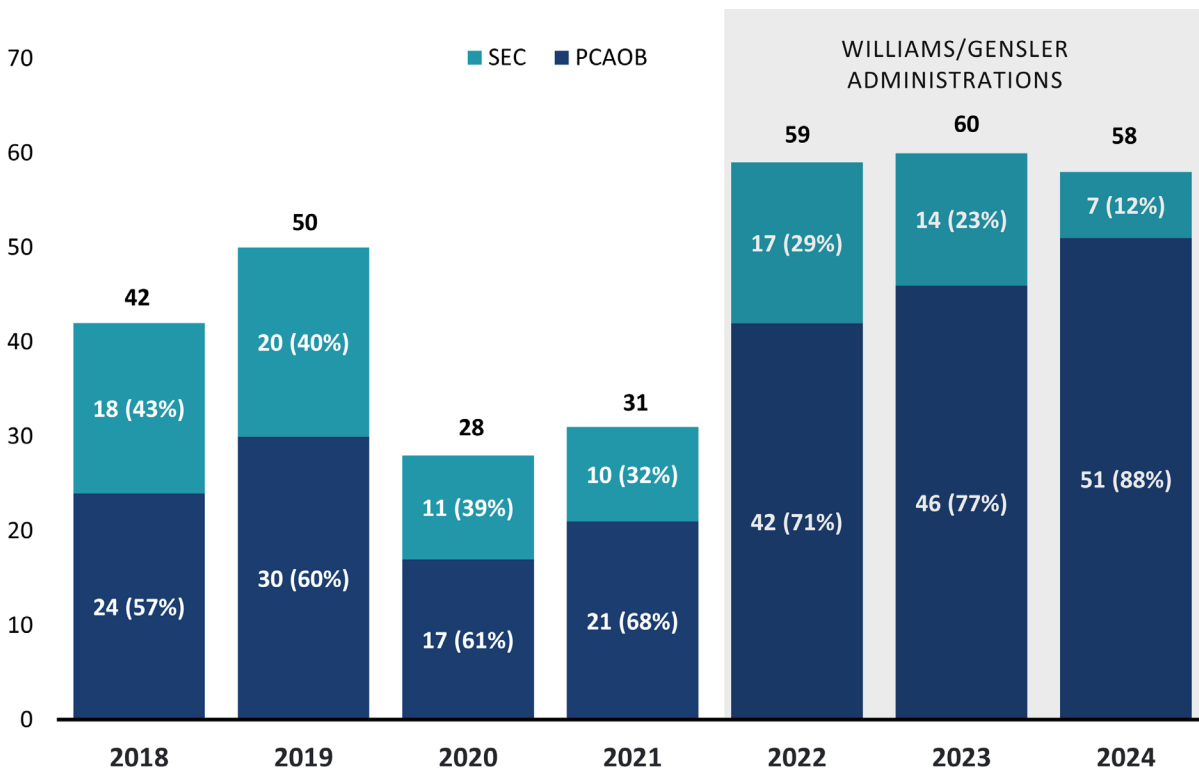
QC 1000, which could be a catalyst for increased enforcement activity, will become effective December 15, 2025, with initial reporting to the PCAOB due by November 30, 2026.²⁰

III. Level of Initiated Enforcement Activity

A. Total Enforcement Activity Remained High in 2024, Driven by PCAOB Activity in H1

TOTAL ENFORCEMENT ACTIVITY

FIGURE 4: TOTAL INITIATED ACTIONS AGAINST AUDITORS: 2018–2024



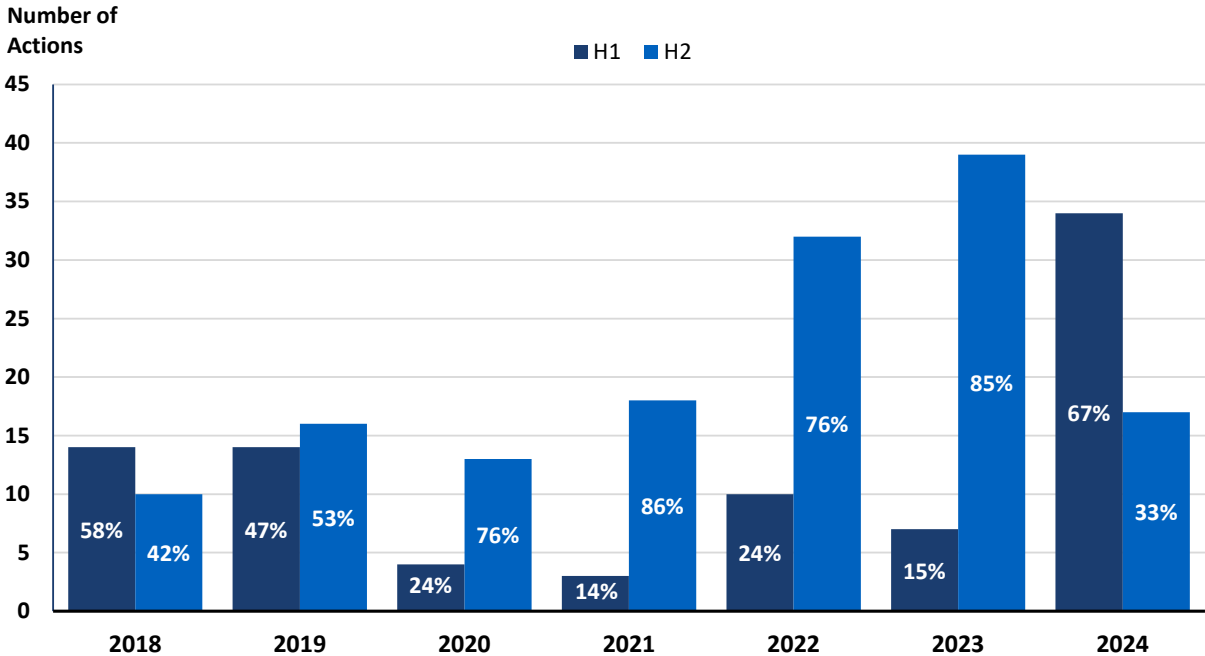
Sources: <https://www.sec.gov/page/litigation>; <https://pcaobus.org/oversight/enforcement>.

- In 2024, the PCAOB and SEC brought a total of 58 enforcement actions against auditors, in line with the prior years under the Williams/Gensler administrations (60 and 59 actions in 2023 and 2022, respectively) and up 54% from the average (37.75) during the regulators’ prior administrations (2018–2021).
- 88% of the total actions initiated against auditors in 2024 were brought by the PCAOB, up from 74% in 2022–2023 and 61% under the regulator’s prior administrations.

PCAOB ENFORCEMENT ACTIVITY

- The number of PCAOB actions in 2024 (51) was up 11% from 2023 (46) and was more than twice the 2018–2021 average of 23. 2024 saw the highest level of activity since the PCAOB settled 54 actions in 2017.²¹
- The PCAOB did not disclose any adjudicated actions in 2024, down from two adjudicated actions in 2023.
- Only one-third (17 of 51) of PCAOB actions in 2024 were disclosed in the *second* half of the year (H2), the lowest level of H2 activity of any year in our sample.
 - The relatively low second-half activity in 2024 may have resulted, in part, from the uncertainty created by the constitutional challenges facing the PCAOB, which perhaps intensified after the June 27, 2024 *Jarkesy* decision.

FIGURE 5: PCAOB ENFORCEMENT ACTIONS BROUGHT EACH HALF YEAR: 2018–2024

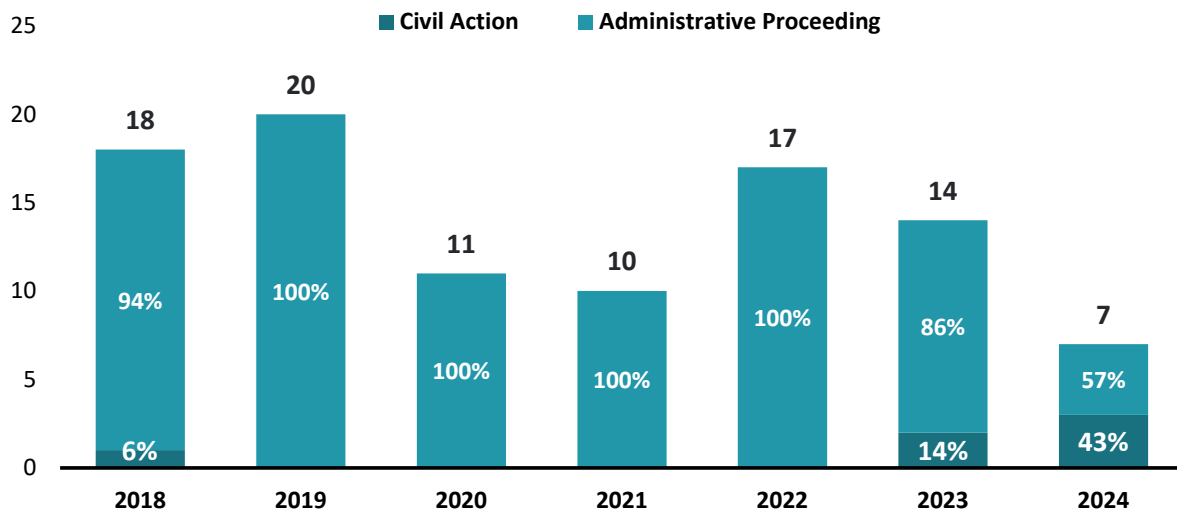


Source: <https://pcaobus.org/oversight/enforcement>.

SEC ENFORCEMENT ACTIVITY

- The number of actions brought by the SEC – seven – was down 50% from 14 actions in 2023 and was the lowest level of SEC enforcement activity during any year in our sample.
 - The decreased activity was likely driven in large part by the *Jarkesy* matter, in which the Supreme Court found the SEC’s use of administrative proceedings to seek financial civil penalties to be unconstitutional.
- Only four of the seven SEC actions in 2024 (57%) were initiated as administrative proceedings, down from more than 85% of SEC actions brought against auditors in administrative proceedings in 2023.
 - Prior to the Supreme Court’s June 30, 2023 announcement that it granted review in the *Jarkesy* matter, nearly all the SEC actions against auditors were brought as administrative proceedings.

FIGURE 6: SEC ACTIONS INITIATED AS CIVIL ACTIONS VS. ADMINISTRATIVE PROCEEDINGS: 2018–2024

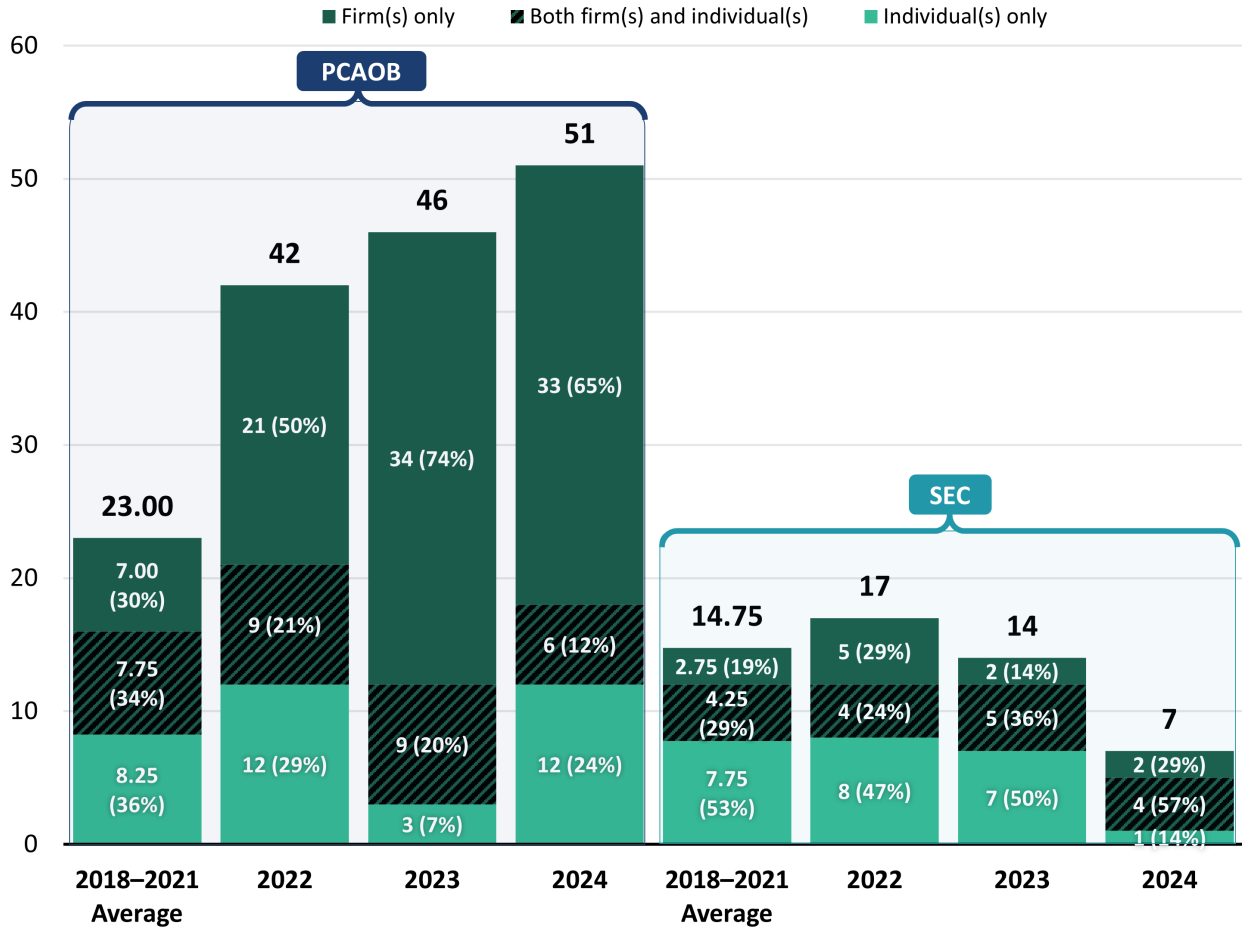


Source: <https://www.sec.gov/page/litigation>.

