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Order Instituting Disciplinary Proceedings, Making Findings and Imposing Sanctions

In the Matter of Haskell & White LLP,

Respondent.

PCAOB Release No. 105-2021-006
(Corrected Copy)

August 13, 2021

By this Order, the Public Company Accounting Oversight Board (“Board” or PCAOB) is imposing sanctions upon Haskell & White LLP (“H&W,” “the Firm,” or “Respondent”), a registered public accounting firm. The Board is:

- (1) censuring the Firm;
- (2) imposing a civil money penalty in the amount of \$20,000 on the Firm;
- (3) requiring the Firm to establish quality control policies and procedures, or revise and/or supplement existing policies and procedures, including monitoring procedures, for the purpose of providing the Firm with reasonable assurance of compliance with the documentation requirements of AS 1215, *Audit Documentation*, applicable to audits and quarterly reviews, including with respect to the timely assembly for retention of audit documentation (“archiving”); and
- (4) requiring the Firm to provide additional professional education and training to its associated persons related to AS 1215.

The Board is imposing these sanctions on the basis of its findings that the Firm violated PCAOB rules and standards by repeatedly failing to: (1) timely archive audit documentation in connection with audits, in violation of AS 1215; (2) effectively implement policies and procedures to provide it with reasonable assurance that its engagement personnel were timely archiving audit documentation in compliance with AS 1215, in violation of the PCAOB’s quality control standards; and (3) timely make changes or improve compliance with the Firm’s policies and procedures in order to enable the Firm to obtain reasonable assurance that its system of quality control was effective, upon becoming aware of repeated failures by engagement personnel to archive audit documentation in compliance with AS 1215.

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 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 the 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. Haskell & White LLP is a limited liability partnership headquartered in Irvine, California. The Firm is licensed in the states of California (License No. PAR 5257), Oregon (License No. 2742), Washington (License No. 6316), and Nevada (License No. PART-0816). At all relevant times, the Firm was registered with the Board pursuant to Section 102 of the Act and PCAOB rules.

B. Summary

2. This matter concerns the Firm’s repeated violations of PCAOB rules and standards by failing to archive a complete and final set of audit documentation by the relevant documentation completion date.² The Firm serves as an external auditor for certain issuers that

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.

² As of December 31, 2016, the PCAOB reorganized its auditing standards using a topical structure and a single, integrated numbering system. *See Reorganization of PCAOB Auditing Standards and Related Amendments to PCAOB Standards and Rules*, PCAOB Release No. 2015-002 (Mar. 31, 2015); *see also PCAOB Auditing Standards Reorganized and Pre-Reorganized Numbering* (Jan. 2017). The

file Forms 10-K with the U.S. Securities and Exchange Commission. The PCAOB standard concerning audit documentation, AS 1215, provides that “[a] complete and final set of audit documentation should be assembled for retention as of a date not more than 45 days after the report release date (*documentation completion date*).”³ Beginning in 2016 through 2019, in connection with at least six issuer audits and four quarterly reviews (the “Audits”), the Firm failed to archive a complete and final set of audit documentation by the relevant documentation completion dates, in violation of AS 1215.

3. From 2016 through 2019, the Firm also violated PCAOB quality control standards by failing to effectively implement policies and procedures to provide it with reasonable assurance that its engagement teams would timely archive audit documentation for the Audits.⁴

4. Despite the Firm’s annual internal inspections from 2016 through 2019 identifying late archiving of audit documentation as a significant, ongoing problem, the Firm failed to timely make changes or improve compliance with the Firm’s policies and procedures in order to enable the Firm to obtain reasonable assurance that its system of quality control was effective. That failure constituted a further violation of PCAOB quality control standards.⁵

C. The Firm Violated PCAOB Standards in Connection with its Repeated Failures to Timely Archive Audit Documentation Beginning in 2016

5. In connection with the preparation or issuance of an audit report, PCAOB rules require that a registered public accounting firm and its associated persons comply with all applicable auditing and related professional practice standards.⁶ PCAOB standards provide, among other things, that the auditor must prepare audit documentation in connection with

reorganization did not impose additional requirements on auditors or change substantively the requirements of PCAOB standards. While Respondent’s conduct occurred both before and after the reorganization, the reorganized standards are cited herein for purposes of clarity.

³ AS 1215.15. Audit documentation is the written record of the basis for the auditor’s conclusions that provides the support for the auditor’s representations, whether those representations are contained in the auditor’s report or otherwise. AS 1215.02. Audit documentation also may be referred to as *work papers* or *working papers*. *Id.*

⁴ See QC § 20.17, *System of Quality Control for a CPA Firm’s Accounting and Auditing Practice*.

