

# Enforcement Activity Involving Auditors – 2025 Q3 Update

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

PREPARED BY

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# I. Introduction

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The first three quarters of 2025 were a period of transition for auditor enforcement, shaped by changes in leadership, constitutional uncertainty, and shifting enforcement priorities at both the US Securities and Exchange Commission (SEC) and the Public Company Accounting Oversight Board (PCAOB). The PCAOB also faced an unprecedented challenge to its institutional stability, with its very existence called into question during the first half of the year.

Following the inauguration of President Trump and the departure of SEC Chair Gary Gensler in January, the SEC operated under interim leadership until Paul Atkins – long known for his deregulatory views and criticism of the PCAOB – was sworn in as Chair on April 21. Chair Atkins did not appoint a permanent Enforcement Director for the SEC until September, when Judge Margaret “Meg” Ryan assumed that role. At the PCAOB, Chair Erica Williams was removed in July, and George Botic was appointed Acting Chair, marking the start of a complete board overhaul.

Against this backdrop, this Q3 2025 update examines enforcement activity by the SEC and PCAOB during the first nine months of 2025 and identifies developments likely to influence auditor oversight in the coming years.

## II. Data Analyzed

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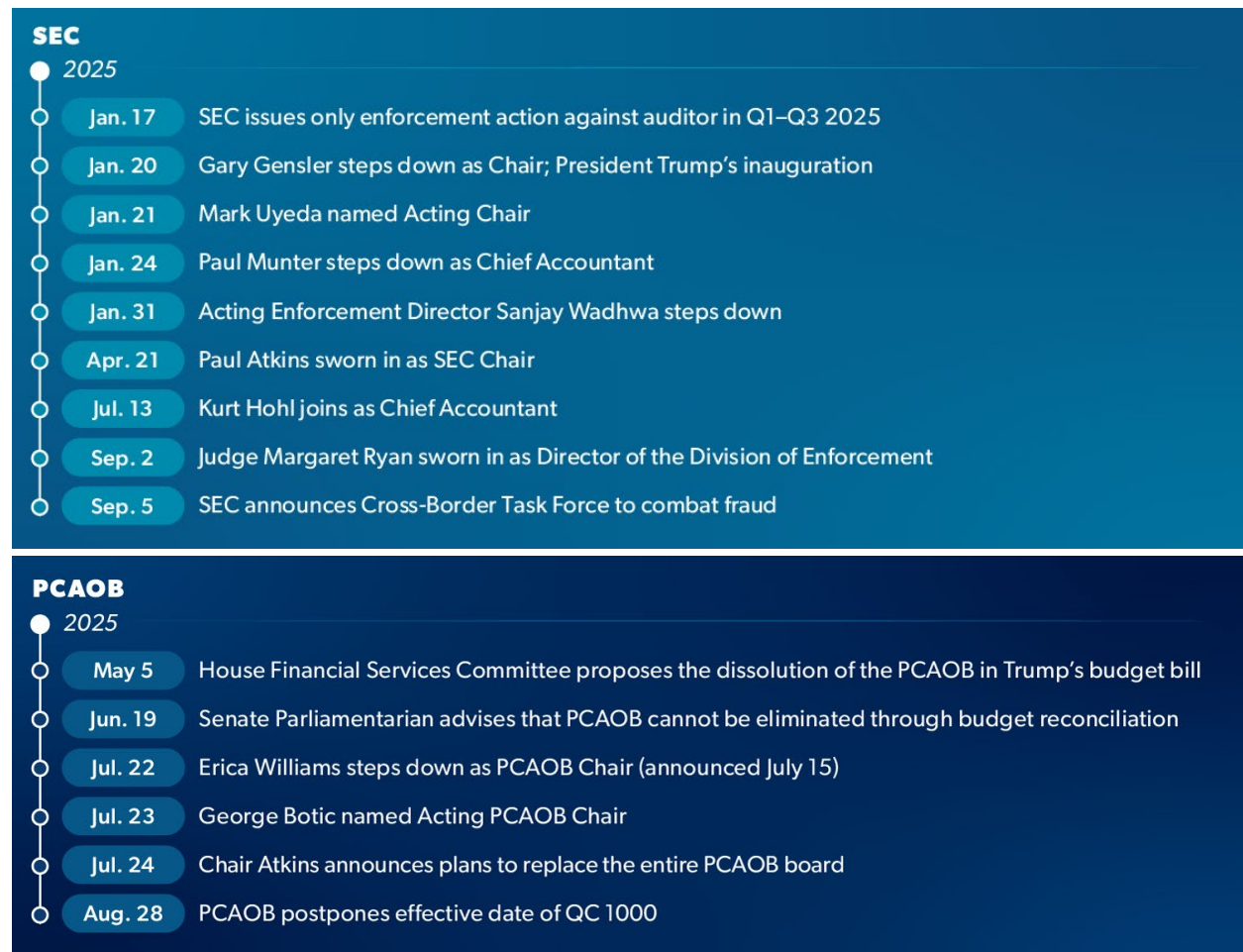
This report analyzes the level of enforcement activity brought by the PCAOB and SEC against public accounting firms (“firms”) and professionals employed by public accounting firms (“individuals”) during 2018 through Q3 2025.

