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Order Instituting Disciplinary Proceedings, Making Findings, and Imposing Sanctions

In the Matter of Jonathan B. Taylor, CPA,

Respondent.

PCAOB Release No. 105-2022-025

October 18, 2022

By this Order Instituting Disciplinary Proceedings, Making Findings, and Imposing Sanctions (“Order”), the Public Company Accounting Oversight Board (“Board” or “PCAOB”) is:

- (1) censuring Jonathan B. Taylor, CPA (“Taylor” or “Respondent”);
- (2) barring Taylor from being associated with a registered public accounting firm; and
- (3) imposing a \$150,000 civil money penalty on Taylor.

The Board is imposing these sanctions on Taylor on the basis of its findings that Taylor violated PCAOB rules and standards, including ethics standards, in connection with two PCAOB inspections, a PCAOB investigation, and several audits of two issuers. Taylor also directly and substantially contributed to violations by a registered public accounting firm of PCAOB reporting requirements and quality control standards.

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) and (3) 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 is admitted, Respondent consents to the entry of this Order as set forth below.¹

III.

On the basis of Respondent's Offer, the Board finds that:²

A. Respondent

1. **Jonathan B. Taylor, CPA** is, and at all relevant times was, a certified public accountant licensed by the state of New York (license no. 072733). Taylor is a partner at registered public accounting firm Spielman Koenigsberg & Parker, LLP ("SKP") and served as the engagement partner for SKP's audits of the financial statements of PVH Associates Investment Plan and PVH Associates Investment Plan for Residents of the Commonwealth of Puerto Rico (collectively, the "PVH Plans"). At all relevant times, Taylor also served as SKP's partner in charge of technical and quality review. Taylor is, and at all relevant times was, an associated person of a registered public accounting firm as that term is defined in Section 2(a)(9) of the Act and PCAOB Rule 1001(p)(i).

B. Relevant Entity

2. Spielman Koenigsberg & Parker, LLP is a partnership organized under the laws of the state of New York and located in New York, New York. At all relevant times, SKP was registered with the state of New York (Certified Public Accountancy Partnership No. 041869). The firm registered with the Board, pursuant to Section 102 of the Act and PCAOB rules, on May 30, 2006.

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

² The Board finds that Respondent's conduct described in this Order meets the conditions set out in Section 105(c)(5) of the Act, 15 U.S.C. § 7215(c)(5), which provides that certain sanctions may be imposed in the event of: (a) intentional or knowing conduct, including reckless conduct, that results in a violation of the applicable statutory, regulatory, or professional standard; or (b) repeated instances of negligent conduct, each resulting in a violation of the applicable statutory, regulatory, or professional standard.

C. Issuers

3. PVH Associates Investment Plan and PVH Associates Investment Plan for Residents of the Commonwealth of Puerto Rico are defined contribution plans covering certain salaried and hourly employees of PVH Corp., a Delaware corporation headquartered in New York, New York. The PVH Plans were each, at all relevant times, an issuer as that term is defined by Section 2(a)(7) of the Act and PCAOB Rule 1001(i)(iii). SKP's audits of the PVH Plans included audits of their financial statements as of and for the years ended December 31, 2015, 2016, 2017, 2018, 2019, and 2020 (respectively, the "2015 Audits," "2016 Audits," "2017 Audits," "2018 Audits," "2019 Audits," and "2020 Audits"). At all relevant times, the PVH Plans were SKP's only issuer clients.³

D. Summary

4. In anticipation of a PCAOB inspection in 2021 ("2021 Inspection"), Taylor coordinated a months-long effort involving other SKP professionals to alter and backdate audit work papers, and then made those work papers available to the inspectors. Taylor made false statements to the inspectors about whether those work papers had been improperly altered, even after they pointed out modification dates appearing in the firm's audit software that suggested the contrary. Following commencement of a PCAOB investigation regarding this conduct, Taylor provided false and misleading information to PCAOB investigators. Taylor misled investigators regarding whether engagement quality reviews ("EQRs") were performed, when and what kinds of alterations were made to work papers, and whether SKP had certain documents in its possession. Taylor also represented that his productions on SKP's behalf in response to document demands from the investigators were complete—while withholding thousands of responsive documents, including documents that evidenced Taylor's misconduct.