B. Type of Respondents in Initiated Actions

1. Actions Involving Firm Respondents Remained High in 2024

FIGURE 7: INITIATED ACTIONS AGAINST AUDIT FIRMS AND INDIVIDUAL RESPONDENTS: 2018–2021, 2022, 2023 & 2024



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., actions involving firms exclusively or actions involving both firms and individuals) in 78% (45 of 58) of 2024 actions. In comparison, the PCAOB and SEC charged firms in 83% (50 of 60) of combined actions in 2023, and 58% of combined actions during the regulators’ prior administrations (2018–2021).
- In 2024, the PCAOB and SEC charged individuals (i.e., actions involving individuals exclusively or those involving both firms and individuals) in approximately 40% of total

actions, in line with 2023 but down substantially from 2018–2021, when three-quarters of combined actions involved an individual respondent.

- In 2024, 60% of total actions involved firms only, which is in line with 2023 but higher than the average of 26% under the prior administrations.

PCAOB VS. SEC ENFORCEMENT ACTIVITY

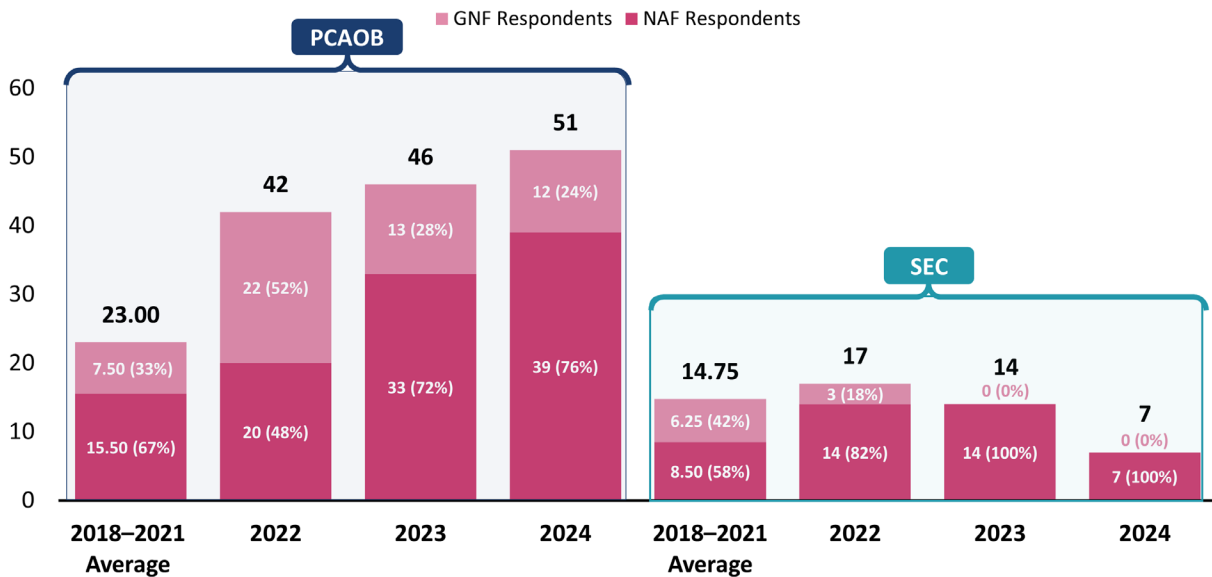
- For the first time in our sample, in 2024, the PCAOB charged a firm respondent in a smaller percentage of initiated actions (76%) than the SEC (86%).
 - In comparison, in 2023, the PCAOB charged a firm respondent in 93% of actions, while the SEC charged a firm respondent in half of its initiated actions.
 - Under their prior administrations, the PCAOB and SEC charged firm respondents in 64% and 47% of actions, respectively.
 - The PCAOB, under Chair Williams, has increased its enforcement against firms by its use of sweeps, in which the PCAOB investigates multiple firms simultaneously for the same potential violations. The PCAOB expanded its use of sweeps in 2022 to “identify wrongdoing proactively” as part of the Williams administration’s “renewed vigilance.”²²
 - ▶ More than one-third of PCAOB actions during the Williams administration resulted from sweeps.
- 35% of PCAOB actions in 2024 involved individuals. The SEC brought charges against individual respondents in 71% of actions initiated in 2024 – twice the rate as the PCAOB.
 - For each regulator, the percentage of actions involving individuals in 2024 was lower than under the regulators’ prior administrations (70% for the PCAOB and 81% for the SEC).
 - The percentage of SEC actions involving individual respondents in 2024 (71%) was at its lowest level since 2018 (67%). 2024 was also the only year in our sample in which the SEC charged firm respondents in more actions than individual respondents.

2. Over Three-Quarters of Initiated Enforcement Actions in 2024 Involved NAF Respondents

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. In our report, firm and individual respondents associated with GNFs are referred to as “GNF respondents.” All other respondents are considered to be “NAF respondents.”

TOTAL ENFORCEMENT ACTIVITY

FIGURE 8: INITIATED ACTIONS AGAINST GNF VS. NAF RESPONDENTS: 2018–2021, 2022, 2023 & 2024



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

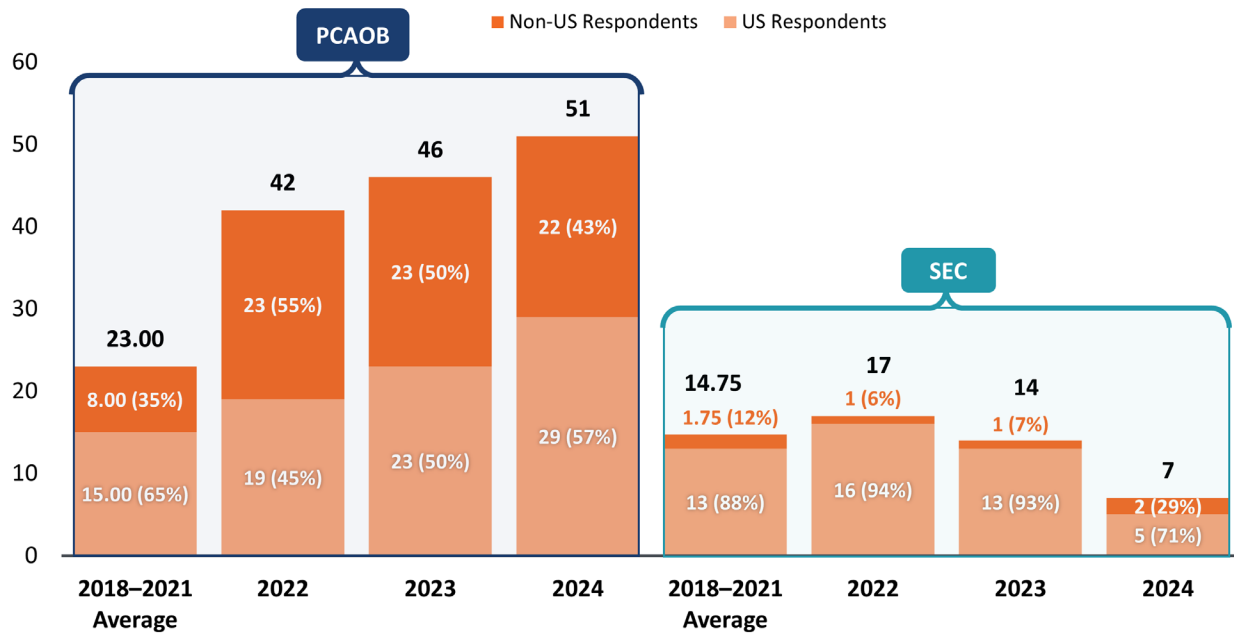
Note: Percentages may not sum to 100% due to rounding.

- In 2024, 79% of total actions in 2024 involved NAF respondents, similar to 78% of total actions in 2023, and up from an average of 64% during 2018–2021.
- 21% of total actions initiated by the SEC and PCAOB against auditors involved GNF respondents, in line with 22% in 2023, and down from 36% during the regulators’ prior administrations (2018–2021).
- For the second straight year, all actions in 2024 involving GNF respondents were brought by the PCAOB.

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

TOTAL ENFORCEMENT ACTIVITY

FIGURE 9: INITIATED ACTIONS AGAINST US VS. NON-US RESPONDENTS: 2018–2021, 2022, 2023 & 2024



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

- Approximately 60% of total actions in 2024 were brought against US respondents, consistent with the prior two years, but below the 2018–2021 average of 74%.
- For the first time in three years, the PCAOB brought less than half (43%) of its enforcement actions against non-US respondents. This was nonetheless higher than the 2018–2021 average of 35%.
- While the SEC charged non-US respondents in only 29% of actions initiated against auditors in 2024, this is the highest percentage of SEC enforcement activity involving non-US respondents in our seven-year sample.

IV. Alleged Violations in Initiated Enforcement Actions

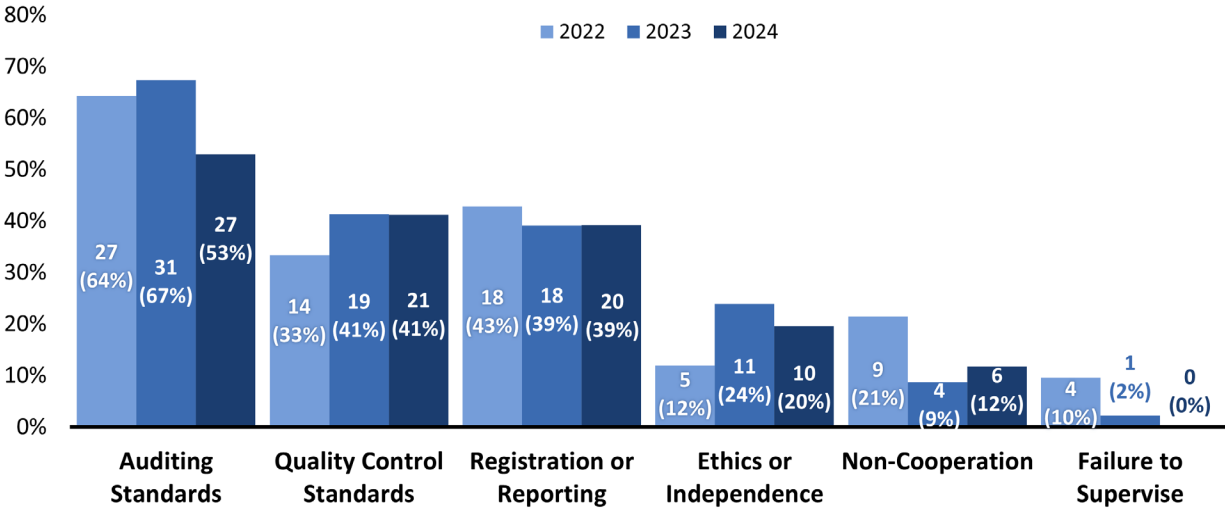
For purposes of this report, violations are grouped into six categories (which are described further in the Appendix):

- SEC and PCAOB allegations related to: Auditing standards, quality control standards, and ethics or independence.
- PCAOB-only allegations related to: Registration or reporting, failure to supervise, and non-cooperation.

A. Violations Alleged in PCAOB Actions

PCAOB ENFORCEMENT ACTIVITY

FIGURE 10: VIOLATIONS ALLEGED IN INITIATED PCAOB ACTIONS: 2022–2024



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

Note: An action may be included in multiple categories.