Analyses of the level of *enforcement activity* 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. SEC actions, however, 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.

### III. 2025 Developments



After several months of uncertainty, the third quarter of 2025 marked a defining inflection point for auditor oversight in the United States. With leadership changes at both agencies signaling a shift away from the aggressive enforcement posture that characterized the Gensler/Williams era, Q3 activity provided the first clear indications of how the new administration’s priorities may reshape the regulatory landscape.

Notably during Q3, the PCAOB’s continued existence – threatened by a proposal to dissolve the PCAOB through President Trump’s “One Big Beautiful Bill” – was secured when the Senate Parliamentarian ruled that the measure could not proceed under budget reconciliation procedures. Shortly thereafter, Chair Atkins initiated a complete overhaul of the PCAOB board, suggesting a likely realignment of oversight priorities at the PCAOB.

Early SEC initiatives under Mr. Atkins’s leadership, including the creation of the Cross-Border Task Force, suggest a shift in enforcement priorities away from technical violations to matters involving fraud and investor harm.

Ongoing constitutional challenges have added to the regulatory uncertainty. The Supreme Court’s June 2024 *SEC v. Jarkesy* decision limiting the SEC’s use of administrative proceedings, together with parallel “John Doe” challenges to the PCAOB’s disciplinary process, have raised questions about both agencies’ adjudicatory authority.<sup>1</sup> These developments may have contributed to lower auditor-related enforcement activity through Q3 and may fundamentally alter how future cases are brought and resolved.

Against this backdrop, the following sections summarize key SEC and PCAOB developments during the third quarter of 2025 and their potential implications for auditor enforcement activity in the remainder of the year and beyond.

## A. SEC Developments in Q3 2025

### 1. Appointment of SEC Enforcement Director Judge Margaret “Meg” Ryan

On September 2, 2025, [Judge Ryan](#), a senior judge on the US Court of Appeals for the Armed Forces, was appointed Director of the SEC’s Division of Enforcement. Prior to her judicial service, Judge Ryan was a partner at Wiley Rein & Fielding and Bartlit Beck Herman Palenchar & Scott, and clerked for Supreme Court Justice Clarence Thomas.

Industry participants noted that Judge Ryan was an unconventional pick for the SEC’s top enforcement job, with the [Financial Times](#) noting, “this looks very much like the kind of appointment you make if you don’t actually want an awful lot of enforcement.”

### 2. Establishment of a Cross-Border Task Force

On September 5, 2025, the SEC announced the formation of a Cross-Border Task Force to enhance the Division of Enforcement’s efforts to identify and combat fraud that crosses international borders and harms US investors. According to the [SEC’s press release](#), the Task

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<sup>1</sup> *SEC v. Jarkesy* and the PCAOB “John Doe” lawsuits are discussed in depth in “2024 Enforcement Activity Involving Auditors,” March 2025, <https://www.brattle.com/insights-events/publications/2024-enforcement-activity-involving-auditors/>.

Force will initially focus on foreign companies engaged in potential US securities law violations, including market manipulation schemes, as well as on “gatekeepers, particularly auditors and underwriters,” and on companies from jurisdictions – specifically calling out China – where “governmental control and other factors present unique investor risks.”

The Cross-Border Task Force is the first enforcement initiative under Chair Atkins to address auditor accountability directly.

## B. PCAOB Developments in Q3 2025

### 1. PCAOB Spared Elimination in the “One Big Beautiful Bill”

On May 22, 2025, the US House of Representatives passed a version of the 2025 budget reconciliation package that included [a provision to dissolve the PCAOB](#) and merge its regulatory functions into the SEC.

The PCAOB has long drawn criticism (most notably from congressional Republicans) on the grounds that it imposes additional costs on public companies, overlaps with the SEC’s oversight role, and lacks the same accountability as a federal agency. Its proposed abolition was listed among the deregulatory policy goals of “[Project 2025](#).”

Opponents of the provision – and of the PCAOB’s elimination in general – raised multiple objections, including that (1) the provision [violated the Byrd Rule](#) because it effected a regulatory policy change rather than a pure budget measure; (2) [PCAOB funding comes from fees](#) (not taxpayer dollars), so eliminating it [would not meaningfully reduce the deficit](#); and (3) shifting the PCAOB’s enforcement and inspection work to the SEC risked weakening audit oversight.