5. This matter also concerns misconduct by Taylor in the audits reviewed by the inspectors, as well as in earlier and later audits of the PVH Plans. Taylor knew that EQRs of those audits had not been performed, yet repeatedly authorized the issuance of audit reports without concurring approval. Taylor also misrepresented to inspectors during the 2021 Inspection, as well as during a separate PCAOB inspection three years earlier, that EQRs had been performed.

6. In addition, Taylor was responsible for audit quality control at SKP. Yet SKP's audit quality control policies and procedures were deficient in a number of respects, including with respect to monitoring, audit documentation, EQRs, and compliance with regulatory

³ See *Spielman Koenigsberg & Parker, LLP*, PCAOB Rel. No. 105-2022-024 (Oct. 18, 2022).

requirements. Taylor directly and substantially contributed to SKP's failure to maintain an adequate quality control system with respect to issuer audits.

E. Taylor Violated PCAOB Rules and Standards

7. PCAOB rules require that associated persons of registered public accounting firms comply with applicable auditing and related professional practice standards.⁴ As set out below, Taylor failed to comply with PCAOB rules and standards.

i. Audit Documentation

a. Alterations

8. PCAOB standards state 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*).”⁵ They also state that audit documentation “must not be deleted or discarded after” that date, and that documentation added after that date “must indicate the date the information was added, the name of the person who prepared the additional documentation, and the reason for adding it.”⁶

9. The audit report dates and report release dates for the 2019 Audits were June 23, 2020. The documentation completion date for the 2019 Audits was August 7, 2020. Consequently, SKP and Taylor were required to assemble a final set of audit documentation by August 7, 2020, and, thereafter, could not add audit documentation without disclosing in writing why, when, and by who each addition was made, and could not delete audit documentation for any reason.

10. Though the 2019 Audits consisted of two individual audits, one for each of the PVH Plans, SKP personnel assembled a single set of documentation for the two audits. They did so because a significant portion of the audit planning and procedures was common to both audits. SKP personnel prepared, assembled, and kept the work papers for the 2019 Audits in electronic form as part of a software database file. Though the software database file had a feature that, when activated, made the database file “read-only”—allowing it to be opened and viewed but not modified—Taylor and other SKP audit personnel did not routinely use that

⁴ See PCAOB Rule 3100, *Compliance with Auditing and Related Professional Practice Standards*; PCAOB Rule 3200, *Auditing Standards*; PCAOB Rule 3400T, *Interim Quality Control Standards*; PCAOB Rule 3500T, *Interim Ethics and Independence Standards*.

⁵ AS 1215.15, *Audit Documentation* (italics in original).

⁶ AS 1215.16.

software feature, and did not activate that feature for the work papers assembled for the 2018-2020 Audits.⁷

11. Taylor improperly altered the work papers for the 2019 Audits after the documentation completion date in violation of AS 1215. He and other SKP professionals did so during three separate periods of time. The first occurred between late August 2020 and October 2020, when an SKP audit staff person working with Taylor (“SKP Professional #1”) added key work papers to the database file, including a “Supervision, Review and Approval” form, engagement acceptance and continuance forms, and work papers reflecting materiality calculations and internal control walkthroughs. SKP Professional #1 also took 13 completed audit programs from an entirely unrelated audit and, after swapping the name of that unrelated client with one or both of the names of the PVH Plans, replaced text in those programs with descriptions of purported work related to the 2019 Audits.

12. Taylor knew that the documentation for the 2019 Audits was not complete and that SKP Professional #1 continued to make additions and modifications to the audit file after the documentation completion date. On September 3, 2020, for example, Taylor emailed SKP Professional #1, writing, “Please let me know what you are working [on]. How much is left for PVH AIP plans[?]” Taylor, appreciating the extent of the alteration work, reminded SKP Professional #1 that the two of them needed to start work on a different audit engagement the following week. These alterations and communications occurred almost a month after the August 7, 2020 documentation completion date.

13. On December 7, 2020, the PCAOB’s Division of Registration and Inspections (“DRI”) notified Taylor that it would inspect SKP’s issuer audit practice. Between that date and February 2021—when the PCAOB inspectors completed their fieldwork—Taylor and other SKP professionals communicated with, answered queries from, and made documentation available to PCAOB inspectors. It was during this period that Taylor and other SKP personnel undertook a second series of alterations, and that Taylor coordinated a sustained effort over a period of months to add and modify work papers for the 2019 Audits. Those alterations included extensive revisions to multiple work papers, including changes to the 13 audit programs added in the first period of alterations; the addition of other key work papers, such as a going concern checklist and a signed management representation letter obtained from the client for the first time in February 2021; the addition of work papers to reflect the performance of additional

⁷ The 2018 Audits were the earliest audits of the PVH Plans for which SKP prepared and assembled electronic work papers. The work papers for prior audits of the PVH Plans were paper documents.

testing, including in audit areas identified by the inspectors as focus areas; and the addition of preparation and completion signoffs by SKP Professional #1 and review signoffs by Taylor.