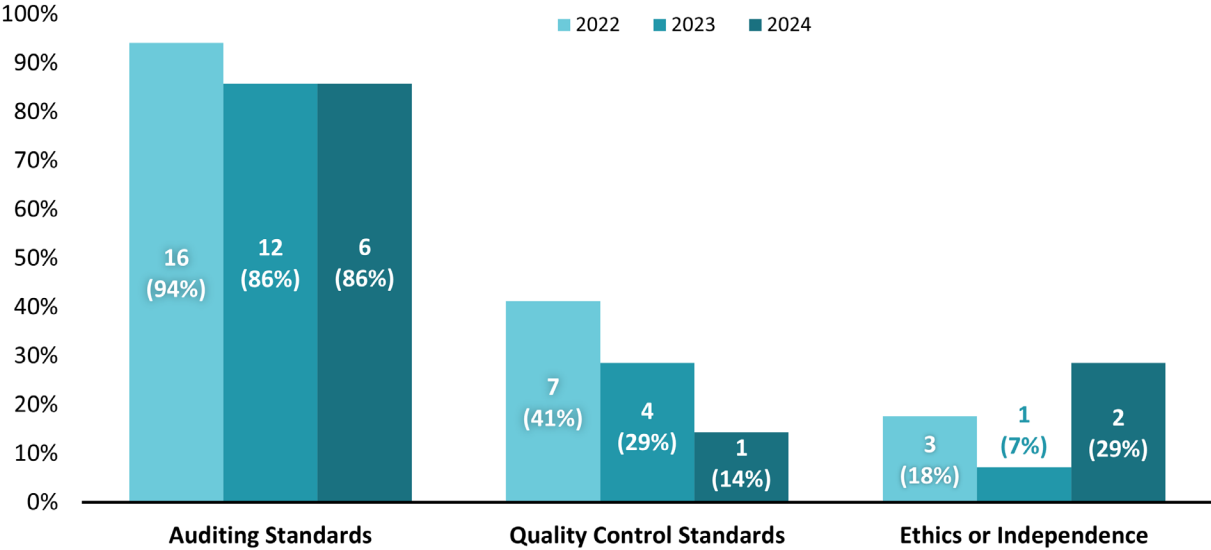
- While compliance with auditing standards remained the most commonly alleged PCAOB violation in 2024, it was alleged in just over half of PCAOB actions, down from about two-thirds of actions in the prior two years.

- Nearly three-quarters of actions involving US respondents alleged violations of auditing standards. In comparison, only a quarter of actions involving non-US respondents alleged auditing standards violations.
- Consistent with its focus on “audit firm culture,”²³ the PCAOB alleged violations of QC standards in 41% of 2024 actions, in line with 41% in 2023 actions, and up from 33% in 2022.
 - The PCAOB alleged QC violations in half of 2024 actions involving non-US respondents, but only a third of 2024 actions involving US respondents.
 - During 2024, five of the 21 actions alleging violations of QC standards involved improper answer-sharing at three non-US GNFs.
 - Individuals were charged with recklessly contributing to a QC violation in nearly 40% of 2024 PCAOB matters alleging QC violations, up from a quarter of the actions during 2022–2023.
 - In 2024, the PCAOB imposed penalties of \$1 million or more on five firm respondents. Each of those respondents was charged with violations of QC standards.
- Consistent with prior years, the PCAOB alleged violations relating to registration or reporting in approximately 40% of 2024 actions.
- 20% of PCAOB actions in 2024 alleged ethics or independence violations, down from 24% in 2023, but up from 12% in 2022.
 - Half of the 2024 actions with charges pertaining to ethics or independence alleged violations of Rule 3524, *Audit Committee Pre-Approval of Certain Tax Services*, and/or Rule 3526, *Communication with Audit Committees Concerning Independence*.
- Actions alleging violations for non-cooperation increased to 12% of PCAOB actions in 2024 from 9% in 2023, but remained below 2022 levels (21%).
- The PCAOB did not charge failure to supervise under SOX 105(c)(6) in 2024, down from one action against a firm in 2023 and four actions (involving three firms and two individuals) in 2022.

B. Violations Alleged in SEC Actions

SEC ENFORCEMENT ACTIVITY

FIGURE 11: VIOLATIONS ALLEGED IN INITIATED SEC ACTIONS AGAINST AUDITORS: 2022–2024

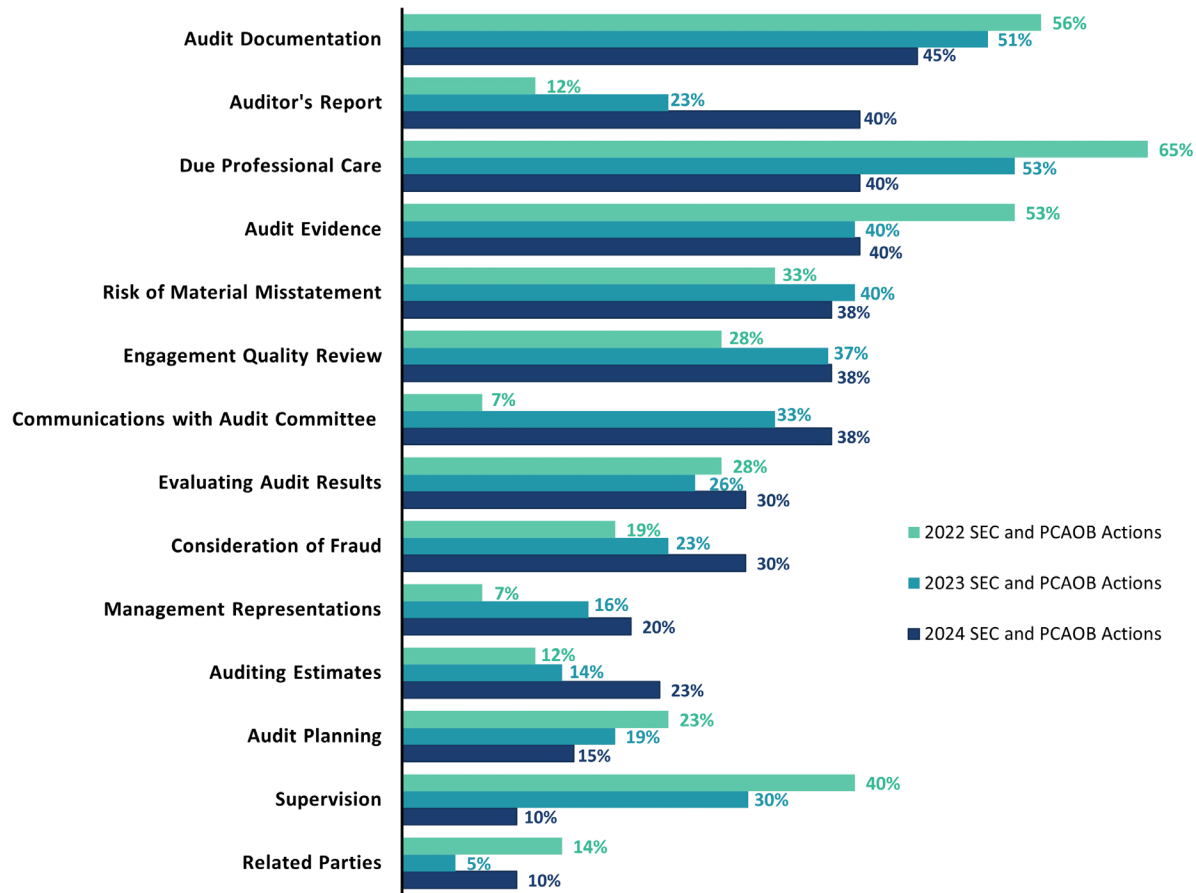


Source: <https://www.sec.gov/page/litigation>.
 Note: An action may be included in multiple categories.

- All but one action initiated by the SEC in 2024 alleged violation of auditing standards.
- Only one action (14%) alleged QC violations, down from nearly 30% of 2023 actions and over 40% in 2022.
- 29% of SEC actions initiated in 2024 alleged ethics or independence violations, up from 7% in 2023 and 18% in 2022.
- Of the four actions that were brought as administrative proceedings, three were brought pursuant to Rule 102(e). All four actions were also brought pursuant to Section 21C of the Exchange Act.
- Of the three actions that were brought as civil actions, two alleged violations of Section 10(b) of the Exchange Act and Rule 10b-5 thereunder, and two alleged violations of Section 17(a) of the Securities Act.

C. Alleged Violations of Auditing Standards

FIGURE 12: VIOLATIONS OF AUDITING STANDARDS ALLEGED IN INITIATED ACTIONS: 2022–2024



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

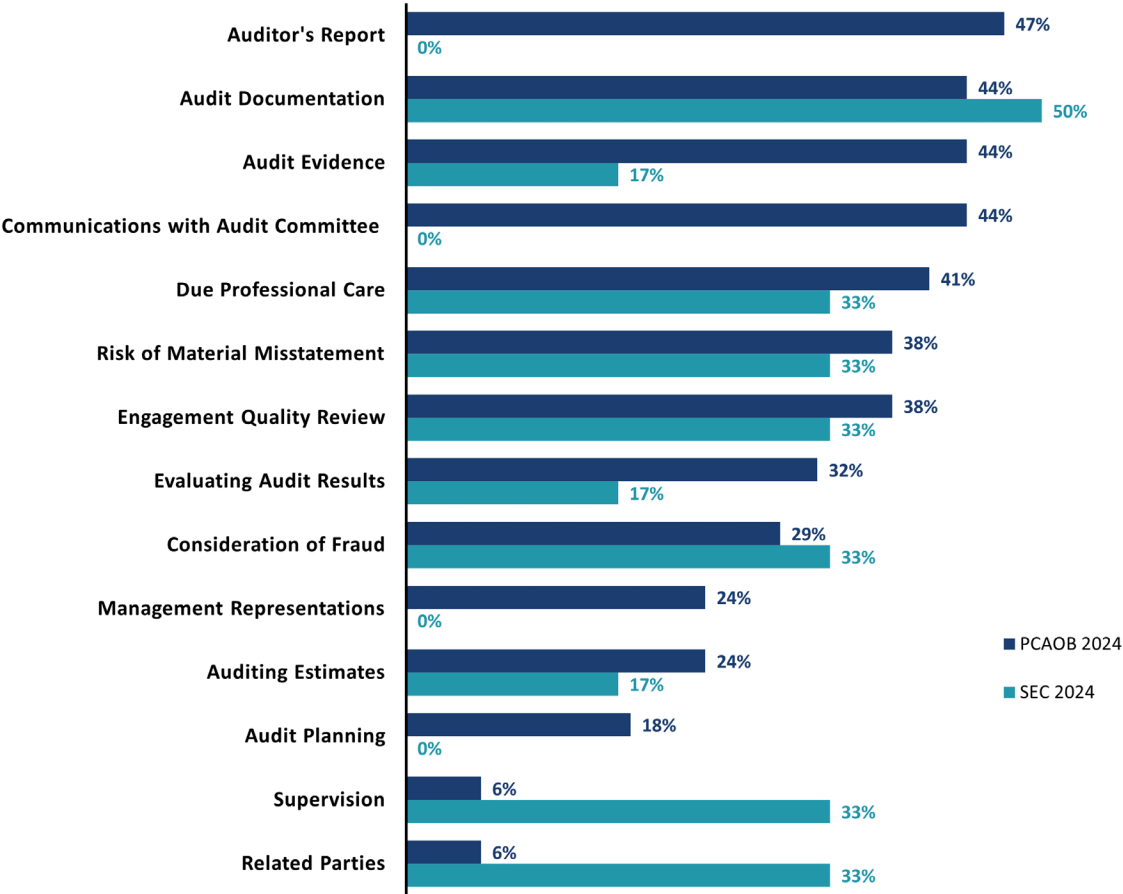
Notes: Data are presented as a percentage of actions alleging one or more auditing or attestation standard violations. The figure includes the most frequently alleged violations only.

TOTAL ENFORCEMENT ACTIVITY²⁴

- During 2024, the audit documentation standard was the most commonly alleged auditing standard violation (45% of actions), but was alleged to have been violated in fewer actions than in 2023 and 2022.
- Alleged violations related to audit committee communications increased for the second straight year to 38% of total actions in 2024 (all brought by the PCAOB), up from 33% in 2023 and 7% in 2022. Six of the 15 actions in 2024 resulted from two related sweeps by the PCAOB.²⁵
- Violations related to critical audit matters (CAMs) were alleged in five actions in 2024 (all brought by the PCAOB), up from four in 2023 (three by the PCAOB, one by the SEC).²⁶

- For the second year in a row, 2024 saw a drop in matters alleging violations of the supervision standard. The PCAOB alleged supervision violations in 6% of 2024 actions involving auditing standards violations, down from 30% in 2022. Similarly, the SEC alleged supervision violations in 33% of 2024 actions, down from 56% in 2022.

FIGURE 13: VIOLATIONS OF AUDITING STANDARDS ALLEGED IN INITIATED ACTIONS: PCAOB VS. SEC (2024)



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 most frequently alleged violations only.