Ultimately, the provision was struck after the Senate Parliamentarian ruled that it did not qualify for inclusion in a reconciliation bill under the Byrd Rule, thus sparing the PCAOB from elimination in the One Big Beautiful Bill, which President Trump signed on July 4, 2025.

### 2. Forced Resignation of Chair Erica Williams and Call for Candidates for All Five Board Positions

On July 22, 2025, just weeks after the PCAOB was spared elimination, PCAOB Chair Erica Williams resigned at the [request](#) of SEC Chair Atkins. The SEC appointed Board Member [George Botic](#) to serve as Acting Chair. On July 23, Chair Atkins announced that the SEC was [soliciting](#)

[candidates for all five PCAOB board positions](#), including the Chair position temporarily filled by Mr. Botic.

This move marked the initiation of a complete board refresh, as the SEC invited candidates to apply to serve the remainder of existing five-year terms. Application submissions were due August 25, 2025.

### 3. QC 1000 Adoption Delayed by One Year

Last year, the SEC approved the PCAOB’s new quality control (QC) standard, [QC 1000](#), *A Firm’s System of Quality Control*, with an effective date of December 15, 2025. As we noted in our [“2024 Enforcement Activity Involving Auditors” report](#), QC 1000 was described as a “[landmark reform](#)” that was “poised to have a profound impact on the auditing industry.” It strives to modernize the outdated quality control framework and strengthen audit quality by:

- Requiring annual evaluations of firms’ QC systems;
- Mandating the creation of an external quality control function (EQCF) for the largest US firms (auditing 100+ public companies); and
- Emphasizing a risk-based approach, obligating firms to design QC systems tailored to their structure, clients, and risks.

However, on [August 28, 2025](#), the PCAOB announced a one-year postponement of QC 1000’s effective date to December 15, 2026, citing stakeholder feedback that implementation within the original timeline would present “insurmountable” challenges for some firms.

The delay came in the wake of external pressure from the [Center for Audit Quality](#), which formally requested deferral on July 23, 2025, citing concerns about the 15-month implementation window. [Chair Atkins and SEC Chief Accountant Kurt Hohl reportedly](#) also urged the PCAOB to delay implementation by at least a year.

## C. Collective Impact of Developments on Future Enforcement

Looking ahead to 2026, the developments of Q1–Q3 2025 suggest a marked shift in the enforcement landscape for auditors. Both the SEC and PCAOB appear increasingly focused on audits of foreign-issuer clients, particularly where investor harm flows from audits that failed to detect fraud.

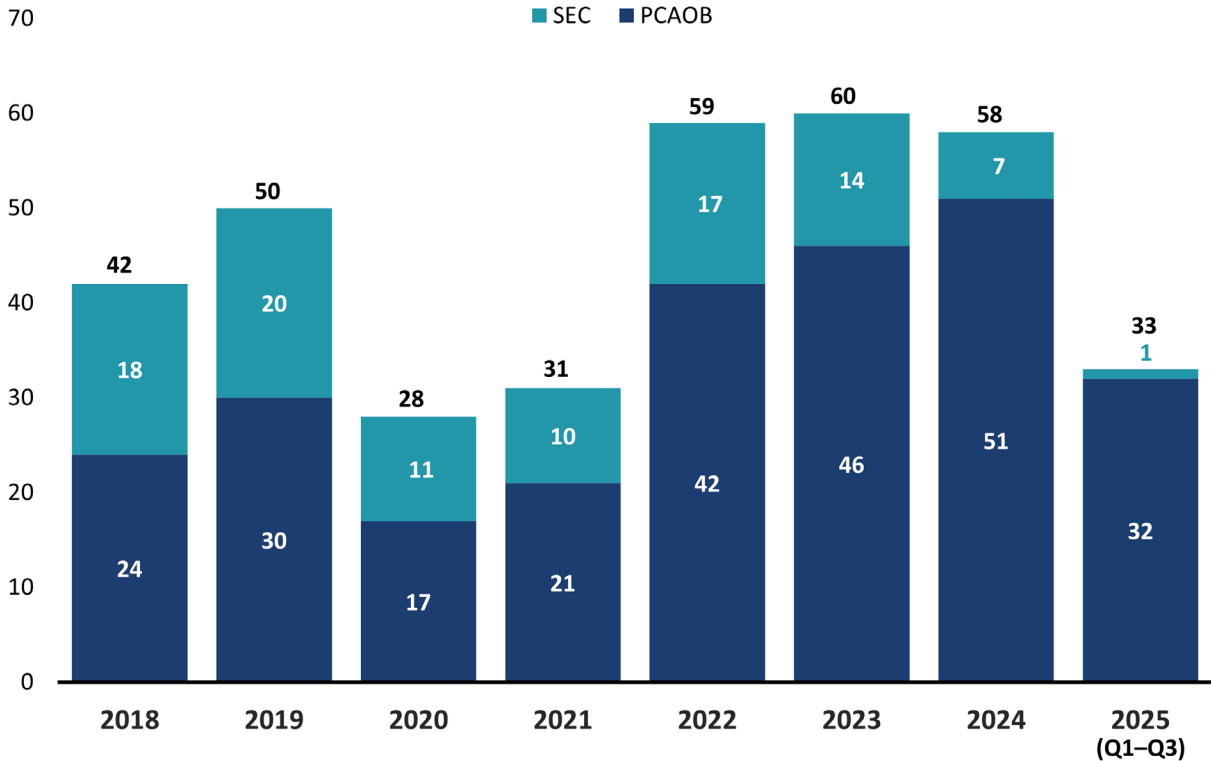
Under a reconstituted PCAOB board, we expect to see a shift in PCAOB enforcement activity away from technical registration and reporting violations, such as Form AP filing failures – which accounted for nearly 40% of 2025 actions disclosed prior to Chair Williams’s resignation – towards fraud or blatant audit failures. The confluence of these factors, along with Chair Atkins’s focus on individual wrongdoers, means that audit firms serving foreign-issuer clients will likely face higher scrutiny, with greater individual accountability.