⁵ See QC §§ 20.20, 30.02-.03, *Monitoring a CPA Firm’s Accounting and Auditing Practice*.

⁶ See PCAOB Rule 3100, *Compliance with Auditing and Related Professional Practice Standards*; PCAOB Rule 3200T, *Interim Auditing Standards* (applicable to audits for fiscal years ending before December 31, 2016); and PCAOB Rule 3200, *Auditing Standards* (applicable to audits for fiscal years ending on or after December 31, 2016).

each engagement conducted pursuant to the standards of the PCAOB.⁷ The auditor must document the procedures performed, evidence obtained, and conclusions reached with respect to relevant financial statement assertions.⁸ This documentation requirement applies to the work of all those who participate in the engagement.⁹ As noted above, “[a] complete and final set of audit documentation should be assembled for retention as of a date not more than 45 days after the report release date (*documentation completion date*).”¹⁰

6. Beginning no later than 2016, the Firm’s engagement teams failed to timely archive audit and quarterly review documentation for the Audits. For example, on a number of occasions, the audit documentation was not finalized for over 500 days after the documentation completion date.

7. As a result of the above-described conduct, the Firm violated AS 1215.

D. The Firm Violated PCAOB Quality Control Standards by Failing to Effectively Implement Policies and Procedures and to Timely Make Changes or Improve Compliance In Order to Provide Reasonable Assurance Related to Timely Archiving of Audit Work Papers

8. PCAOB rules require that a registered public accounting firm comply with the Board’s quality control standards.¹¹ PCAOB quality control standards, in turn, require that a registered firm “shall have a system of quality control for its accounting and auditing practice.”¹²

9. Pursuant to PCAOB quality control standards, firms should establish policies and procedures to provide reasonable assurance that the work performed by engagement personnel meets applicable professional standards, regulatory requirements, and the firm’s standards of quality.¹³ To the extent appropriate and as required by applicable professional

⁷ AS 1215.04.

⁸ AS 1215.06.

⁹ *Id.*

¹⁰ AS 1215.15.

¹¹ PCAOB Rule 3400T, *Interim Quality Control Standards*.

¹² QC § 20.01.

¹³ QC § 20.17.

standards, these policies and procedures should cover planning, performing, supervising, reviewing, documenting, and communicating the results of each engagement.¹⁴

10. PCAOB quality control standards provide that one required element of a quality control system is monitoring.¹⁵ Monitoring involves an ongoing consideration and evaluation of the: (a) relevance and adequacy of the firm's policies and procedures; (b) appropriateness of the firm's guidance materials and any practice aids; (c) effectiveness of professional development activities; and (d) compliance with the firm's policies and procedures.¹⁶ Monitoring procedures taken as a whole should enable the firm to obtain reasonable assurance that its system of quality control is effective.¹⁷

11. A firm's monitoring procedures may include internal inspection procedures,¹⁸ which contribute to the monitoring function because findings are evaluated and changes in or clarifications of quality control policies and procedures are considered.¹⁹ The adequacy of and compliance with a firm's quality control system are evaluated by performing such inspection procedures as: (a) discussions with the firm's personnel; (b) summarization of the findings from the inspection procedures, at least annually, and consideration of the systemic causes of findings that indicate improvements are needed; (c) determination of any corrective actions to be taken or improvements to be made with respect to the specific engagements reviewed or the firm's quality control policies and procedures; and (d) consideration of inspection findings by appropriate firm management personnel who should also determine that any actions necessary, including necessary modifications to the quality control system, are taken on a timely basis.²⁰

12. Review of work papers after the issuance of the audit report may constitute inspection procedures provided: (a) the review is sufficiently comprehensive to enable the firm to assess compliance with all applicable professional standards and the firm's quality control policies and procedures; (b) findings of such reviews that may indicate the need to improve compliance with or modify the firm's quality control policies and procedures are periodically summarized, documented, and communicated to the firm's management personnel having the

¹⁴ QC § 20.18.

¹⁵ QC § 20.07.

¹⁶ QC § 30.02; *see also* QC § 20.20.

¹⁷ QC § 30.03.

¹⁸ *Id.*

¹⁹ QC § 30.04.

²⁰ QC § 30.06.

responsibility and authority to make changes in those policies and procedures; (c) the firm's management personnel consider on a timely basis the systemic causes of findings that indicate improvements are needed and determine appropriate actions to be taken; and (d) the firm implements on a timely basis such planned actions, communicates changes to personnel who might be affected, and follows up to determine that the planned actions were taken.²¹

13. At all relevant times, the Firm's quality control personnel performed annual internal inspections of the Firm's audit practice. The annual internal inspections were intended to provide reasonable assurance that the Firm's policies and procedures were suitably designed and being effectively applied.