14. During this second period, Taylor contacted members of management at PVH Corp. to request and obtain additional audit evidence. That evidence included the signed management representation letter, management explanations for certain variances in plan investment income and plan participant payments, and access to a PVH Corp. database so that SKP professionals could perform additional testing. Taylor and the SKP professionals incorporated certain of these client-supplied items into the audit work papers, and used others to perform and document new audit procedures, so that they could then make available the recently prepared documentation to PCAOB inspectors. On February 1, 2021, for example, after a telephone call with management at PVH Corp., Taylor prepared a written summary of management's explanations for the variances in income and participant payments, emailed that summary to an SKP professional ("SKP Professional #2"), and directed SKP Professional #2 to "document [it] in the workpapers" as SKP's "analytical review."

15. Taylor coordinated this effort to transform the audit work papers in advance of the PCAOB inspection. He frequently requested updates and participated in numerous email exchanges and discussions with other SKP personnel about the alterations. Taylor also sent emails directing next steps—at times to all the participating personnel in a group message, and at other times to specific individuals about specific tasks.

16. The improper alterations made following notification of the PCAOB inspection were so extensive that the work papers provided to the inspectors effectively reflected a different audit than the one originally performed. As these efforts came to a close, an SKP professional ("SKP Professional #3") emailed Taylor: "There are a lot of changes being made but I think we are as good as were [sic] are going to get without redoing the entire audit." Taylor replied by emphasizing that SKP Professional #3 and the other professionals should take the time needed to complete the alterations: "Based on my discussions with the PCAOB, I think we can get through Wednesday if we need additional time." In all, Taylor and the other SKP professionals improperly added or altered approximately half of the work papers for the 2019 Audits.

17. In the third period, following inspection fieldwork, eight more workpapers were added or modified on two occasions. The first involved one work paper and occurred in April 2021, around the time SKP was arranging for and submitting work papers for a peer review of its audits by another firm. The second involved seven work papers and occurred in September 2021, just before SKP provided the work papers to the PCAOB's Division of Enforcement and Investigations ("DEI") in response to a request to produce the final set of audit documentation for the 2019 Audits.

18. Following the alterations over all three periods, approximately 76 of 145 total work papers had been added after the documentation completion date, and approximately 12 other work papers that had existed as of the documentation completion date had been modified after that date.

19. As a result, Taylor violated AS 1215.

b. Backdating

20. PCAOB rules require that audit documentation “contain sufficient information to enable an experienced auditor, having no previous connection with the engagement,” to understand, among other things, the timing of the procedures performed, evidence obtained, and conclusions reached, and to determine not just who performed and reviewed the work but also “the date such work was completed” and “the date of such review.”⁸ PCAOB ethics standards also require that, in the performance of any professional service, an associated person maintain integrity and “not knowingly misrepresent facts,” which includes any instance in which such a person “[s]igns, or permits or directs another to sign, a document containing materially false and misleading information.”⁹

21. Taylor and other SKP professionals backdated multiple work papers for the 2019 Audits in violation of AS 1215 and PCAOB ethics standards. Even though Taylor and other SKP professionals created or modified most of the work papers for the 2019 Audits between late August 2020 and September 2021, approximately 80 of the 145 work papers bear false signoffs indicating that they were prepared or completed before the June 23, 2020 report date, and approximately 79 bear false signoffs indicating that they were reviewed before that date. The backdated documentation include dates on a database index page (“Index Page”) indicating when SKP Professional #1 and Taylor, respectively, had prepared and reviewed each work paper, as well as dates typed as part of the text in certain work papers indicating when the two professionals had completed and reviewed the work papers.

22. Taylor and other SKP professionals backdated many of these signoffs in February 2021, as they knew the work papers would soon be provided to the PCAOB inspectors. On

⁸ See AS 1215.06.