# IV. Q1–Q3 2025 Enforcement Activity

## A. Level of Activity

### TOTAL ENFORCEMENT ACTIVITY IN Q1–Q3 2025

FIGURE 1: TOTAL ACTIONS INITIATED AGAINST AUDITORS: 2018–Q3 2025

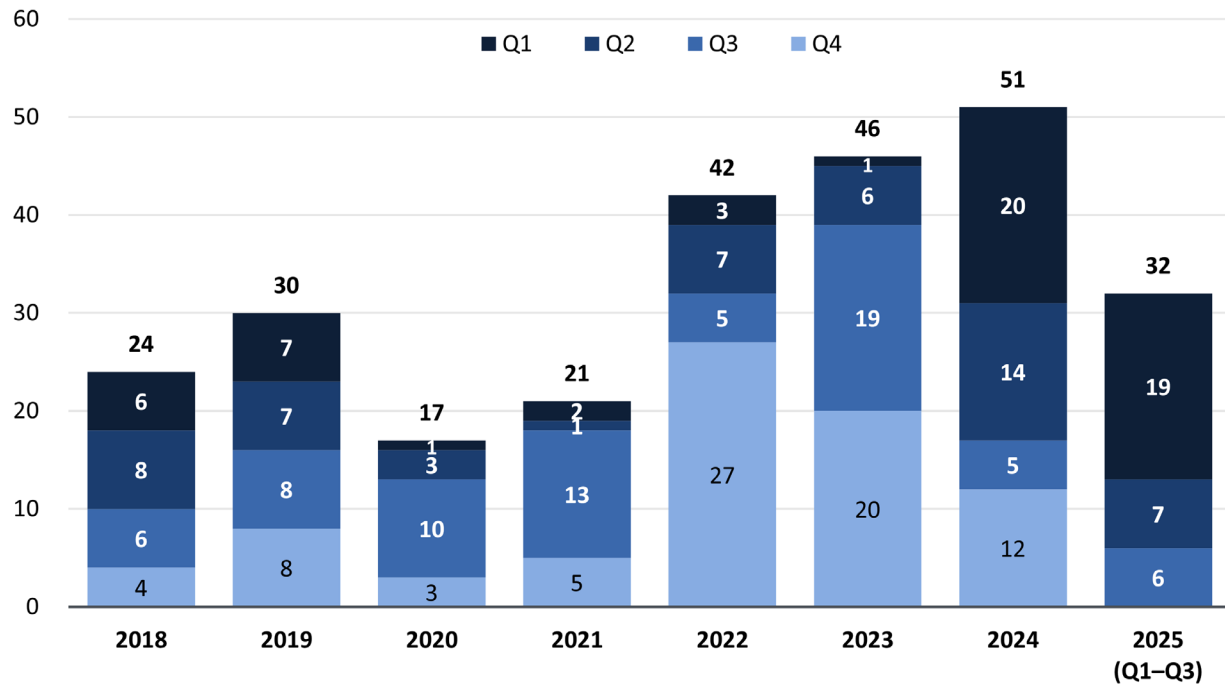


Sources: <https://www.sec.gov/page/litigation>; <https://pcaobus.org/oversight/enforcement>.