14. As part of its annual internal inspections, the Firm's quality control personnel evaluated, among other things, whether audit engagement teams archived audit work papers in accordance with the Firm's policies and the requirements of AS 1215 regarding the archiving of audit documentation. The Firm's annual internal inspections included, but were not limited to, reviews of the Audits.

15. During its annual internal inspections from 2016 through 2019, the Firm identified numerous instances where engagement teams did not timely archive audit work papers. After each of those annual internal inspections, the Firm's Quality Control Partner-in-Charge and the Audit Department Partner-in-Charge conducted department-wide trainings with all department members that referenced the importance of archiving. The internal inspection findings were also reported to and discussed each year with the Firm's entire audit department, all department managers, and all principals and partners, including the Managing Partner of the Firm.

16. Notwithstanding the repeated identification of failures to archive work papers on a timely basis and the communication of those problems to the Firm's Managing Partner, the Firm's archiving problems persisted.

17. As a result of the above-described conduct, the Firm violated PCAOB standards by failing to effectively implement policies and procedures to provide it with reasonable assurance that its engagement personnel were timely archiving audit documentation.²² For example, during the relevant time period, Firm personnel were not required to and did not consistently input report release dates into the Firm's audit software, which significantly limited the Firm's visibility into timely archiving audit documentation.

²¹ QC § 30.08.

²² See QC § 20.17.

18. Despite identifying late archiving of audit work papers as a significant problem each year from 2016 to 2019, the Firm's steps to address the failures were inadequate.

19. Thus, the Firm failed to adequately monitor compliance with its quality control policies and procedures regarding archiving of audit work papers and to timely make changes or improve compliance with the Firm's policies and procedures in order to enable the Firm to obtain reasonable assurance that its system of quality control was effective.²³

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.

In ordering sanctions, the Board took into account the Firm's extraordinary cooperation in this matter. Specifically, the Firm voluntarily modified and implemented enhancements to its quality control policies and procedures in relevant areas, including hiring a third-party consultant to improve the Firm's internal inspection and archiving processes; requiring personnel to input the report release date into the Firm's audit software, which allows the Firm to create reports identifying documentation completion dates and related milestones; and incorporating failures to timely finalize audit documentation into Firm personnel's performance evaluations. The Board took these remedial or corrective actions into account in ordering the sanctions.

Accordingly, it is hereby ORDERED that:

- A. Pursuant to Section 105(c)(4)(E) of the Act and PCAOB Rule 5300(a)(5), Haskell & White LLP is censured.
- B. Pursuant to Section 105(c)(4)(D) of the Act and PCAOB Rule 5300(a)(4), the Board imposes a civil money penalty in the amount of \$20,000 upon Haskell & White LLP. 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. Haskell & White LLP shall pay this civil money penalty within ten (10) days of the issuance of this Order by: (1) wire transfer in accordance with instructions furnished 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 Office of Finance, Public Company Accounting Oversight Board, 1666 K Street, N.W.,

²³ See QC § 20.20; QC §§ 30.02-.03.

Washington D.C. 20006; and (c) submitted under a cover letter which identifies Haskell & White LLP 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.

- C. Pursuant to Sections 105(c)(4)(F) and (G) of the Act and PCAOB Rules 5300(a)(6) and (9), the Firm is required:
1. within ninety (90) days of the entry of this Order, to establish quality control policies and procedures, or revise and/or supplement existing policies and procedures, including monitoring procedures, for the purpose of providing the Firm with reasonable assurance that the work performed by engagement personnel complies with documentation requirements applicable to audits and quarterly reviews, including with respect to the archiving of audit documentation pursuant to AS 1215;
 2. within ninety (90) days from the entry of this Order, to ensure that all professionals involved in any audit, as that term is defined in Section 110(1) of the Act, have received four (4) hours of additional training²⁴ concerning compliance with AS 1215, including archiving of audit documentation in accordance with AS 1215; and
 3. within one hundred twenty (120) days from the entry of this Order, to certify in writing to the Director of the Division of Enforcement and Investigations, Public Company Accounting Oversight Board, 1666 K Street, N.W., Washington, D.C. 20006, the Firm's compliance with paragraphs C.1 and C.2 above.

ISSUED BY THE BOARD.

/s/ Phoebe W. Brown

Phoebe W. Brown
Secretary

August 13, 2021

²⁴ This training is in addition to any training the Firm has provided prior to the date of this Order.