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Order Instituting Disciplinary Proceedings, Making Findings and Imposing Sanctions

*In the Matter of Ruihua Certified Public
Accountants,*

Respondent.

PCAOB Release No. 105-2020-017

September 29, 2020

By this Order, the Public Company Accounting Oversight Board (“Board” or “PCAOB”) is censuring Ruihua Certified Public Accountants (the “Firm” or “Respondent”), a registered public accounting firm, and imposing a civil money penalty in the amount of \$10,000 upon the Firm. The Board is imposing these sanctions on the basis of its findings that the Firm failed to timely disclose certain reportable events to the Board on PCAOB Form 3, *Special Report*, in violation of PCAOB rules.

I.

The Board deems it necessary and appropriate, for the protection of investors and to further the public interest in the preparation of informative, accurate, and independent audit reports, that disciplinary proceedings be, and hereby are, instituted pursuant to Section 105(c) of the Sarbanes-Oxley Act of 2002, as amended (the “Act”), and PCAOB Rule 5200(a)(1) against Respondent.

II.

In anticipation of institution of these proceedings, and pursuant to PCAOB Rule 5205, Respondent has submitted an Offer of Settlement (“Offer”) that the Board has determined to accept. Solely for purposes of these proceedings and any other proceedings brought by or on behalf of the Board, or to which the Board is a party, and without admitting or denying the findings herein, except as to the Board’s jurisdiction over Respondent and the subject matter of these proceedings, which are admitted, Respondent consents to entry of this Order Instituting

Disciplinary Proceedings, Making Findings, and Imposing Sanctions (“Order”) as set forth below.¹

III.

On the basis of Respondent’s Offer, the Board finds that:

A. Respondent

1. **Ruihua Certified Public Accountants** is, and at all relevant times was, a partnership organized under Chinese law, and headquartered in Beijing, China. The Firm is a member of the Crowe Global network. At all relevant times, the Firm has been registered with the Board pursuant to Section 102 of the Act and PCAOB rules. The Firm is licensed in China by the Chinese Ministry of Finance.

B. Summary

2. This matter concerns the Firm’s failures to timely disclose seven reportable events, concerning five disciplinary proceedings, to the Board on Form 3 as required by PCAOB rules. PCAOB rules required the Firm to complete and file a PCAOB special report on Form 3 to report any event specified in that form within 30 days of the event’s occurrence. Among the events that the Firm was required to report on Form 3 were its becoming a respondent in certain administrative or disciplinary proceedings and the conclusion of such proceedings.

3. Between November 2015 and January 2020, the Firm became a respondent in five separate disciplinary proceedings initiated by the China Securities Regulatory Commission (“CSRC”). The initiation of each of these proceedings against the Firm was a reportable event under Form 3. The Firm failed to file a Form 3 reporting one of the proceedings for over a year after learning of the initiation of that proceeding and failed to file a Form 3 reporting the initiation of the other proceedings until over four years after the initiation of one proceeding and well past the 30-day reporting deadline for the remaining proceedings.

4. Additionally, the Firm learned that two disciplinary proceedings against it by the CSRC had been concluded in December 2018 and August 2019. The conclusion of those proceedings against the Firm also constituted reportable events under Form 3. The Firm failed to report any of the events until June 16, 2020, well after the 30-day reporting deadline.

¹ The findings herein are made pursuant to the Respondent’s Offer and are not binding on any other person or entity in this or any other proceeding.

C. Respondent Failed to Disclose Certain Reportable Events to the Board, in Violation of PCAOB Rules

5. PCAOB Rule 2203 provides that a registered public accounting firm must file a special report on Form 3 to report any event specified in that form within thirty days of the event's occurrence.² One such specified event occurs when a firm "has become aware that, in a matter arising out of the Firm's conduct in the course of providing professional services for a client, the Firm has become a defendant or respondent in a civil or alternative dispute resolution proceeding initiated by a governmental entity or in an administrative or disciplinary proceeding other than a Board disciplinary proceeding."³ Another such specified event occurs when a firm has become aware that a reportable proceeding (i.e., a reportable event under Items 2.4 – 2.9 of Form 3) has been concluded as to the firm or certain of its associated persons.⁴