- There were 33 actions involving 39 respondents in the first three quarters of 2025, down from 45 actions involving 59 respondents in Q1–Q3 2024. Only one of these actions was brought under the current leadership of SEC Chair Atkins and Acting PCAOB Chair Botic.
- 82% of initiated actions in Q1–Q3 2025 involved a firm respondent; 36% involved an individual respondent.
- 17 initiated actions (52%) in Q1–Q3 2025 were brought against non-US respondents.

## PCAOB ENFORCEMENT ACTIVITY IN Q1–Q3 2025

FIGURE 2: PCAOB ACTIONS BY QUARTER: 2018–Q3 2025



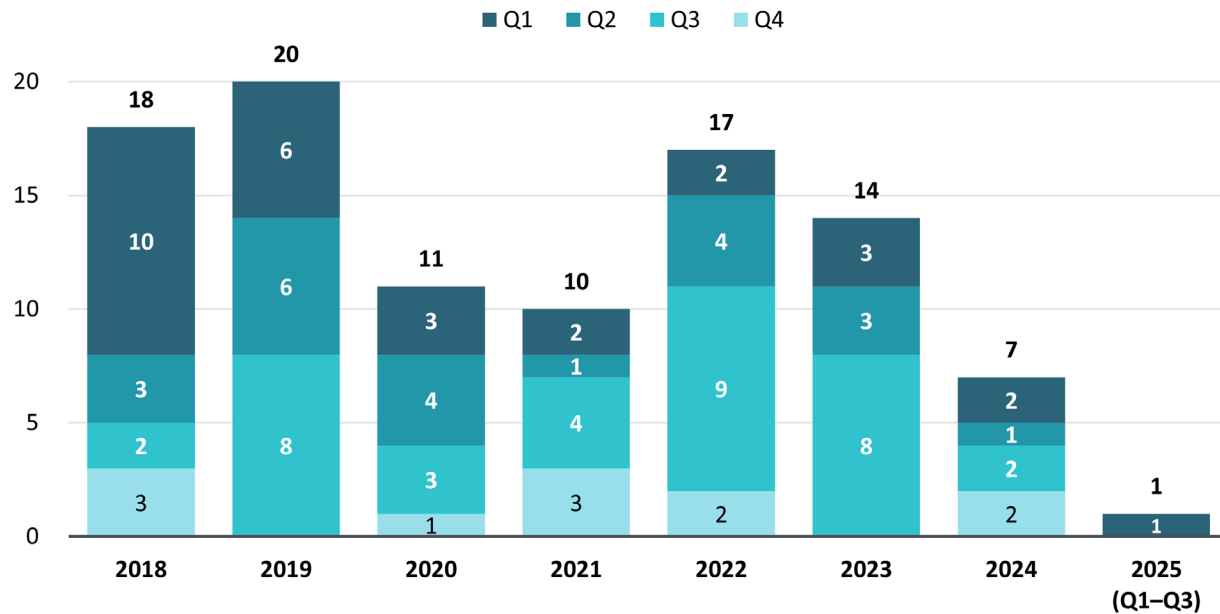
Sources: <https://www.sec.gov/page/litigation>; <https://pcaobus.org/oversight/enforcement>.

- Despite the change in presidential administration and uncertainties about the future of the PCAOB, PCAOB enforcement activity in the first three quarters of 2025 was at its second-highest level since 2017.
- 31 of the 32 actions brought by the PCAOB in Q1–Q3 2025 were brought prior to former Chair Williams’s resignation on July 22.
- 15 of the 32 actions (47%) brought by the PCAOB during Q1–Q3 2025 involved US respondents (9 individuals and 11 firms). In the 17 actions involving non-US respondents, only two involved an individual respondent, and 16 firms were charged.
- 22 of 27 actions (81%) involving firm respondents in Q1–Q3 2025 alleged violations related to the firms’ systems of quality control.
- Five of the 11 actions brought against individuals alleged violation of Rule 3502, *Responsibility Not to Knowingly or Recklessly Contribute to Violations*.<sup>2</sup>

<sup>2</sup> In August 2024, the SEC approved the PCAOB’s amendment to Rule 3502 governing contributory liability, which changed the liability standard from *reckless* to *negligent*. All charges of Rule 3502 in Q1–Q3 2025 actions pertain to the pre-amended version of the rule.