⁹ ET § 102.01, *Integrity and Objectivity* (“In the performance of any professional service, a member shall maintain objectivity and integrity, shall be free of conflicts of interest, and shall not knowingly misrepresent facts or subordinate his or her judgment to others.”); ET § 102.02 (“A member shall be considered to have knowingly misrepresented facts in violation of rule 102 [ET section 102.01] when he or she knowingly . . . c. Signs, or permits or directs another to sign, a document containing materially false and misleading information.”).

February 8, 2021, for example, SKP Professional #3 emailed Taylor, “I may need you to sign off on some workpapers mostly 7000.01, 7000.05, and the internal control section with the narrative/walkthroughs.” Taylor subsequently did so.

23. As a result, Taylor violated AS 1215 and ET § 102.

ii. Inspection Noncooperation

24. PCAOB rules require that “every associated person of a registered public accounting firm, shall cooperate with the Board in the performance of any Board inspection.”¹⁰ “Implicit in this cooperation requirement is that auditors provide accurate and truthful information” to the PCAOB’s inspectors.¹¹ In violation of that cooperation obligation, as well as PCAOB ethics standards, Taylor provided false and misleading information to the PCAOB’s inspectors in connection with two different inspections.

25. In 2018, DRI conducted an inspection of SKP and reviewed the 2016 Audits. Taylor stated in an “Issuer Information Form” submitted to DRI that EQRs had been performed for the 2016 Audits, when he knew no EQR had been performed for either of the 2016 Audits. In the same form, Taylor identified another SKP partner as having performed the two EQRs and, where the form called for the number of hours spent performing those EQRs, falsified time increments to indicate that the EQRs had been performed.

26. During the 2021 Inspection, Taylor again provided false information to PCAOB inspectors about EQRs. Taylor prepared and provided to DRI six different documents wherein he stated falsely that EQRs had been performed for the 2019 Audits: an Issuer Information Form, two successively revised versions of that form, a “Data Request Form,” a response to a comment form issued by the inspectors, and a different version of a Supervision, Review and Approval form for the 2019 Audits than the one contained in the assembled work papers. Five of those six documents falsely named another SKP partner as having performed EQRs, and three of them contained fabricated time increments supposedly spent by that partner in performing the EQRs.

27. Later during the 2021 Inspection, Taylor submitted to the inspectors an Additional Information Form that contained the same false statements about EQRs, but this time about the 2018 Audits. As with the 2019 Audits, Taylor falsely stated that EQRs had been

¹⁰ PCAOB Rule 4006, *Duty to Cooperate With Inspectors*.

¹¹ *Kabani & Co., Inc.*, Rel. No. 34-80201, 2017 WL 947229, at *12 (SEC Mar. 10, 2017), petition for review denied, *Kabani & Co., Inc. v. SEC*, 733 F. App’x 918 (9th Cir. 2018).

performed in the 2018 Audits, that the same other SKP partner had performed them, and that this partner had spent a specified number of hours performing each of them.

28. During the 2021 Inspection, Taylor repeatedly provided other false and misleading information to the PCAOB's inspectors. As noted above, Taylor knew the work papers for the 2019 Audits had been improperly altered and backdated. But he made those work papers available to the inspectors without disclosing the alterations or backdating. Indeed, on February 23, 2021, Taylor supplied screenshots of the Index Page to the inspectors that showed the backdated signoffs, yet failed to inform them that those signoffs had been backdated.

29. In addition, Taylor made or supplied several false statements to the inspectors about the integrity of the work papers for the 2019 Audits and the signoff dates they contained. Taylor signed and made available to inspectors the Supervision, Review and Approval form for the 2019 Audits, which stated (emphasis added): "The audit documentation evidences which elements of the audit work I reviewed *and when my review occurred.*" Taylor also completed and submitted to the inspectors on SKP's behalf a Data Request Form stating that there had been no "changes made to the audit documentation subsequent to the documentation completion date." Similarly, Taylor stated during a quality control interview with the inspectors that no modifications had been made to the work papers for the 2019 Audits after the documentation completion date.

30. Moreover, when the inspectors reviewed the Index Page, they saw that it displayed not only the dates on which each work paper was purportedly prepared and reviewed, but also the date on which each work paper was "Last Modified." They also noted that many of these Last Modified dates fell after the August 7, 2020 documentation completion date. In a separate discussion with Taylor following the quality control interview, the inspectors asked Taylor why that was so. They also asked him, specifically, whether the corresponding work papers had been altered after that date. Taylor told the inspectors that he did not know why any of the Last Modified dates post-dated the documentation completion date and that none of the work papers had been altered after August 7, 2020.