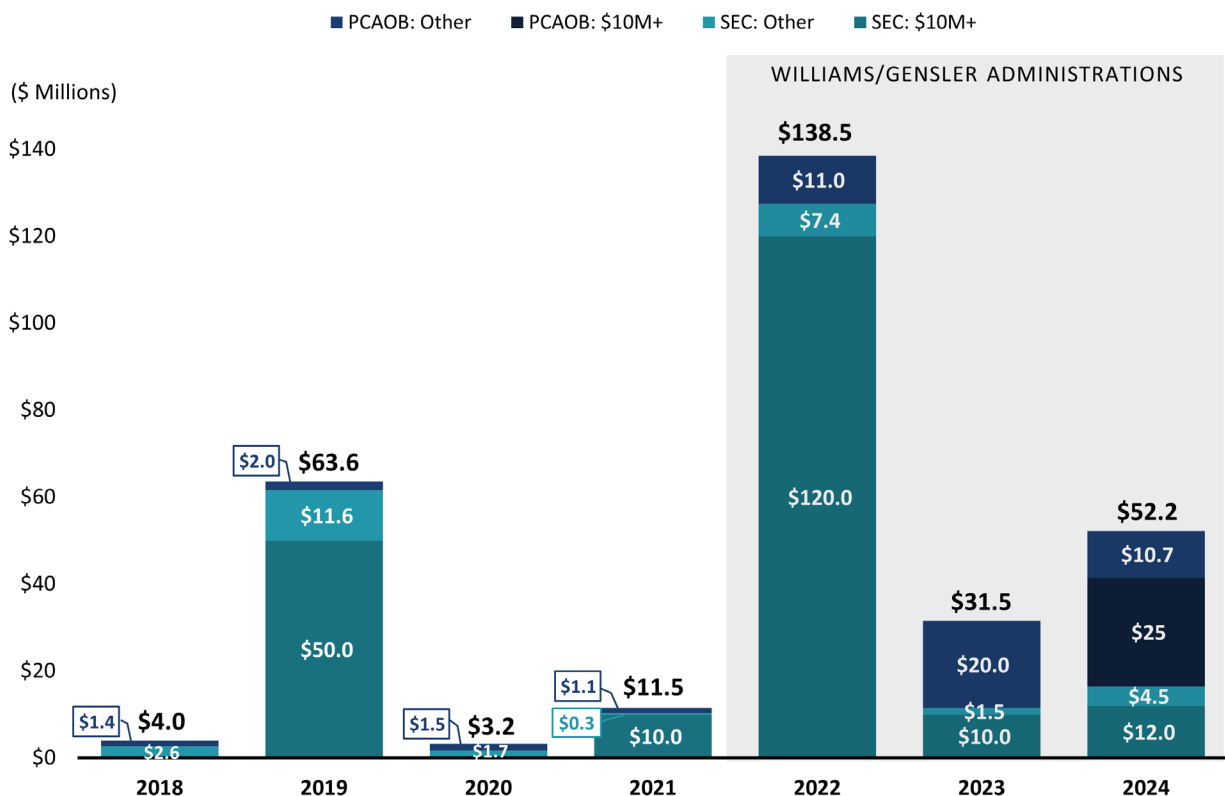
V. Sanctions in Finalized Enforcement Actions

A. Monetary Sanctions in Finalized Actions

1. For the Second Consecutive Year, PCAOB Penalties Exceeded SEC Penalties

TOTAL ENFORCEMENT ACTIVITY

FIGURE 14: TOTAL MONETARY SANCTIONS IN FINALIZED ACTIONS AGAINST AUDITORS: 2018–2024



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

- The PCAOB and SEC imposed \$52.2 million in total monetary sanctions against auditors in 2024, an increase from \$31.5 million in 2023. Monetary sanctions in 2024 were 2.5 times the average of \$20.6 million during the regulators’ prior administrations (2018–2021).
- In 2024, 93% of non-dismissed respondents were sanctioned with a monetary penalty, an increase from 65% of respondents during the regulators’ prior administrations.

- 2023 and 2024 are the only years in our sample in which the SEC imposed lower monetary sanctions against auditors than the PCAOB.
- In 2024, the SEC brought 12% of the actions involving auditors and imposed 32% of the total monetary sanctions. Under the Gensler administration, the SEC brought 39% of actions and imposed 93% of the penalties.
- Trends in monetary sanctions are largely driven by the number and size of mega-settlements (defined in this report as penalties greater than or equal to \$10 million).
 - There were seven mega-settlements in our sample.
 - Excluding mega-settlements, total monetary sanctions in 2024 were \$15.2 million, almost 30% lower than 2023 levels subject to the same exclusions but nearly three times the 2018–2021 average.

FIGURE 15: PCAOB AND SEC MEGA-SETTLEMENTS: 2018–2024

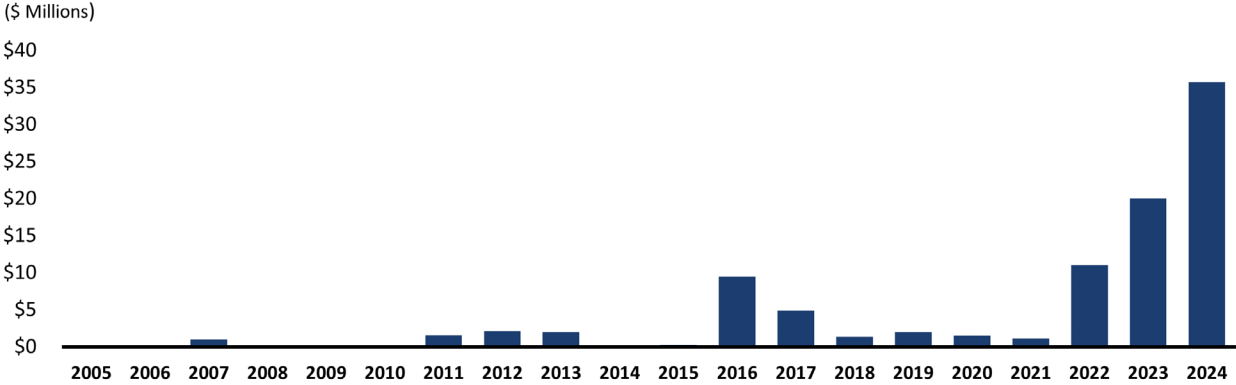
Year	SEC or PCAOB	Monetary Sanction	Type of Firm	Violation Category
2019	SEC	\$50 million	US GNF	Ethics/Quality Control
2021	SEC	\$10 million	US GNF	Independence/Quality Control
2022	SEC	\$100 million	US GNF	Ethics/Quality Control
2022	SEC	\$20 million	Non-US GNF	Auditing Standards/Quality Control
2023	SEC	\$10 million	US NAF	Auditing Standards/Quality Control
2024	PCAOB	\$25 million	Non-US GNF	Quality Control
2024	SEC	\$12 million	US NAF	Auditing Standards/Section 10(b)

PCAOB ENFORCEMENT ACTIVITY

- The PCAOB imposed a historic level of penalties for the third consecutive year in 2024 (\$35.7 million), surpassing its prior records in 2023 (\$20 million) and 2022 (\$11 million). PCAOB penalties in 2024 were also more than 23 times the 2018–2021 average (\$1.5 million).
- The PCAOB imposed its largest fine ever in 2024 – charging a non-US Big Four firm \$25 million for alleged exam cheating and misinforming investigators.²⁷

- More than 70% of the roughly \$95 million in penalties imposed by the PCAOB in its 20-year enforcement history²⁸ have been imposed during Chair Williams’ three-year tenure. Nearly 40% of total penalties imposed by the PCAOB in its history were imposed in 2024 alone.

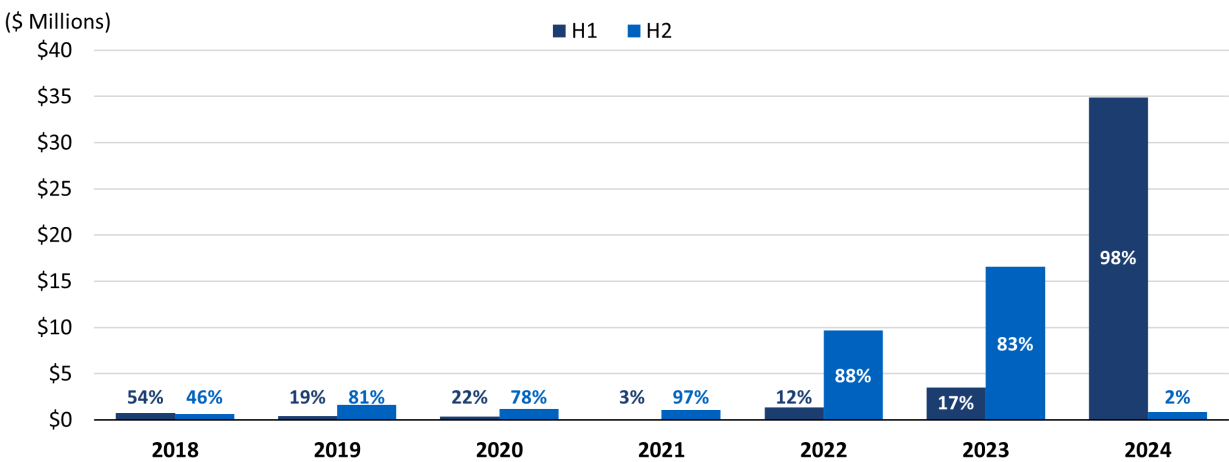
FIGURE 16: PCAOB MONETARY PENALTIES: 2005–2024



Sources: <https://pcaobus.org/oversight/enforcement>; <https://pcaobus.org/about/annual-report>.

- The PCAOB did not obtain any admissions from respondents in 2024. This was down from both 2023 and 2022, when the regulator obtained full or partial admissions of charges from three respondents in two actions and four respondents in four related actions, respectively.
- 98% of penalties imposed by the PCAOB in 2024 were imposed in the first half of the year. In comparison, only 17% of total penalties for the year were imposed in the first half of 2023. The only other year in our sample in which the PCAOB imposed more fines in the first half of the year was 2018, in which it imposed 54% of the annual total in the first six months.

FIGURE 17: PCAOB PENALTIES IMPOSED EACH HALF YEAR: 2018–2024



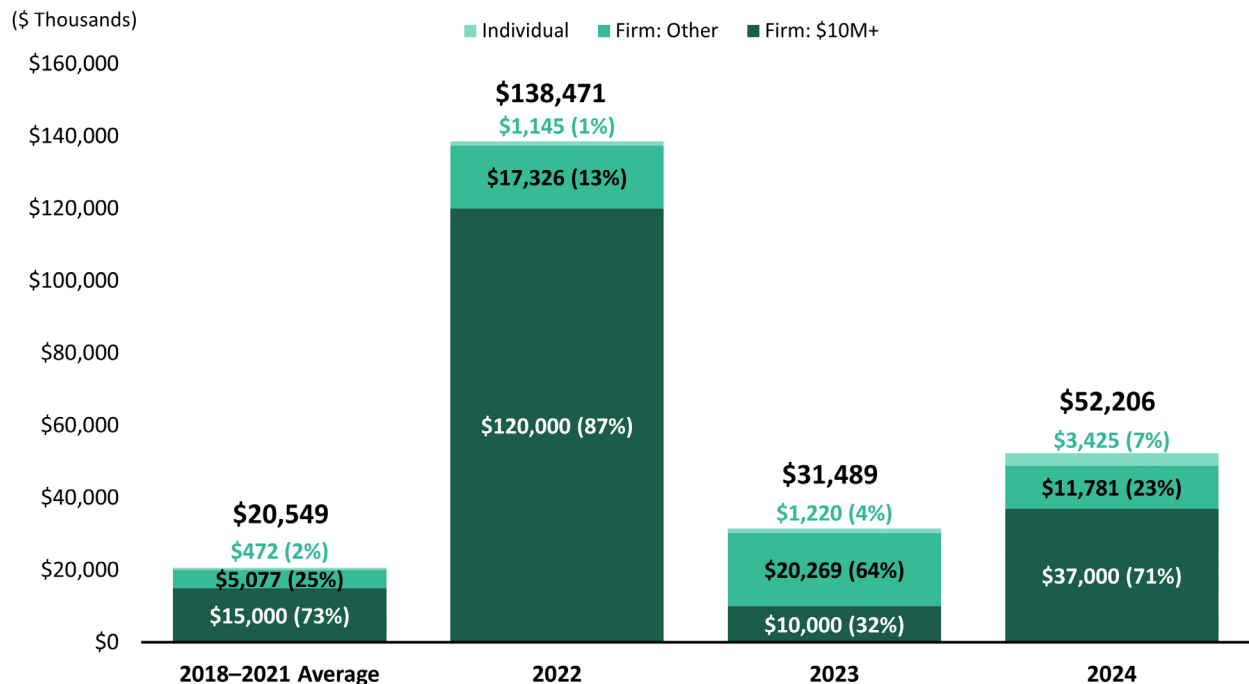
Source: <https://pcaobus.org/oversight/enforcement>.

SEC ENFORCEMENT ACTIVITY

- Total monetary sanctions imposed by the SEC increased 44% to \$16.5 million in 2024 from \$11.5 million in 2023, but remained 14% lower than the \$19.0 million average during the SEC’s prior administration (2018–2021).
- 85% of total fines imposed by the SEC in 2024 were imposed in one matter brought against BF Borgers and its owner, Benjamin F. Borgers, during Q2 2024.²⁹
- No respondents in finalized SEC actions in 2024 admitted wrongdoing. Only one action in our sample – a matter in 2022 – included an admission of the charges.

2. Mega-Settlements Drove Higher Firm Penalties in 2024

FIGURE 18: TOTAL MONETARY SANCTIONS IN FINALIZED ACTIONS AGAINST AUDIT FIRMS AND INDIVIDUAL RESPONDENTS: 2018–2021, 2022, 2023 & 2024



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

PCAOB VS. SEC ENFORCEMENT ACTIVITY

Firm Respondents

- Total monetary sanctions against firms in 2024 (\$48.8 million) were 61% higher than in 2023 (\$30.3 million) – primarily driven by the imposition of two mega-settlements totaling \$37

million (\$25 million imposed by the PCAOB and \$12 million imposed by the SEC). In contrast, there was only one mega-settlement in 2023, a \$10 million fine imposed by the SEC.