## SEC ENFORCEMENT ACTIVITY IN Q1–Q3 2025

FIGURE 3: INITIATED SEC ACTIONS BY QUARTER: 2018–Q3 2025



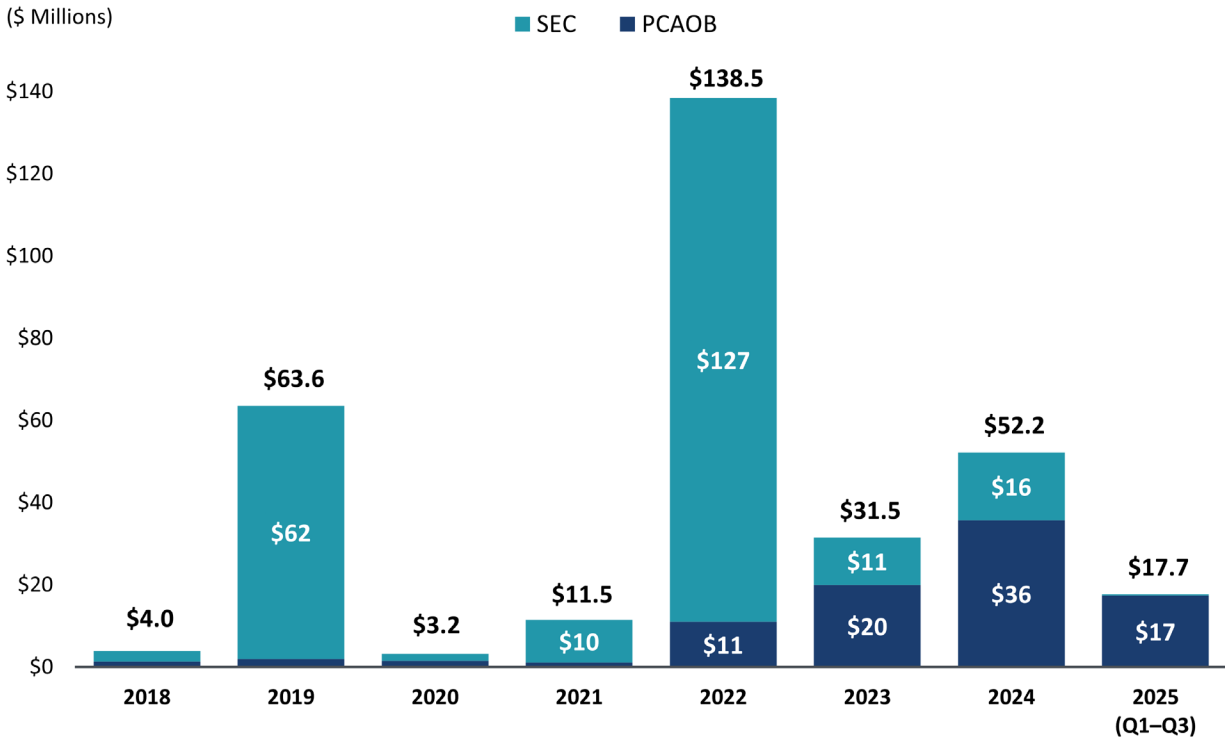
Sources: <https://www.sec.gov/page/litigation>; <https://pcaobus.org/oversight/enforcement>.

- SEC activity through Q3 2025 is at its lowest levels in recent years.
  - The SEC initiated one action in the first nine months of 2025 involving one individual respondent. The action was issued January 17, prior to former Chair Gensler’s resignation on January 20, 2025.
  - In comparison, in the first three quarters of 2019, the year with the highest Q1–Q3 activity in our sample, the SEC initiated 20 actions involving 35 respondents (22 individuals and 13 firms).
- The one action initiated in Q1–Q3 2025 was a settled administrative action, brought under Rule 102(e), alleging a violation of auditor independence rules under Regulation S-X, Rule 2-01(b) and (c).