31. Furthermore, Taylor made false and misleading statements to the inspectors about SKP's failure to timely file Form APs (see below section F.ii, "PCAOB Reporting"). Taylor told the inspectors that SKP had prepared and kept a Form AP for the 2019 Audits but merely never filed it, and that SKP "was relying on an administrative professional to timely file the Form AP" but that "this administrator did not properly file the form." In fact, SKP's records at the time did not contain a copy of any Form AP for the 2019 Audits, nor had SKP tasked any administrative professional—or anyone other than Taylor—with filing Form APs.

32. As a result, Taylor violated PCAOB Rule 4006 and ET § 102.

iii. Enforcement Noncooperation

33. PCAOB rules state that the Board may institute a disciplinary proceeding if it appears that an associated person “may have failed to comply with an accounting board demand,” “may have knowingly made any false material declaration or made or used any other information, including any book, paper, document, record, recording, or other material, knowing the same to contain any false material declaration,” “may have abused the Board’s processes for the purpose of obstructing an investigation,” or “may otherwise have failed to cooperate with an investigation.”¹²

34. Taylor repeatedly provided false and misleading information to PCAOB investigators about improper alterations to the work papers for the 2019 Audits. In response to questions in an accounting board demand (“ABD”), he stated that no work papers had been added—and that no “material/significant adjustments” had been made—to the final set of work papers for the 2019 Audits after August 7, 2020.

35. Taylor also provided false and misleading information to PCAOB investigators about what documents SKP maintained and how it maintained them. Taylor told investigators that SKP did not maintain any location where work papers were saved or stored other than the audit software database, when in fact Taylor knew that he and other audit personnel regularly saved, stored, worked with, and communicated with each other about large numbers of work papers on a computer drive at SKP known as the N Drive. Moreover, Taylor told investigators that draft work papers for the 2019 Audits did not exist, when in fact they did exist on the N Drive, which Taylor knew or should have known when he made that misrepresentation.

36. Taylor also provided false and misleading information to PCAOB investigators about EQRs. In the investigation, he identified another partner at SKP as having performed the EQRs of the 2019 Audits, when he knew that partner had never done any work concerning the PVH Plans. He also told the investigators that he had asked that same partner if he had documents responsive to an ABD, when—at the time Taylor made those statements—that partner was not even aware of a PCAOB investigation concerning SKP.

37. Taylor also identified another accounting firm as having performed EQRs for the 2017 and 2020 Audits, when he knew that firm (the “Inspecting Firm”) had performed post-issuance inspections as part of a peer review program and not EQRs for the purpose of providing concurring approval of issuance in accordance with PCAOB requirements. Faced with

¹² PCAOB Rule 5110, *Noncooperation with an Investigation*.

an ABD that called for documents and information concerning EQRs, when he knew none had been performed, Taylor contacted the Inspecting Firm, obtained from the Inspecting Firm what he knew were post-issuance inspection documents for the 2015 and 2020 Audits of the PVH Plans, and produced these to PCAOB investigators claiming they were documents evidencing EQRs for, respectively, the 2017 and 2020 Audits.

38. In addition, Taylor made misrepresentations to PCAOB investigators about the Form APs for the 2019 Audits substantially similar to those he had made to PCAOB inspectors. Specifically, he asserted that although Form APs for the 2019 Audits had not been submitted, “there was a copy of the form in the SKP records,” and that the reason for SKP’s failure to file Form APs was “the misunderstanding of the specific filing procedures by the administrative professional that was tasked with filing the form.”

39. Moreover, Taylor failed to produce thousands of emails related to the PVH Plans and the 2021 Inspection that were responsive to an ABD. Those emails included many that made clear the scope of the effort to alter work papers in advance of the 2021 Inspection. Even after PCAOB investigators asked Taylor why the only inspection-related emails he had produced on SKP’s behalf were ones for which he was a sender or recipient, and asked him to search for additional inspection-related communications, Taylor represented to the investigators that “SKP has completed a search of all communications and not found any additional correspondence or electronic communications other than what was . . . previously provided to the PCAOB.”

40. In February 2022, having still failed to produce thousands of emails and relevant time entries called for by an ABD, Taylor provided investigators with a false written certification that SKP had produced all responsive documents in its possession.