- PCAOB monetary sanctions imposed on firms in 2024 totaled \$34.4 million, more than 25 times the annual average fine imposed on firms under the PCAOB's prior administration.
- The SEC's total monetary sanctions of \$14.4 million imposed on firms in 2024 was down nearly 25% from the 2018–2021 average of \$18.8 million.
- Median monetary sanctions brought by the PCAOB and SEC against firms in 2024 (\$50,000) were in line with 2023 and 2022 and twice the median during 2018–2021 (\$25,000).
 - The median fine imposed by the SEC on a firm (\$265,000) in 2024 was more than 6.5 times higher than the median fine imposed by the PCAOB on a firm (\$40,000).
- Fines were imposed on 93% of total firm respondents in settled or adjudicated actions in 2024. In comparison, 84% of firm respondents were fined under the regulators' prior administrations.

Individual Respondents

- PCAOB and SEC imposed monetary sanctions of \$3.4 million on individual respondents in 2024, nearly three times the amounts imposed on individuals in each of the prior two years and more than seven times the 2018–2021 average (\$472,000).
 - Nearly 60% of the total penalties imposed on individuals in 2024 were due to one monetary sanction (\$2 million) imposed on Benjamin Borgers, the owner of BF Borgers.³⁰
 - This penalty was more than 13 times larger than the next highest fine imposed on an individual respondent by either regulator in our sample.
- The median monetary sanction imposed by the PCAOB and SEC against individuals in 2024 (\$50,000) was more than three times the median during 2018–2021 (\$15,000).
- Fines were imposed on 93% of total individual respondents in settled or adjudicated actions in 2024, up from an average of 54% during 2018–2021.
- In 2024, the PCAOB and SEC disclosed that they rewarded a total of six firms for their cooperation. Neither the SEC nor PCAOB discloses the amounts by which the fines are reduced as a result of cooperation.

FIGURE 19: MONETARY SANCTIONS IN FINALIZED ACTIONS AGAINST AUDIT FIRMS AND INDIVIDUAL RESPONDENTS: 2018–2021, 2022, 2023 & 2024

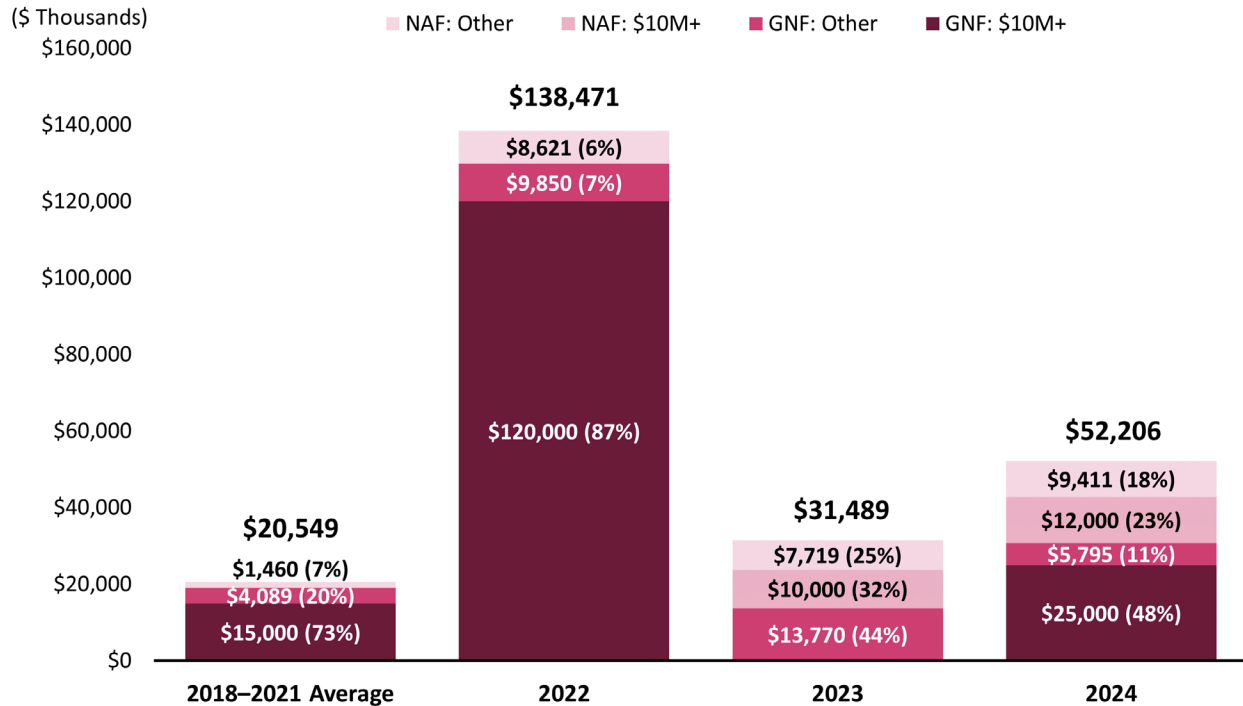
	Firm				Individual			
PCAOB	2018–2021 Average	2022	2023	2024	2018–2021 Average	2022	2023	2024
Respondents	14.75	30	43	39	20.50	26	19	25
# of Respondents Fined	13.00	30	43	36	11.75	24	18	23
% of Respondents Fined	88%	100%	100%	92%	57%	92%	95%	92%
Max Fine	\$ 0.75 M	\$ 4.00 M	\$ 4.00 M	\$ 25.00 M	\$ 0.05 M	\$ 0.15 M	\$ 0.10 M	\$ 0.15 M
Average Fine	\$ 0.10 M	\$ 0.33 M	\$ 0.45 M	\$ 0.96 M	\$ 0.02 M	\$ 0.04 M	\$ 0.05 M	\$ 0.06 M
Median Fine	\$ 0.02 M	\$ 0.04 M	\$ 0.05 M	\$ 0.04 M	\$ 0.01 M	\$ 0.03 M	\$ 0.05 M	\$ 0.05 M
Total	\$ 1.30 M	\$ 10.02 M	\$ 19.14 M	\$ 34.41 M	\$ 0.21 M	\$ 1.01 M	\$ 0.89 M	\$ 1.33 M
SEC	2018–2021 Average	2022	2023	2024	2018–2021 Average	2022	2023	2024
Respondents	6.75	9	6	9	15.75	19	19	11
# of Respondents Dismissed			1	2		1	8	7
# of Respondents Fined	5.00	6	4	7	8.00	6	9	4
% of Respondents Fined	74%	67%	80%	100%	51%	32%	82%	100%
Max Fine	\$ 50.00 M	\$ 100.00 M	\$ 10.00 M	\$ 12.00 M	\$ 0.15 M	\$ 0.03 M	\$ 0.09 M	\$ 2.00 M
Average Fine	\$ 3.76 M	\$ 21.22 M	\$ 2.78 M	\$ 2.05 M	\$ 0.03 M	\$ 0.02 M	\$ 0.04 M	\$ 0.52 M
Median Fine	\$ 0.10 M	\$ 2.83 M	\$ 0.55 M	\$ 0.27 M	\$ 0.02 M	\$ 0.02 M	\$ 0.03 M	\$ 0.04 M
Total	\$ 18.78 M	\$ 127.31 M	\$ 11.13 M	\$ 14.37 M	\$ 0.26 M	\$ 0.14 M	\$ 0.33 M	\$ 2.10 M
Combined	2018–2021 Average	2022	2023	2024	2018–2021 Average	2022	2023	2024
Respondents	21.50	39	49	48	36.25	45	38	36
# of Respondents Dismissed			1	2		1	8	7
# of Respondents Fined	18.00	36	47	43	19.75	30	27	27
% of Respondents Fined	84%	92%	98%	93%	54%	68%	90%	93%
Max Fine	\$ 50.00 M	\$ 100.00 M	\$ 10.00 M	\$ 25.00 M	\$ 0.15 M	\$ 0.15 M	\$ 0.10 M	\$ 2.00 M
Average Fine	\$ 1.12 M	\$ 3.81 M	\$ 0.64 M	\$ 1.13 M	\$ 0.02 M	\$ 0.04 M	\$ 0.05 M	\$ 0.13 M
Median Fine	\$ 0.03 M	\$ 0.05 M	\$ 0.05 M	\$ 0.05 M	\$ 0.02 M	\$ 0.03 M	\$ 0.04 M	\$ 0.05 M
Total	\$ 20.08 M	\$ 137.33 M	\$ 30.27 M	\$ 48.78 M	\$ 0.47 M	\$ 1.15 M	\$ 1.22 M	\$ 3.43 M

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

Notes: “% of Respondents Fined” is the number of respondents fined as a percentage of non-dismissed respondents. Average and median fines exclude settlements without fines. In Q3 2024, the SEC dismissed proceedings against seven individual accountants and two audit firms, presumably related to its Supreme Court loss in the *Jarkesy* matter. Individual respondent data for 2024 excludes one respondent whose additional proceedings to determine civil penalties were terminated in 2024 after the SEC had already imposed nonmonetary sanctions in 2022. 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.

3. GNF Respondents Faced Higher Monetary Sanctions than NAF Respondents

FIGURE 20: TOTAL MONETARY SANCTIONS IN FINALIZED ACTIONS AGAINST GNF VS. NAF RESPONDENTS: 2018–2021, 2022, 2023 & 2024



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

TOTAL ENFORCEMENT ACTIVITY

GNF vs. NAF Respondents

- 59% of the \$52.2 million in total monetary sanctions imposed in 2024 were imposed on GNF respondents, up from 44% in 2023 but down substantially from 93% in 2018–2021.
- For the second year in a row, all monetary sanctions imposed on GNF respondents in 2024 were imposed by the PCAOB.
- The \$30.8 million in monetary sanctions imposed on GNF respondents in 2024 was more than double the 2023 level (\$13.8 million) and up 61% from the 2018–2021 average (\$19.1 million).
- The \$21.4 million imposed on NAF respondents in 2024 was roughly 14 times the annual average imposed on NAF respondents during 2018–2021.
 - \$14 million – more than 65% of total monetary sanctions imposed on NAF respondents – resulted from the SEC’s action against BF Borgers on May 3, 2024.³¹