6. Between 2015 and 2020, the CSRC initiated disciplinary proceedings against the Firm and certain of its associated persons. Each of the proceedings related to the Firm's provision of professional services to companies that were not issuers.⁵ The Firm first learned of the initiation of the proceedings no later than the following dates:

- Proceeding 1: November 20, 2015
- Proceeding 2: May 31, 2016
- Proceeding 3: January 31, 2019

² See PCAOB Rule 2203, *Special Reports*. As the Board noted when adopting its rules on special reporting, "[R]eportable events will sometimes occur, and the public interest, as well as the ability to consider whether prompt action is warranted by the Board's inspection staff or enforcement staff, will be served by contemporaneous reporting of the event." PCAOB Rel. No. 2008-004, at 17 (June 10, 2008).

³ PCAOB Form 3, at Item 2.7 (italics in the original removed). To be reportable under Item 2.7, the proceeding only has to relate to professional services for a client, and does not necessarily have to involve an audit of an issuer, broker, or dealer, as those terms are defined under PCAOB rules.

⁴ PCAOB Form 3, at Item 2.10.

⁵ The term "issuer" means an issuer (as defined in Section 3 of the Securities Exchange Act of 1934 ("Exchange Act")), the securities of which are registered under Section 12 of the Exchange Act, or that is required to file reports under Section 15(d) of the Exchange Act, or that files or has filed a registration statement that has not yet become effective under the Securities Act of 1933, and that it has not withdrawn. See PCAOB Rule 1001(i)(iii).

- Proceeding 4: July 31, 2019
- Proceeding 5: January 31, 2020

7. In violation of Rule 2203, the Firm failed to file a Form 3 with respect to the initiation of Proceeding 1 until June 29, 2017, over a year after the initiation of that proceeding. In addition, in violation of Rule 2203, the Firm failed to file a Form 3 for the four other proceedings until June 16, 2020, over four years after the initiation of Proceeding 2 and well past the 30-day reporting deadline for the remaining three proceedings.

8. Additionally, the CSRC concluded Proceeding 2 on December 29, 2018, and Proceeding 1 on August 27, 2019.

9. In violation of Rule 2203, the Firm failed to file a Form 3 with respect to the conclusion of these two proceedings until June 16, 2020.

IV.

In view of the foregoing, and to protect the interests of investors and further the public interest in the preparation of informative, accurate, and independent audit reports, the Board determines it appropriate to impose the sanctions agreed to in Respondent's Offer. Accordingly, it is hereby ORDERED that:

- A. Pursuant to Section 105(c)(4)(E) of the Act and PCAOB Rule 5300(a)(5), the Firm is hereby censured; and
- B. Pursuant to Section 105(c)(4)(D) of the Act and PCAOB Rule 5300(a)(4), a civil money penalty in the amount of \$10,000 is imposed upon the Firm. All funds collected by the Board as a result of the assessment of this civil money penalty will be used in accordance with Section 109(c)(2) of the Act. The Firm shall pay this civil money penalty within ten (10) days of the issuance of this Order by: (1) wire transfer pursuant to instructions provided by Board staff; or (2) United States Postal Service money order, bank money order, certified check, or bank cashier's check (a) made payable to the Public Company Accounting Oversight Board, (b) delivered to the Controller, Public Company Accounting Oversight Board, 1666 K Street, N.W., Washington D.C. 20006, and (c) submitted under a cover letter, which identifies the Firm as a respondent in these proceedings, sets forth the title and PCAOB release number of these proceedings, and states that payment is made pursuant to this Order, a copy of which cover letter and money order or check shall be sent to Office of the Secretary, Attention: Phoebe W.

Brown, Secretary, Public Company Accounting Oversight Board, 1666 K Street,
N.W., Washington D.C. 20006.

ISSUED BY THE BOARD.

/s/ Phoebe W. Brown

Phoebe W. Brown
Secretary

September 29, 2020