41. As a result, Taylor violated PCAOB Rule 5110 and ET § 102.

F. Taylor Contributed to SKP’s Violations of PCAOB Rules and Standards

42. In addition to Taylor’s improper actions in connection with the PCAOB’s inspections and investigation of SKP, Taylor also directly and substantially contributed to various violations by SKP of PCAOB requirements concerning EQRs, reporting, and quality control.

i. Engagement Quality Reviews

43. PCAOB standards require that EQRs be performed on all audits.¹³ A firm “may grant permission to the client to use the engagement report only after the engagement quality reviewer provides concurring approval of issuance.”¹⁴ PCAOB rules also state that an associated person of a registered firm “shall not take or omit to take an action knowing, or recklessly not knowing, that the act or omission would directly and substantially contribute to a violation” by that firm of applicable law, rules, or professional standards.¹⁵

44. SKP failed to obtain EQRs of its audits of the PVH Plans, including the 2017-2020 Audits. In each instance, SKP released its audit report for use by one of the PVH Plans without concurring approval of issuance. As a result, SKP repeatedly violated AS 1220.

45. Taylor knew in connection with each of the 2017-2020 Audits that he had taken no steps to arrange for an EQR and that he had authorized the issuance of SKP’s audit report without concurring approval of issuance. Accordingly, Taylor took and omitted to take actions knowing that those acts and omissions would directly and substantially contribute to violations by SKP of AS 1220. As a result, Taylor violated PCAOB Rule 3502.

ii. PCAOB Reporting

46. Taylor repeatedly violated PCAOB Rule 3502 by directly and substantially contributing to SKP’s repeated failures to timely file Form APs, and to the firm’s repeated filings of materially inaccurate Form 2s, with the PCAOB.

a. Form APs

47. PCAOB rules require that a registered firm file a Form AP for “each audit report it issues for an issuer.”¹⁶ A Form AP is timely filed if the form is “filed by the 35th day after the date the audit report is first included in a document filed with the Commission.”¹⁷

48. SKP’s audit reports for the 2019 Audits were first included in documents filed with the Commission on June 24, 2020. But Taylor did not file Form APs for the 2019 Audits on

¹³ AS 1220.01, *Engagement Quality Review*.

¹⁴ AS 1220.13.

¹⁵ PCAOB Rule 3502, *Responsibility Not to Knowingly or Recklessly Contribute to Violations*.

¹⁶ PCAOB Rule 3211(a), *Auditor Reporting of Certain Audit Participants*.

¹⁷ PCAOB Rule 3211(b).

SKP's behalf until February 4, 2021, more than six months late, and only after PCAOB inspectors alerted Taylor to the fact those forms had not been filed.

49. Similarly, Taylor, on SKP's behalf, filed Form APs for the 2017 Audits more than three-and-a-half years late and for the 2018 Audits more than two-and-a-half years late. He did so only after receiving from DEI an ABD addressed to SKP calling for a written statement of whether SKP intended to file Form APs for the 2017 and 2018 Audits.

50. As a result, SKP repeatedly violated PCAOB Rule 3211, and Taylor directly and substantially contributed to those violations. Taylor knew of the Form AP requirement, having signed and caused SKP to timely file Form APs for the 2016 Audits. Indeed, Taylor prepared or caused to be prepared, signed on SKP's behalf, and caused SKP to file, every form filed by SKP with the PCAOB since the firm's registration. Moreover, Taylor was SKP's only partner with audits subject to Form AP filing requirements and bore responsibility for PCAOB form filings by virtue of his role as engagement partner.¹⁸ Accordingly, Taylor knowingly or recklessly caused SKP's violations, and thus violated PCAOB Rule 3502.

b. Form 2s

51. PCAOB rules require that a registered firm "file with the Board an annual report on Form 2 by following the instructions to that form."¹⁹ The Form 2 Instructions for "Part V – Offices and Affiliations" require that a registered firm state in response to Item 5.2.a.1. of Form 2 whether it has any "Membership or affiliation in or with any network, arrangement, alliance, partnership or association that licenses or authorizes . . . the use of a name in connection with the provision of audit services or accounting services."²⁰

52. In each of the Form 2s that Taylor filed on SKP's behalf in 2018-2021, SKP answered "No" in response to Item 5.2.a.1. SKP and Taylor knew or should have known that

¹⁸ Quality control policies and procedures in place at SKP since January 1, 2020, impose responsibility for complying with "applicable legal and regulatory requirements" in connection with audit engagements on the engagement partner—and thus Taylor, with respect to audits of the PVH Plans. Furthermore, an inspection comment form response prepared and submitted by Taylor to inspection staff that described remedial actions purportedly adopted by SKP as of March 2021 identified the "Engagement Partner" as responsible for monitoring "the applicable due date" of Form APs and for reviewing Form APs before filing.