FIGURE 21: MONETARY SANCTIONS IN FINALIZED ACTIONS AGAINST GNF VS. NAF RESPONDENTS: 2018–2021, 2022, 2023 & 2024

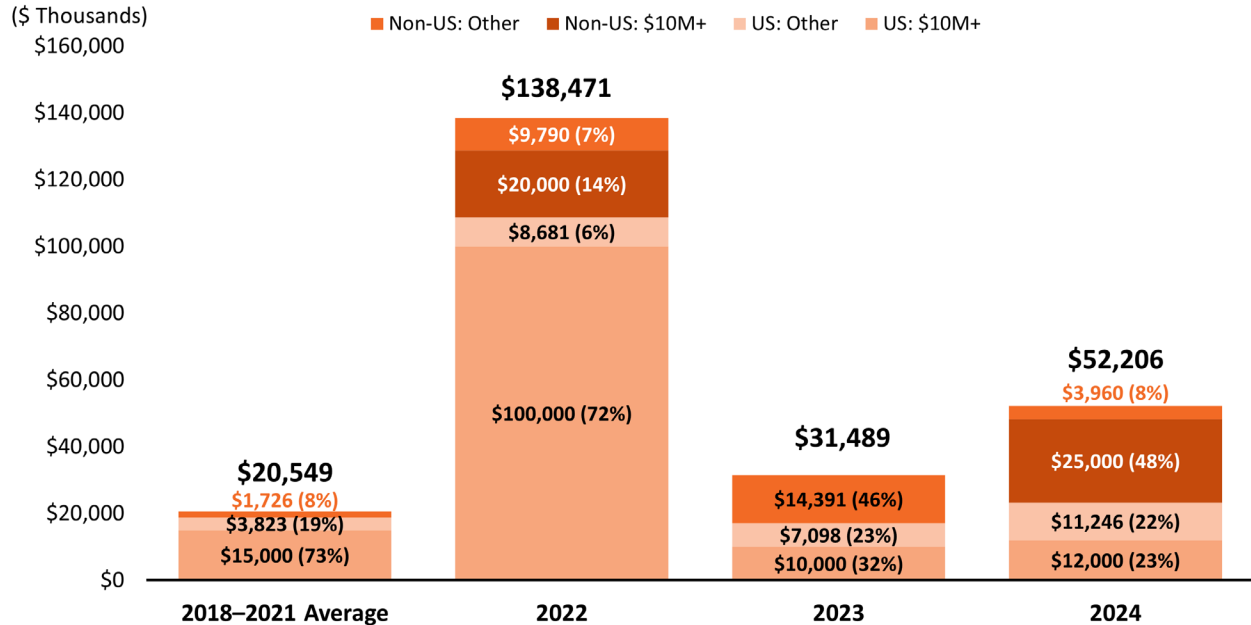
	2018–2021 Average		2022		2023		2024	
PCAOB	GNF	NAF	GNF	NAF	GNF	NAF	GNF	NAF
Respondents	10.50	25.00	26	30	15	47	14	50
# of Respondents Fined	7.25	17.00	24	30	15	46	14	45
% of Respondents Fined	69%	68%	92%	100%	100%	98%	100%	90%
Max Fine	\$ 0.75 M	\$ 0.45 M	\$ 4.00 M	\$ 0.20 M	\$ 4.00 M	\$ 3.00 M	\$ 25.00 M	\$ 2.00 M
Average Fine	\$ 0.14 M	\$ 0.03 M	\$ 0.41 M	\$ 0.04 M	\$ 0.92 M	\$ 0.14 M	\$ 2.20 M	\$ 0.11 M
Median Fine	\$ 0.03 M	\$ 0.02 M	\$ 0.07 M	\$ 0.03 M	\$ 0.05 M	\$ 0.05 M	\$ 0.06 M	\$ 0.04 M
Total	\$ 1.00 M	\$ 0.51 M	\$ 9.85 M	\$ 1.18 M	\$ 13.77 M	\$ 6.26 M	\$ 30.80 M	\$ 4.95 M
	66%	34%	89%	11%	69%	31%	86%	14%
SEC	GNF	NAF	GNF	NAF	GNF	NAF	GNF	NAF
Respondents	9.00	13.50	2	26	1	24	1	19
# of Respondents Dismissed				1	1	8	1	8
# of Respondents Fined	4.50	8.50	2	10		13		11
% of Respondents Fined	50%	63%	100%	38%	n/a	81%	n/a	100%
Max Fine	\$ 50.00 M	\$ 1.50 M	\$ 100.00 M	\$ 3.75 M	\$ 0.00 M	\$ 10.00 M	\$ 0.00 M	\$ 12.00 M
Average Fine	\$ 4.02 M	\$ 0.11 M	\$ 60.00 M	\$ 0.74 M	\$ 0.00 M	\$ 0.88 M	\$ 0.00 M	\$ 1.50 M
Median Fine	\$ 0.10 M	\$ 0.03 M	\$ 60.00 M	\$ 0.03 M	\$ 0.00 M	\$ 0.03 M	\$ 0.00 M	\$ 0.08 M
Total	\$ 18.09 M	\$ 0.95 M	\$ 120.00 M	\$ 7.45 M	\$ 0.00 M	\$ 11.46 M	\$ 0.00 M	\$ 16.47 M
	95%	5%	94%	6%	0%	100%	0%	100%
Combined	GNF	NAF	GNF	NAF	GNF	NAF	GNF	NAF
Respondents	19.50	38.50	28	56	16	71	15	69
# of Respondents Dismissed				1	1	8	1	8
# of Respondents Fined	11.75	25.50	26	40	15	59	14	56
% of Respondents Fined	60%	66%	93%	71%	100%	94%	100%	92%
Max Fine	\$ 50.00 M	\$ 1.50 M	\$ 100.00 M	\$ 3.75 M	\$ 4.00 M	\$ 10.00 M	\$ 25.00 M	\$ 12.00 M
Average Fine	\$ 1.62 M	\$ 0.06 M	\$ 4.99 M	\$ 0.22 M	\$ 0.92 M	\$ 0.30 M	\$ 2.20 M	\$ 0.39 M
Median Fine	\$ 0.05 M	\$ 0.02 M	\$ 0.08 M	\$ 0.03 M	\$ 0.05 M	\$ 0.05 M	\$ 0.06 M	\$ 0.05 M
Total	\$ 19.09 M	\$ 1.46 M	\$ 129.85 M	\$ 8.62 M	\$ 13.77 M	\$ 17.72 M	\$ 30.80 M	\$ 21.41 M
	93%	7%	94%	6%	44%	56%	59%	41%

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

Note: “% of Respondents Fined” is the number of respondents fined as a percentage of non-dismissed respondents. Average and median fines exclude actions without fines. In Q3 2024, the SEC dismissed proceedings against one GNF and eight NAF respondents, presumably related to its Supreme Court loss in the *Jarkesy* matter. NAF respondent data for 2024 excludes one respondent whose additional proceedings to determine civil penalties were terminated in 2024 after the SEC had already imposed nonmonetary sanctions in 2022. On June 2, 2023, the SEC dismissed proceedings against one GNF and eight NAF respondents because of a control deficiency related to the separation of SEC enforcement and adjudicatory functions.

4. Non-US Respondents Faced Higher Monetary Sanctions than US Respondents

FIGURE 22: TOTAL MONETARY SANCTIONS IN FINALIZED ACTIONS AGAINST US AND NON-US RESPONDENTS: 2018–2021, 2022, 2023 & 2024



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

US vs. Non-US Respondents

- 45% of total monetary sanctions in 2024 were imposed against US respondents, continuing the downward trend from 54% in 2023, 78% in 2022, and 92% during the regulators' prior administrations.
- 69% of the penalties imposed on US respondents in 2024 were imposed by the SEC, down from 96% during 2018–2021.
- Of the total fines imposed on non-US respondents in 2024, 99% were imposed by the PCAOB, up from 42% during 2018–2021.
 - 80% of total PCAOB penalties were imposed on non-US respondents in 2024. In comparison, during 2018–2021, 48% of the total PCAOB penalties were imposed on non-US respondents.

FIGURE 23: MONETARY SANCTIONS IN FINALIZED ACTIONS AGAINST US AND NON-US RESPONDENTS: 2018–2021, 2022, 2023 & 2024

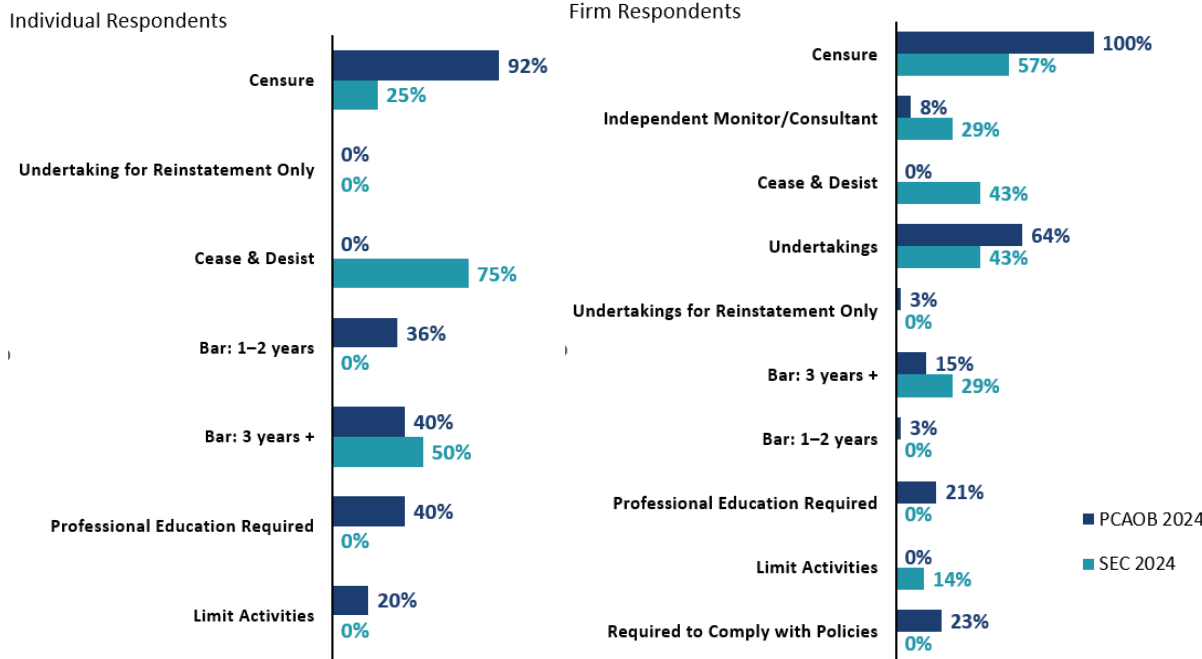
	2018–2021 Average		2022		2023		2024	
PCAOB	US	Non-US	US	Non-US	US	Non-US	US	Non-US
Respondents	24.00	11.50	29	27	33	29	38	26
# of Respondents Fined	15.25	9.50	29	25	33	28	36	23
% of Respondents Fined	64%	83%	100%	93%	100%	97%	95%	88%
Max Fine	\$ 0.75 M	\$ 0.50 M	\$ 0.20 M	\$ 4.00 M	\$ 3.00 M	\$ 4.00 M	\$ 2.75 M	\$ 25.00 M
Average Fine	\$ 0.05 M	\$ 0.08 M	\$ 0.04 M	\$ 0.39 M	\$ 0.20 M	\$ 0.48 M	\$ 0.20 M	\$ 1.36 M
Median Fine	\$ 0.02 M	\$ 0.01 M	\$ 0.03 M	\$ 0.05 M	\$ 0.04 M	\$ 0.05 M	\$ 0.04 M	\$ 0.05 M
Total	\$ 0.78 M	\$ 0.73 M	\$ 1.24 M	\$ 9.79 M	\$ 6.64 M	\$ 13.39 M	\$ 7.09 M	\$ 28.65 M
	52%	48%	11%	89%	33%	67%	20%	80%
SEC	US	Non-US	US	Non-US	US	Non-US	US	Non-US
Respondents	19.50	3.00	27	1	22	3	17	3
# of Respondents Dismissed			1		9		9	
# of Respondents Fined	11.50	1.50	11	1	10	3	8	3
% of Respondents Fined	59%	50%	41%	100%	77%	100%	100%	100%
Max Fine	\$ 50.00 M	\$ 2.01 M	\$ 100.00 M	\$ 20.00 M	\$ 10.00 M	\$ 0.97 M	\$ 12.00 M	\$ 0.27 M
Average Fine	\$ 1.57 M	\$ 0.67 M	\$ 9.77 M	\$ 20.00 M	\$ 1.05 M	\$ 0.33 M	\$ 2.02 M	\$ 0.10 M
Median Fine	\$ 0.03 M	\$ 0.12 M	\$ 0.03 M	\$ 20.00 M	\$ 0.04 M	\$ 0.03 M	\$ 0.41 M	\$ 0.03 M
Total	\$ 18.04 M	\$ 1.00 M	\$ 107.45 M	\$ 20.00 M	\$ 10.46 M	\$ 1.00 M	\$ 16.16 M	\$ 0.31 M
	95%	5%	84%	16%	91%	9%	98%	2%
Combined	US	Non-US	US	Non-US	US	Non-US	US	Non-US
Respondents	43.50	14.50	56	28	55	32	55	29
# of Respondents Dismissed			1		9		9	
# of Respondents Fined	26.75	11.00	40	26	43	31	44	26
% of Respondents Fined	61%	76%	71%	93%	93%	97%	96%	90%
Max Fine	\$ 50.00 M	\$ 2.01 M	\$ 100.00 M	\$ 20.00 M	\$ 10.00 M	\$ 4.00 M	\$ 12.00 M	\$ 25.00 M
Average Fine	\$ 0.70 M	\$ 0.16 M	\$ 2.72 M	\$ 1.15 M	\$ 0.40 M	\$ 0.46 M	\$ 0.53 M	\$ 1.20 M
Median Fine	\$ 0.02 M	\$ 0.02 M	\$ 0.03 M	\$ 0.06 M	\$ 0.04 M	\$ 0.05 M	\$ 0.05 M	\$ 0.05 M
Total	\$ 18.82 M	\$ 1.73 M	\$ 108.68 M	\$ 29.79 M	\$ 17.10 M	\$ 14.39 M	\$ 23.25 M	\$ 28.96 M
	92%	8%	78%	22%	54%	46%	45%	55%

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

Note: “% of Respondents Fined” is the number of respondents fined as a percentage of non-dismissed respondents. Average and median fines exclude actions without fines. In Q3 2024, the SEC dismissed proceedings against nine US respondents, presumably related to its Supreme Court loss in the *Jarkesy* matter. US respondent data for 2024 excludes one respondent whose additional proceedings to determine civil penalties were terminated in 2024 after the SEC had already imposed nonmonetary sanctions in 2022. On June 2, 2023, the SEC dismissed proceedings against nine US respondents because of a control deficiency related to the separation of SEC enforcement and adjudicatory functions.

B. Nonmonetary Sanctions in Finalized Actions

FIGURE 24: NONMONETARY SANCTIONS IMPOSED ON INDIVIDUALS AND FIRMS IN 2024 FINALIZED ACTIONS: 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

- 72% of individual respondents in settled or adjudicated actions were barred or suspended in 2024, down from 90% in 2023.
- 20% of firms established and implemented changes to their policies and procedures prior to the imposition of sanctions in 2024, up from 10% in 2023.
- The PCAOB and SEC imposed an independent monitor or consultant on firm respondents in five actions in 2024, down from seven actions in 2023.³²

VI. Looking Forward: Our Predictions for 2025 and Beyond

Trump 2.0 will have significant implications for PCAOB and SEC enforcement in and after 2025, with expected overhauls of leadership at both the SEC and PCAOB.