## B. Monetary Sanctions

### TOTAL MONETARY SANCTIONS IN Q1–Q3 2025

FIGURE 4: TOTAL MONETARY SANCTIONS IN FINALIZED ACTIONS AGAINST AUDITORS: 2018–Q3 2025

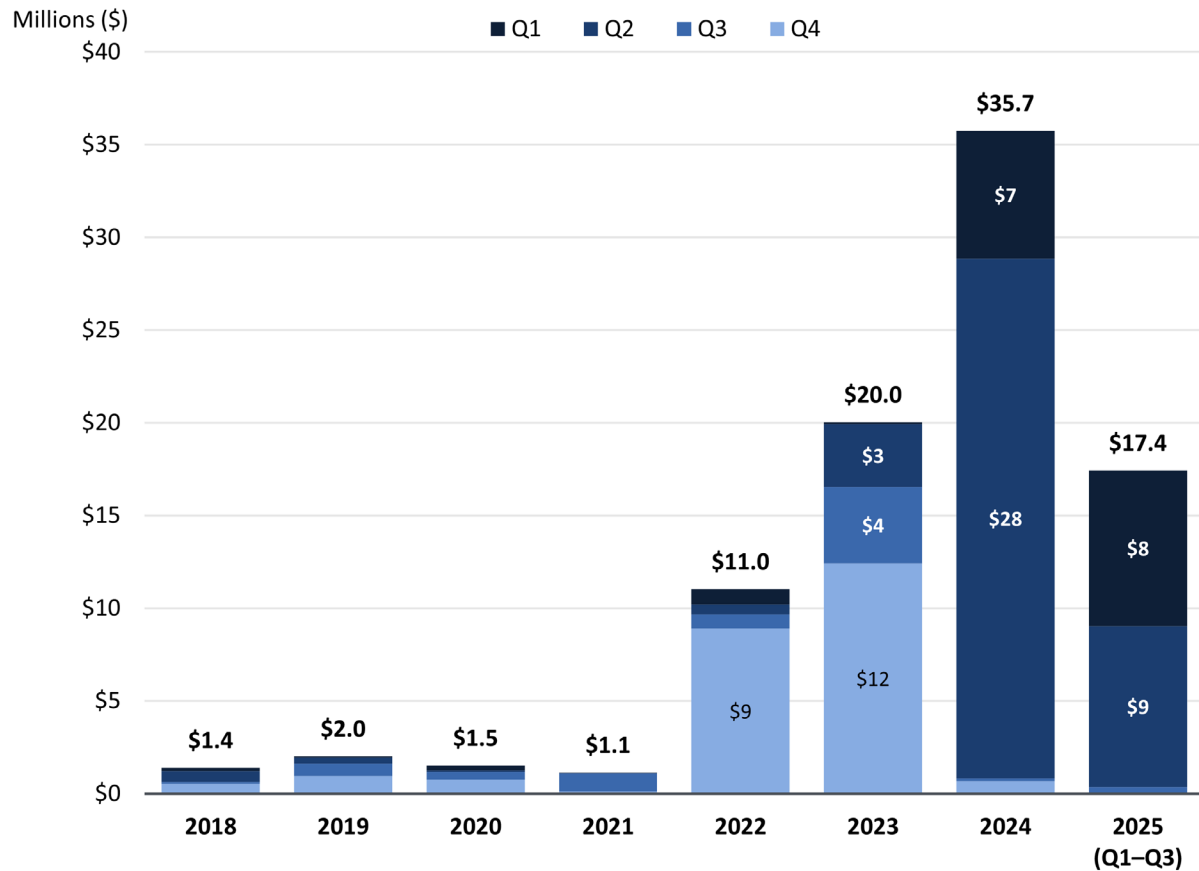


Sources: <https://www.sec.gov/page/litigation>; <https://pcaobus.org/oversight/enforcement>.

- During Q1–Q3 2025, the PCAOB and SEC together imposed total monetary sanctions of \$17.7 million on auditors and audit firms. In comparison, monetary sanctions in the first nine months of 2024 totaled \$51.1 million.
- The PCAOB imposed all but \$230,000 of the total penalties.