¹⁹ PCAOB Rule 2200, *Annual Report*.

²⁰ *Form 2 – Annual Report Form, General Instructions*, https://pcaobus.org/about/rules-rulemaking/rules/form_2, Part V – Offices and Affiliations, Item 5.2.

answer was inaccurate. Since January 2015, SKP has been a member of Russell Bedford International (“RBI”), which publicly describes itself—and is described by SKP—as a network of independent or independently owned firms. SKP entered into an agreement with RBI in January 2015 that, among other things, licensed and authorized SKP to use the RBI name in connection with SKP’s audit and accounting services. SKP understood that RBI not only authorized, but encouraged, use of the RBI name and branding in connection with those services.

53. As a result, SKP repeatedly violated PCAOB Rule 2200, and Taylor directly and substantially contributed to those violations. As noted above, Taylor prepared, signed on SKP’s behalf, and caused SKP to file every form—including every Form 2—filed by SKP with the PCAOB since the firm’s registration. Accordingly, Taylor knowingly or recklessly caused SKP’s violations, and thus violated PCAOB Rule 3502.

iii. Quality Control

54. Taylor directly and substantially contributed to SKP’s violations of PCAOB quality control standards from 2018 to 2021.

55. PCAOB rules require that a registered firm comply with PCAOB quality control standards, which require that a firm “shall have a system of quality control for its accounting and auditing practice” and describe “elements of quality control and other matters essential to the effective design, implementation, and maintenance of the system.”²¹ As part of this requirement, “[p]olicies and procedures should be established to provide the firm with reasonable assurance that the work performed by engagement personnel meets applicable professional standards, regulatory requirements, and the firm’s standards of quality.”²²

56. PCAOB quality control standards recognize that “[t]he elements of quality control are interrelated,”²³ and that monitoring procedures are necessary “to provide the firm with reasonable assurance that the policies and procedures related to each of the other elements of quality control are suitably designed and are being effectively applied.”²⁴ Under

²¹ PCAOB Rule 3400T; QC § 20.01, *System of Quality Control for a CPA Firm’s Accounting and Auditing Practice*.

²² QC § 20.17.

²³ QC § 20.08.

²⁴ *Id.*; QC § 30.02, *Monitoring a CPA Firm’s Accounting and Auditing Practice*; see also QC § 20.20.

PCAOB standards, monitoring involves an ongoing consideration and evaluation of, among other things, compliance with the firm's policies and procedures.²⁵

57. Prior to 2020, SKP documented its audit quality control policies and procedures using a questionnaire received by the firm in connection with an audit peer review program. Taylor populated that questionnaire with certain cursory descriptions of SKP's audit practice. As implemented by SKP, the policies and procedures described in the completed questionnaire did not comply with PCAOB quality control standards. In 2020, SKP put into place a set of "SKP Quality Control Policies and Procedures" assembled by Taylor, which were also deficient and failed to provide the necessary reasonable assurance.

58. Significantly, SKP's quality control policies and procedures in 2018-2021 were not suitably designed and effectively applied to provide reasonable assurance that the work performed by its engagement personnel met PCAOB audit documentation requirements. For example, SKP's quality control policies and procedures did not address whether or how its engagement personnel could add, modify, or delete audit documentation following the documentation completion date.²⁶ SKP's quality control policies and procedures did not address the need to retain records relevant to the audit for a seven-year period after conclusion of an issuer audit.²⁷ SKP also failed to design or implement other policies and procedures to prevent or detect improper alterations of audit documentation after the documentation completion date. These quality control failures increased the risk that work papers might be improperly altered after the documentation completion date.²⁸

59. Moreover, SKP's failure to detect multiple rounds of improper work paper alterations by Taylor and other SKP professionals, including an effort lasting several weeks in advance of a PCAOB inspection and encompassing the performance and documentation of additional procedures months after the documentation completion date, reflects the deficient nature of SKP's quality control monitoring policies and procedures.