In December, then-President-Elect Donald Trump nominated Paul Atkins (who formerly served as a Commissioner during 2002–2008) to replace SEC Chair Gary Gensler.³³ The *Wall Street Journal* has referred to Mr. Atkins as the “Anti-Gensler,”³⁴ and *Politico* commented that Mr. Atkins has “sharply criticized what he considers to be heavy-handed policymaking for the last two decades” and is an “outspoken critic of everything from the reform measures enacted in the wake of the 2008 financial crisis to corporate penalties to climate-related disclosures.”³⁵

As of the issuance of this report, Mr. Atkins’ confirmation hearing has not yet been scheduled. Once confirmed, Mr. Atkins is generally expected to scale back aggressive SEC enforcement practices, focus on protecting retail investors, create a more predictable regulatory environment for digital assets,³⁶ and – specifically relevant to accounting and audit issues – continue to focus the SEC’s enforcement efforts on systemic audit failures, fraudulent revenue recognition, and egregious disclosure violations.

Mr. Atkins is also a known critic of the PCAOB.³⁷ Under Mr. Atkins, a Republican-led SEC will likely overhaul the PCAOB’s leadership for the third time since 2017, with new board members who will take a less aggressive stance on enforcement.

Industry participants are also preparing for the possibility that the Trump administration’s Department of Governmental Efficiency (DOGE) might shut down the PCAOB altogether or integrate it into the SEC – a move previously supported by Mr. Atkins.³⁸

We expect that the combination of Trump 2.0 and ongoing constitutional challenges (*Jarkesy* and *Doe vs. PCAOB* matters) will bring a sea change in auditor enforcement activity. Below, we discuss specific predictions.

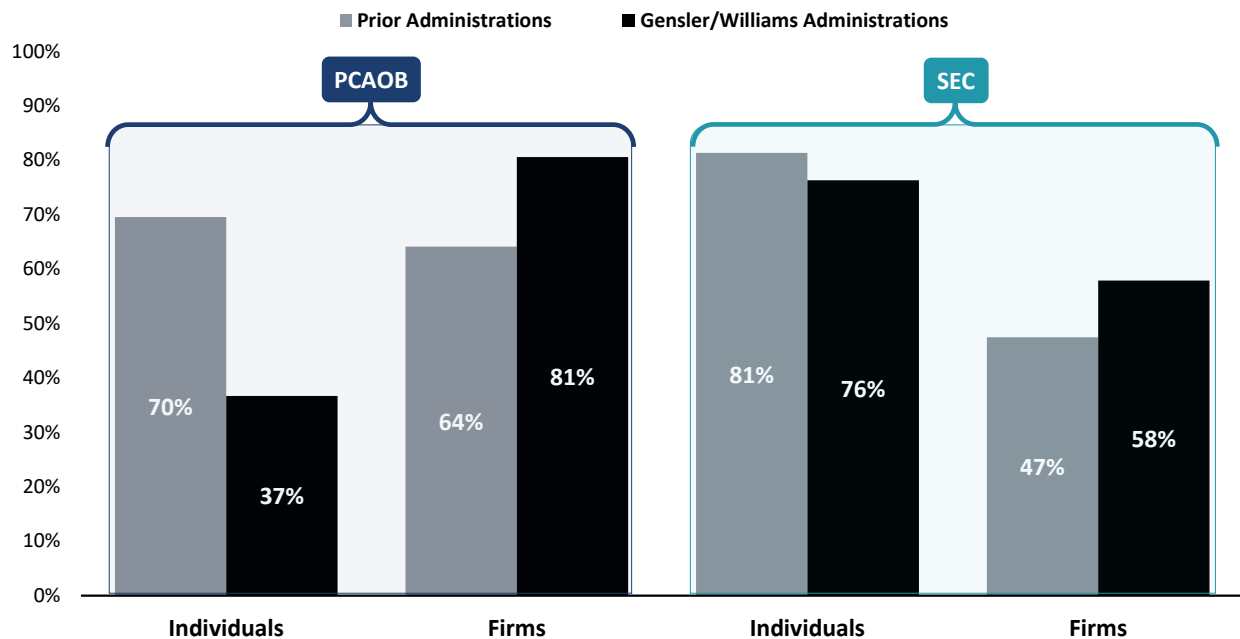
A. The PCAOB and SEC Will Revert to a Focus on Individual Accountability

Prior to the Williams/Gensler administrations, both the PCAOB and SEC brought actions against more individual auditors than against audit firms.

Under Chair William’s and Chair Gensler’s leadership, however, both regulators have placed a relatively higher focus on charging firms than individuals. For example, the SEC has charged relatively fewer individuals and relatively more firms under Mr. Gensler’s leadership than under the SEC’s prior administration. We see a similar trend at the PCAOB. Indeed, under Chair Williams, PCAOB actions involving firm respondents outnumbered actions involving individuals more than two to one.

Under Chair Atkins, we expect to see enforcement by both regulators revert back to a focus on individual accountability. For the PCAOB, the amendment to PCAOB Rule 3502, which dropped the liability bar for individuals who “contributed to a firm’s violation” from “reckless” conduct to “negligent” conduct, could facilitate such efforts (*see Section II.B.1: Expanding Contributory Liability*).

FIGURE 25: PERCENT OF INITIATED ACTIONS INVOLVING INDIVIDUAL AND FIRM RESPONDENTS: WILLIAMS/GENSLER ADMINISTRATIONS VS. PRIOR ADMINISTRATIONS



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

Note: An action may charge individual respondents, firm respondent(s), or both.

B. Penalties Will Fall and Become More Predictable

SEC

In a departure from historical practice, the SEC under Chair Gensler sought to increase enforcement penalties when prior penalties related to the same type of misconduct had not been sufficient to achieve the intended deterrent effect.³⁹ This resulted in record or near-record financial remedies in each of the last three fiscal years.⁴⁰

Under Mr. Atkin's leadership, we predict a significant reduction in monetary sanctions and a return to a more predictable determination of penalties, perhaps akin to a framework on financial penalties articulated by the SEC nearly two decades ago, during Mr. Atkin's prior stint as a Commissioner.⁴¹

PCAOB

Though as of the issuance of this report, the PCAOB – with the Williams administration still in place – has imposed \$3.45 million in penalties (through the end of February 2025), we expect a change in leadership and *Jarkesy*-related fallout to dampen PCAOB penalties significantly after three consecutive years of record penalties.

- Based on changes in PCAOB leadership alone, we expect a significant decline in penalties.
 - During the first Trump administration, under Chair Duhnke's leadership, total penalties averaged approximately \$1.5 million each year. In comparison, penalties averaged \$22 million per year – nearly 15 times higher – under Chair Williams.
- The *Jarkesy* ruling and the *Doe* matters raise constitutional questions about PCAOB's ability to impose penalties and may already be having a dampening effect.
 - Although it is unclear what drove the change, we note that penalties imposed by the PCAOB post-*Jarkesy* have been significantly muted. Despite bringing a third of its 2024 actions after the June 2024 *Jarkesy* decision, only 2% of its penalties for the year were imposed post-*Jarkesy*.

C. Areas of Focus

1. Crypto-Related Enforcement Matters Involving Auditors Will Rise

Consistent with President Trump’s pledge to make the United States the “crypto capital of the planet,”⁴² the SEC is expected to be less aggressive in its crypto-related enforcement under the leadership of Mr. Atkins, a cryptocurrency advocate.

“Friendlier regulation” of the crypto markets will undoubtedly reduce certain types of crypto-related enforcement activity – e.g., actions related to unregistered securities offerings. However, we anticipate that an increased use of cryptocurrencies will result in increased levels of crypto-related fraudulent activity. We also expect a return to a “fraud-based focus” on enforcement⁴³ and, thus, more enforcement activity involving crypto-related fraudulent activities. Indeed, the SEC announced on February 20 the creation of the Cyber and Emerging Technologies Unit (CETU) “to focus on combatting cyber-related misconduct and protect retail investors from back actors in the emerging technologies space.” CETU has identified “fraud involving blockchain technology and crypto assets” among its priority areas.⁴⁴

Auditors are particularly susceptible to such actions due to their requirement under AS 2401, *Consideration of Fraud in a Financial Statement Audit*, to consider fraud in planning and performing the audit.⁴⁵

2. PCAOB-Registered Firms in the PRC and Hong Kong Will Remain a Priority

As we discussed in last year’s report, “2023 Enforcement Activity Involving Auditors,” for the first time in its history, the PCAOB obtained full access in August 2022 to inspect PCAOB-registered firms in the PRC and Hong Kong. This access allowed the PCAOB unprecedented “sole discretion to select the firms, audit engagements, and potential violations it inspects and investigates – without consultation with, nor input from, PRC authorities.”⁴⁶

As a result of its inspection access, the PCAOB brought five actions against PRC or Hong Kong-based firms or individuals by year-end 2024.

Given the Trump administration’s efforts during the President’s first term to pressure PRC authorities into allowing inspections of PRC-based accounting firms,⁴⁷ Mr. Trump’s vows to take a more aggressive approach towards China during his second term,⁴⁸ and his recent executive

order giving the White House greater power over independent regulatory agencies such as the SEC,⁴⁹ President Trump may view enforcement against Chinese firms (including Chinese audit firms) as another tool in US-China relations toolbox.

3. We Will See Fewer “Firsts”

The Williams and Gensler administrations have touted the expanded reach of the PCAOB and SEC’s respective enforcement efforts.

Under Chair Williams, the PCAOB highlighted a number of enforcement “firsts” in its annual reports, including bringing the PCAOB’s “first action for failure to supervise personnel under Section 105(c)(6) of the Sarbanes-Oxley Act,” “imposing the PCAOB’s first sanctions for failing to supervise an unregistered firm,” and “imposing the PCAOB’s first-ever sanctions related to membership in an accounting alliance.”⁵⁰

SEC enforcement, under Chair Gensler, has been criticized for pushing the envelope by introducing novel legal theories and engaging in “rulemaking by enforcement.”

We expect that, under Mr. Atkins, the SEC and an overhauled PCAOB will focus on more traditional enforcement priorities, such as financial fraud and straightforward violations of SEC and PCAOB rules, with a decreased likelihood of novel legal theories, rulemaking by enforcement, and first-of-their-kind enforcement actions.

The extent to which these predictions materialize in 2025 or the following years remains to be seen. We will continue to follow developments in enforcement activity against auditors in mid-year and annual updates to this report.

VII. Appendix: Defined Terms

Auditing standards violation	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 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.
Ethics or independence violation	Violation of PCAOB Rule 3500T, PCAOB Rules 3520–3526, and/or Rule 2-01 of Regulation S-X. Excludes actions solely alleging violations of QC standards related to ethics or 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 are: BDO International Limited, Deloitte Touche Tohmatsu Limited, Ernst & Young Global Limited, Grant Thornton International Limited, KPMG International Cooperative, and PricewaterhouseCoopers International Limited. ⁵¹
Global network firm (GNF)	A firm that is a member of one of the six large global networks identified by the PCAOB.
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.
Mega-settlement	Monetary sanctions greater than or equal to \$10 million.
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 .
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.
Regulators' prior administrations	Proxied by 2018–2021. For the SEC, former Chair Jay Clayton served from May 2017 to December 2020. For the PCAOB, former Chair William D. Duhnke III served from January 2018 to June 2021.
Required to comply with policies	A requirement for a firm to comply with revised policies and procedures that were established by the firm to address the deficiencies addressed in the enforcement action prior to the imposition of sanctions by the regulator.
Registration or reporting violation	For PCAOB actions, 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/friactions .
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”). Also excludes requirements to comply with policies and procedures that were revised prior to the imposition of sanctions.

US respondents

Firm respondents headquartered in the United States or individual respondents associated with a firm headquartered in the United States.

Proxied by the years 2022–2024.

Williams/Gensler administrations

For the PCAOB, Chair Williams was sworn in January 2022. As of the issuance of this report, Ms. Williams continues to serve as Chair; her term expires in October 2029.

For the SEC, Chair Gensler was sworn into office in April 2021, followed by Enforcement Director Grewal in late July. As such, 2022 was the first full year under the Gensler administration. Mr. Gensler stepped down in January 2025.