## PCAOB SANCTIONS IN Q1–Q3 2025

FIGURE 5: PCAOB MONETARY SANCTIONS BY QUARTER: 2018–Q3 2025

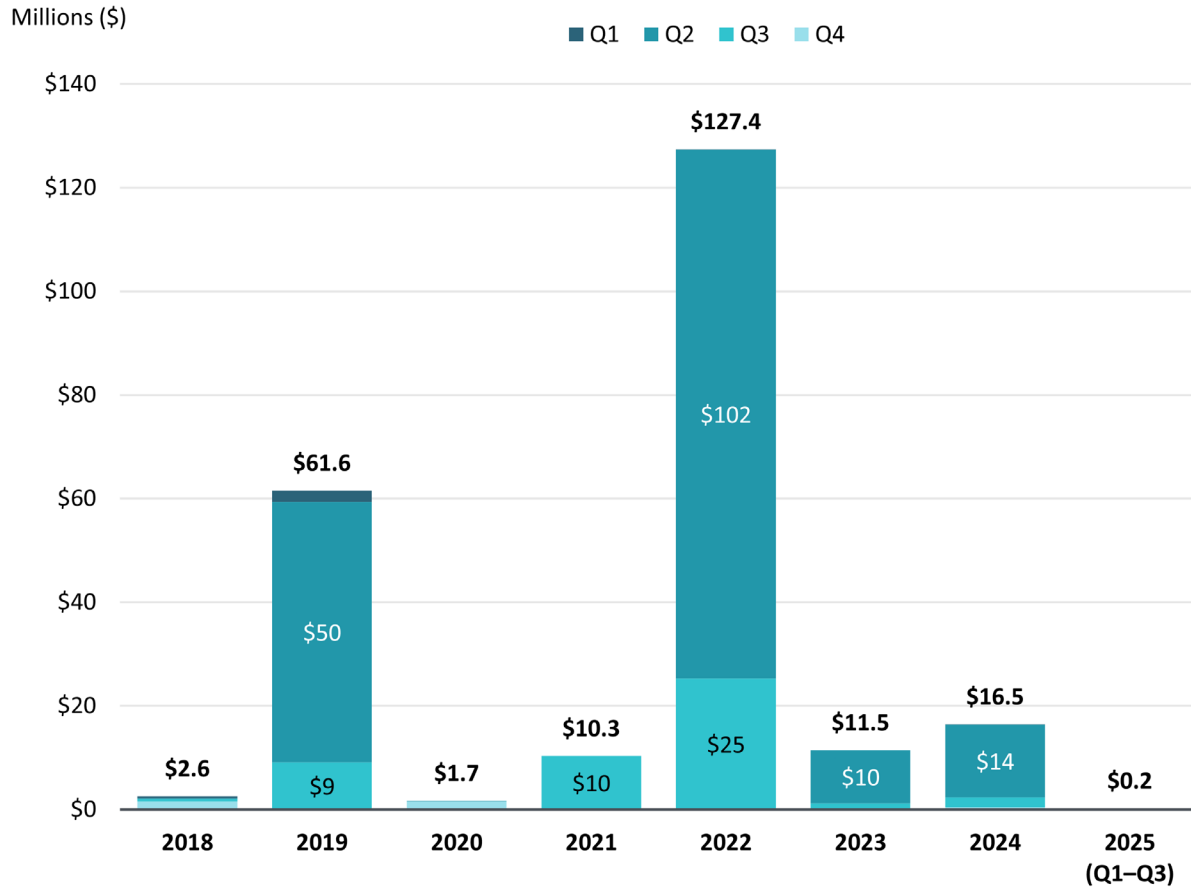


Source: <https://pcaobus.org/oversight/enforcement>.

- The PCAOB imposed penalties of over \$17.4 million in the first three quarters of 2025, more than total annual penalties imposed by the PCAOB every year except 2023 and 2024.
- All but \$100,000 was imposed prior to former Chair Williams’s resignation on July 22.
- Nearly two-thirds of Q1–Q3 2025 penalties (\$11.25 million) were imposed on four foreign affiliates of Big Four firms for violations related to improper answer sharing.
- Nearly 20% of Q1–Q3 2025 penalties (\$3.4 million) were imposed on [nine foreign affiliates](#) of a Big Four firm for allegedly inaccurate Form APs, *Auditor Reporting of Certain Audit Participants*, in violation of Rule 3211.
- Two firms were required to engage an independent consultant to review and make recommendations regarding the firms’ systems of quality control.

## SEC SANCTIONS IN Q1–Q3 2025

FIGURE 6: SEC MONETARY SANCTIONS IN FINALIZED ACTIONS BY QUARTER: 2018–Q3 2025



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

- The SEC imposed monetary penalties of \$230,000 in the two actions that were finalized in Q1–Q3 2025, the second-lowest monetary penalties imposed in the first nine months of any year in our sample.

## V. Appendix: Defined Terms

<b>Auditors</b>	Public accounting firms and individuals associated with public accounting firms.
<b>Finalized action</b>	Includes settled, adjudicated, and dismissed actions. Most settled actions are initiated and finalized on the same day.
<b>Individuals associated with a public accounting firm</b>	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).
<b>Initiated action</b>	The first action related to a particular matter. Most actions are initiated and finalized on the same day.
<b>Monetary sanctions</b>	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.
<b>Non-US respondent</b>	Firm respondents headquartered outside the United States or individual respondents associated with a firm headquartered outside of the United States.
<b>PCAOB actions</b>	All settled and adjudicated disciplinary orders are available at <a href="https://pcaobus.org/oversight/enforcement/enforcement-actions">https://pcaobus.org/oversight/enforcement/enforcement-actions</a> .
<b>Public accounting firm</b>	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.
<b>Respondents</b>	Individuals and/or firms listed as respondents in PCAOB and SEC administrative proceedings or defendants in SEC civil actions.
<b>SEC actions</b>	SEC enforcement actions involving respondents that are public accounting firms or individuals associated with a public accounting firm, available at <a href="https://www.sec.gov/litigation/litreleases">https://www.sec.gov/litigation/litreleases</a> or <a href="https://www.sec.gov/divisions/enforce/friactions">https://www.sec.gov/divisions/enforce/friactions</a> .
<b>US respondents</b>	Firm respondents headquartered in the United States or individual respondents associated with a firm headquartered in the United States.