²⁵ See QC § 20. 20.c-.d; QC § 30.02.c-.d.

²⁶ See *id.* .16.

²⁷ Regulation S-X, Rule 2-06, 17 C.F.R. § 210.2-06.

²⁸ See *Galaz, Yamazaki, Ruiz Urquiza, S.C.*, PCAOB Release No. 105-2016-044 (Dec. 5, 2016) at 7 ("Not only did those failures to timely archive work papers for PCAOB Audits violate AS3 [AS 1215], they also increased the risk that the work papers might be improperly altered after the documentation completion date.").

60. SKP's quality control policies and procedures with respect to EQRs in 2018-2021 were also deficient. Specifically, those policies and procedures failed to provide reasonable assurance that EQRs were performed for the audits of the PVH Plans in multiple consecutive years (see above section F.i, "Engagement Quality Reviews"). SKP's failure to identify the repeated failure over several years to obtain EQRs reflects the deficient nature of SKP's quality control monitoring policies and procedures.

61. In addition, SKP's repeated failure to ensure timely filed Form APs and accurately filed Form 2s (see above section F.ii, "PCAOB Reporting") demonstrates that the firm lacked adequate policies and procedures to obtain reasonable assurance of compliance with regulatory requirements.²⁹ Once again, SKP's failure to identify the repeated failure to timely and accurately file required Form APs and Form 2s reflects the deficient nature of SKP's quality control monitoring policies and procedures.

62. As the firm's partner in charge of technical and quality review, Taylor was responsible for audit quality control and knew or should have known of SKP's obligations under PCAOB quality control standards. That role, as described in the questionnaire that addressed SKP's pre-2020 quality control policies and procedures, included "providing guidance, answering questions, monitoring compliance, and resolving matters with respect to independence, integrity, and objectivity." Notwithstanding his responsibilities, Taylor failed to take steps to design and implement an adequate system of quality control for SKP's issuer audits. As a result, Taylor knowingly or recklessly caused SKP's quality control violations, and thus violated PCAOB Rule 3502.

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:

²⁹ See *WWC, P.C.*, PCAOB Release No. 105-2022-006 (Apr. 19, 2022) at 13 ("WWC's repeated Form AP and annual report violations—which ranged from the omission of required information to late filings and failures to file at all—demonstrate that the firm lacked sufficient policies and procedures to ensure that these forms would be accurate and timely filed, in compliance with applicable regulatory requirements.").

- A. Pursuant to Section 105(c)(4)(E) of the Act and PCAOB Rule 5300(a)(5), Jonathan B. Taylor, CPA, is censured;
- B. Pursuant to Section 105(c)(4)(B) of the Act and PCAOB Rule 5300(a)(2), Jonathan B. Taylor, CPA, is barred from being an “associated person of a registered public accounting firm,” as that term is defined in Section 2(a)(9) of the Act and PCAOB Rule 1001(p)(i);³⁰
- C. Pursuant to Section 105(c)(4)(D) of the Act and PCAOB Rule 5300(a)(4), a civil money penalty in the amount of \$150,000 is imposed on Jonathan B. Taylor, CPA. 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. Taylor shall pay the civil money penalty within ten 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., Washington D.C. 20006, and (c) submitted under a cover letter, which identifies Taylor 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. **By consenting to this Order, Taylor acknowledges that a failure to pay the civil money penalty described above may alone be grounds to deny any request for leave to petition to terminate a bar pursuant to PCAOB Rule 5302(c). Taylor shall not seek or accept, directly or indirectly, reimbursement or indemnification from any source including, but not limited to, any current or former affiliated firm or professional(s) or any payment made pursuant to any**

³⁰ As a consequence of the bar, the provisions of Section 105(c)(7)(B) of the Act will apply with respect to Taylor. Section 105(c)(7)(B) provides: “It shall be unlawful for any person that is suspended or barred from being associated with a registered public accounting firm under this subsection willfully to become or remain associated with any issuer, broker, or dealer in an accountancy or a financial management capacity, and for any issuer, broker, or dealer that knew, or in the exercise of reasonable care should have known, of such suspension or bar, to permit such an association, without the consent of the Board or the Commission.”

insurance policy, with regard to any amounts that Taylor shall pay pursuant to this Order.

ISSUED BY THE BOARD.

/s/ Phoebe W. Brown

Phoebe W. Brown
Secretary

October 18, 2022