- ¹ Alison Forman, “2023 Enforcement Activity Involving Auditors,” January 2024, https://www.brattle.com/wp-content/uploads/2024/01/2023-Enforcement-Activity-Involving-Auditors_Final.pdf.
- ² Mark Maurer, “PCAOB Critic Picked for SEC Chair, Raising Potential for a Smaller Audit Watchdog,” *The Wall Street Journal*, December 9, 2024, <https://www.wsj.com/articles/pcaob-critic-picked-for-sec-chair-raising-potential-for-a-smaller-audit-watchdog-49bf6e7e>.
- ³ Securities Exchange Commission, “Statement of the Securities and Exchange Commission Concerning Financial Penalties,” January 4, 2006, <https://www.sec.gov/news/press/2006-4.htm>.
- ⁴ “17 CFR § 201.102 - Appearance and practice before the Commission,” Cornell Law School Legal Information Institute, accessed February 13, 2025, <https://www.law.cornell.edu/cfr/text/17/201.102>.
- ⁵ Supreme Court of the United States, *Securities and Exchange Commission, Petitioner v. George R. Jarkesy, Jr., et al.*, Opinion of the Court, June 27, 2024, https://www.supremecourt.gov/opinions/23pdf/22-859_1924.pdf. The Supreme Court’s opinion did not address two constitutional questions decided by the Fifth Circuit: (1) the Fifth Circuit’s holding that Congress violated the non-delegation doctrine by authorizing the SEC to choose whether to pursue a civil penalty action before an administrative law judge or to litigate in an Article III court; and (2) whether the SEC’s structure violates Article II because of the tenure protections afforded to ALJs. See “Supreme Court Punches SEC APs Right in the Seventh Amendment,” Debevoise & Plimpton, June 28, 2024, p. 5, <https://www.debevoise.com/-/media/files/insights/publications/2024/06/supreme-court-punches-sec-aps-right-in-the-seventh.pdf?rev=78fdd9e162fe4c1891173476531b416c&hash=8007E7504C9620EC2A2317F11F5D06BB>.
- ⁶ See, e.g., David R. Fredrickson, “Capital Markets, Professional Perspective - What Happens to the SEC’s Administrative Proceedings After Jarkesy?” *Bloomberg Law*, April 2024, <https://www.bloomberglaw.com/external/document/XA90QHA8000000/capital-markets-professional-perspective-what-happens-to-the-sec>.
- ⁷ Matthew D. Levitt and Patrick E. McDonough, “Supreme Court in Jarkesy Limits the SEC’s Powers to Use In-House Administrative Courts,” *Mintz*, June 28, 2024, <https://www.mintz.com/insights-center/viewpoints/2301/2024-06-28-supreme-court-jarkesy-limits-secs-powers-use-house>; Kevin LaCroix, “Guest Post: SEC Administrative Proceedings After SEC v. Jarkesy,” *The D&O Diary*, September 17, 2024, <https://www.dandodiary.com/2024/09/articles/securities-litigation/guest-post-sec-administrative-proceedings-after-sec-v-jarkesy/>.
- ⁸ Douglas Gillison, “US SEC abandons in-house malpractice suits after Supreme Court ruling,” *Reuters*, September 5, 2024, https://www.reuters.com/legal/us-sec-abandons-in-house-malpractice-suits-after-supreme-court-ruling-2024-09-05/?utm_source=securitiesdocket.beehiiv.com&utm_medium=newsletter&utm_campaign=sec-requests-dismissal-of-all-active-accountant-misconduct-cases-pending-before-aljs&_bhlid=8418b288c06c7919d97f1fdbbc23b09998a21137e.

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- ⁹ Michael Dell, Daniel Ketani, and Samantha Alman, “Audit Watchdog’s Future at Risk After Supreme Court’s SEC Ruling,” *Bloomberg Tax*, August 5, 2024, <https://news.bloombergtax.com/tax-insights-and-commentary/audit-watchdogs-future-at-risk-after-supreme-courts-sec-ruling>.
- ¹⁰ Bill Flook, “After Jarkesy, Three Auditor Suits Test the PCAOB’s Enforcement Powers,” *Thomson Reuters*, December 18, 2024, <https://tax.thomsonreuters.com/news/after-jarkesy-three-auditor-suits-test-the-pcaobs-enforcement-powers/>.
- ¹¹ *John Doe Corporation v. Public Company Accounting Oversight Board*, United States District Court for the Southern District of Texas, March 27, 2024, No. 4:24-cv-01103.
- ¹² *John Doe v. Public Company Accounting Oversight Board*, United States District Court for the District of Columbia, January 22, 2025, No. 1:25-cv-00186, was previously case No. 3:24-cv-00254 in the Middle District of Tennessee, and transferred in part because the District Court for the District of Columbia was already handling a nearly identical case brought against the PCAOB. See *John Doe v. Public Company Accounting Oversight Board*, United States District Court for the District of Columbia, January 19, 2023, No. 1:24-cv-00780.
- ¹³ Public Company Accounting Oversight Board, “PCAOB Modernizes Its Rules by Strengthening Accountability for Contributing to Firm Violations,” June 12, 2024, <https://pcaobus.org/news-events/news-releases/news-release-detail/pcaob-modernizes-its-rules-by-strengthening-accountability-for-contributing-to-firm-violations>; US Securities and Exchange Commission, “SEC Approves New and Updated PCAOB Audit Standards and an Amendment to the PCAOB’s Contributory Liability Rule,” August 20, 2024, <https://www.sec.gov/newsroom/press-releases/2024-100>.
- ¹⁴ Public Company Accounting Oversight Board, “Amendment To PCAOB Rule 3502: Governing Contributory Liability,” PCAOB Release No. 2024-008, June 12, 2024, https://assets.pcaobus.org/pcaob-dev/docs/default-source/rulemaking/053/2024-008-rule-3502-adoption.pdf?sfvrsn=9819bcd3_2.
- ¹⁵ Patrick Bryan, “SEC approves PCAOB rule amendment that expands individual auditor enforcement liability,” *DLA Piper*, August 22, 2024, <https://www.dlapiper.com/en-us/insights/publications/2024/08/sec-approves-pcaob-rule-amendment-that-expands-individual-auditor-enforcement-liability>; Public Company Accounting Oversight Board, “Amendment To PCAOB Rule 3502: Governing Contributory Liability,” PCAOB Release No. 2024-008; June 12, 2024, https://assets.pcaobus.org/pcaob-dev/docs/default-source/rulemaking/053/2024-008-rule-3502-adoption.pdf?sfvrsn=9819bcd3_2.
- ¹⁶ BakerHostetler, “SEC Approves PCAOB’s Rule Expanding Contributory Liability,” September 10, 2024, <https://www.bakerlaw.com/insights/sec-approves-pcaobs-rule-expanding-contributory-liability/>.
- ¹⁷ Securities Exchange Commission, SEC Release No 34-100968, “Public Company Accounting Oversight Board; Order Granting Approval of QC 1000, A Firm’s System of Quality Control, and Related Amendments to PCAOB Standards, Rules, and Forms,” September 9, 2024, <https://www.sec.gov/files/rules/pcaob/2024/34-100968.pdf>.
- ¹⁸ *Thomson Reuters*, “Unveiling the new PCAOB standard QC 1000: A leap towards enhanced audit quality,” May 16, 2024, <https://tax.thomsonreuters.com/blog/unveiling-the-new-pcaob-standard-qc-1000/#:~:text=The%20adoption%20of%20QC%201000,navigate%20an%20ever%2Dchanging%20landscape>.
- ¹⁹ The individual(s) comprising the EQCF cannot be “partners, shareholders, members, other principals, or employees of the firm” and cannot “otherwise have a commercial, familial, or other relationship with the firm that would interfere with the exercise of independent judgment with regard to matters related to the QC system.” See PCAOB, QC 1000.28, May 13, 2024, <https://pcaobus.org/oversight/standards/qc-standards/details/qc-1000--a-firms-system-of-quality-control>.
- ²⁰ See, e.g., Deloitte Canada Centre for Financial Reporting, “PCAOB QC 1000 – A Firm’s System of Quality Control and Other Amendments to PCAOB Standards, Rules, And Form,” <https://www.iasplus.com/en-ca/standards/assurance/other-standards-1/pcaob-qc-1000-a-firm2019s-system-of-quality-control-and-other-amendments-to-pcaob-standards-rules-and-form>.
- ²¹ Although the PCAOB disclosed more actions in 2017 than in 2024, penalties in 2024 were more than seven times higher than the \$4.9 million imposed in 2017. See PCAOB, 2017 Annual Report, March 27, 2018, https://assets.pcaobus.org/pcaob-dev/docs/default-source/about/administration/documents/annual_reports/2017-pcaob-annual-report.pdf?sfvrsn=a17df199_2.

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- 22 PCAOB, 2022 Annual Report, March 28, 2023, p. 11, https://assets.pcaobus.org/pcaob-dev/docs/default-source/about/administration/documents/annual_reports/2022-annual-report_final.pdf.
- 23 In September 2023, the PCAOB launched an inspections initiative to “explore and understand drivers of audit firm culture and to probe whether the audit firm’s culture had an impact on the rising levels of audit deficiencies we have observed in [its] inspections since 2020.” See PCAOB Spotlight, “Insights on Culture and Audit Quality,” December 2024, https://assets.pcaobus.org/pcaob-dev/docs/default-source/documents/culture-spotlight.pdf?sfvrsn=d0a0346e_1.
- 24 Statistics provided in this section are as a percent of actions alleging one or more auditing or attestation standard violations.
- 25 PCAOB News Release, “PCAOB Sanctions Five Audit Firms for Violations Related to Audit Committee Communications or Reporting Requirements, September 24, 2024, <https://pcaob-cms-live.ae-admin.com/news-events/news-releases/news-release-detail/pcaob-sanctions-five-audit-firms-for-violations-related-to-audit-committee-communications-or-reporting-requirements>.
- 26 The PCAOB and SEC brought actions involving CAMs for the first time in 2023. CAMs 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).
- 27 PCAOB Release No. 105-2024-022, April 10, 2024, https://assets.pcaobus.org/pcaob-dev/docs/default-source/enforcement/decisions/documents/105-2024-022-kpmg-netherlands.pdf?sfvrsn=ce46c211_2.
- 28 The PCAOB disclosed its first finalized enforcement actions in 2005.
- 29 SEC Release No. 11283, *In the Matter of BF Borgers CPA PC and Benjamin F. Borgers, CPA*, May 3, 2024, <https://www.sec.gov/files/litigation/admin/2024/33-11283.pdf>.
- 30 SEC Release No 33-11283, May 3, 2024, <https://www.sec.gov/files/litigation/admin/2024/33-11283.pdf>.
- 31 SEC Release No. 33-11283, May 3, 2024, <https://www.sec.gov/files/litigation/admin/2024/33-11283.pdf>. In the same matter, the SEC also imposed a \$2 million fine on Benjamin Borgers, the largest fine imposed on any individual in our sample.
- 32 In addition, one non-US GNF was to be under strict supervision by its country’s regulator, and another non-US GNF had already retained its own independent consultant before sanctions were imposed.
- 33 Jessica Corso, “Crypto Group Hail Trump’s SEC Pick Paul Atkins,” *Law360*, December 4, 2024, https://www.law360.com/banking/articles/2269374?nl_pk=33a99f35-c195-4511-9b4b-fbf62e193d52&utm_source=newsletter&utm_medium=email&utm_campaign=banking&utm_content=2269374&read_main=1&nlsidx=0&nlaidx=0.
- 34 Editorial Board of *The Wall Street Journal*, “Paul Atkins is the Anti-Gensler for the SEC,” December 4, 2024, https://www.wsj.com/opinion/paul-atkins-sec-nominee-donald-trump-gary-gensler-fd050cd3?st=C8gF1c&reflink=desktopwebshare_permalink.
- 35 *JD Supra*, “Outspoken Critic’ and Former SEC Commissioner Paul Atkins to be nominated as SEC Chair,” December 5, 2024, <https://www.jdsupra.com/legalnews/outspoken-critic-and-former-sec-5092766/>.
- 36 Ann Kim, Matthew Sullivan, Garima Malhotra, and Joshua Schulster, “Shifting SEC priorities: A new era of enforcement under the Trump administration,” Hogan Lovells, January 15, 2025, <https://www.hoganlovells.com/en/publications/shifting-sec-priorities-a-new-era-of-enforcement-under-the-trump-administration>.
- 37 Mark Maurer, “PCAOB Critic Picked for SEC Chair, Raising Potential for a Smaller Audit Watchdog,” *The Wall Street Journal*, December 9, 2024, <https://www.wsj.com/articles/pcaob-critic-picked-for-sec-chair-raising-potential-for-a-smaller-audit-watchdog-49bf6e7e>.
- 38 Michael Cohn, “AICPA Prepares for the Possible End of the PCAOB,” *Accounting Today*, February 10, 2025, https://www.accountingtoday.com/news/aicpa-prepares-for-possibility-of-pcaob-being-folded-into-sec?utm_campaign=NL_ACT_Daily_Briefing_02112025&position=1&utm_source=newsletter&utm_medium=email&campaignname=NL_ACT_Daily_Briefing_02112025&oly_enc_id=6911D3567289G1Z;

Amanda Iacone, “US Audit Board Braces for Agenda Shake-Up in Trump’s Second Term,” *Bloomberg Tax*, January 17, 2025, <https://news.bloomberglaw.com/financial-accounting/us-audit-board-braces-for-agenda-shake-up-in-trumps-second-term>.

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⁴⁰ SEC Announces Enforcement Results for Fiscal Year 2024, November 22, 2024; <https://www.sec.gov/newsroom/press-releases/2024-186>; SEC Announces Enforcement Results for Fiscal Year 2023, November 14, 2023, <https://www.sec.gov/newsroom/press-releases/2023-234>.

⁴¹ Statement of the Securities and Exchange Commission Concerning Financial Penalties, January 4, 2006, <https://www.sec.gov/news/press/2006-4.htm>.

⁴² Alex Veiga, “Trump Nominates Cryptocurrency Advocate Paul Atkins as SEC Chair,” *AP News*, December 4, 2024, <https://apnews.com/article/sec-chair-atkins-gensler-investors-financial-markets-d1c544f1846071b33c75b9f2dd0c1ba4>.

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⁴⁴ “SEC Announces Cyber and Emerging Technologies Unit to Protect Retail Investors,” last reviewed or updated February 20, 2025, <https://www.sec.gov/newsroom/press-releases/2025-42>.

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