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Order Instituting Disciplinary Proceedings, Making Findings, and Imposing Sanctions

*In the Matter of Spielman Koenigsberg &
Parker, LLP,*

Respondent.

PCAOB Release No. 105-2022-024

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 Spielman Koenigsberg & Parker, LLP (“SKP” or “Respondent”), a registered public accounting firm;
- (2) revoking SKP’s registration;¹
- (3) imposing on SKP a \$150,000 civil money penalty; and
- (4) requiring SKP to undertake remedial measures concerning quality control and training directed toward satisfying requirements applicable to audits and reviews of issuers before filing, and to provide evidence of such measures with, any future registration application.

The Board is imposing these sanctions on SKP on the basis of its findings that SKP violated PCAOB rules and standards, including quality control standards, in connection with the audits of two issuer audit clients from 2018 to 2021.

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

¹ SKP may reapply for registration after five years from the date of this Order.

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 is admitted, Respondent consents to the entry of this Order as set forth below.²

III.

On the basis of Respondent’s Offer, the Board finds that:³

A. Respondent

1. **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). SKP registered with the Board, pursuant to Section 102 of the Act and PCAOB rules, on May 30, 2006.

B. Issuers

2. PVH Associates Investment Plan and PVH Associates Investment Plan for Residents of the Commonwealth of Puerto Rico (collectively, the “PVH Plans”) are defined contribution plans covering certain salaried and hourly employees of PVH Corp., a Delaware

² 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.

³ 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.

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, 2017, 2018, 2019, and 2020 (respectively, the "2017 Audits," "2018 Audits," "2019 Audits," and "2020 Audits"). The PVH Plans are the only issuer clients that SKP has ever audited.

C. Relevant Person

3. Jonathan B. Taylor, CPA ("Taylor"), is a partner of SKP. Taylor served as the engagement partner for SKP's audits of the financial statements of the PVH Plans as of and for the years ended December 31, 2017 through 2020. At all relevant times, Taylor also served as SKP's partner in charge of technical and quality review.⁴

D. Summary

4. This matter concerns SKP's failure to comply with PCAOB quality control standards during 2018-2021, including with respect to audit documentation. Among other failures, SKP's system of quality control failed to prevent or detect efforts by Taylor and other SKP personnel to improperly alter approximately half of the work papers for the 2019 Audits after they learned of an upcoming PCAOB inspection (the "Inspection"). These improperly altered work papers were then provided to the inspectors.

5. SKP also failed to obtain engagement quality reviews ("EQRs") of its audits of the PVH Plans for multiple years. Moreover, the firm failed to timely file several Form APs, and filed several materially inaccurate Form 2s, with the PCAOB.

E. SKP Violated PCAOB Rules and Standards

6. PCAOB rules require that registered public accounting firms comply with applicable auditing and related professional practice standards.⁵ As set out below, SKP failed to comply with PCAOB rules and standards.

⁴ See *Jonathan B. Taylor, CPA*, PCAOB Rel. No. 105-2022-025 (Oct. 18, 2022).

⁵ See PCAOB Rule 3100, *Compliance with Auditing and Related Professional Practice Standards*; PCAOB Rule 3200, *Auditing Standards*; PCAOB Rule 3400T, *Interim Quality Control Standards*.

i. Quality Control

7. 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.”⁶ 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.”⁷

8. PCAOB quality control standards recognize that “[t]he elements of quality control are interrelated,”⁸ 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.”⁹ Under PCAOB standards, monitoring involves an ongoing consideration and evaluation of, among other things, compliance with the firm’s policies and procedures.¹⁰

9. As noted above, the PVH Plans are the only issuer clients the firm has ever audited. Having decided to perform audits of issuers, however, SKP was obligated to design and implement policies and procedures, including monitoring procedures, to provide reasonable assurance of compliance with regulatory requirements applicable to issuer audits. SKP failed to do so.

10. 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.

⁶ PCAOB Rule 3400T; QC § 20.01, *System of Quality Control for a CPA Firm’s Accounting and Auditing Practice*.

⁷ QC § 20.17.

⁸ QC § 20.08.

⁹ *Id.*; QC § 30.02, *Monitoring a CPA Firm’s Accounting and Auditing Practice*; see also QC § 20.20.

¹⁰ See QC § 20. 20.c-.d; QC § 30.02.c-.d.

11. 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.¹¹ 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.¹² 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.¹³ These quality control failures increased the risk that work papers might be improperly altered after the documentation completion date.¹⁴

12. In anticipation of the Inspection and after the documentation completion date, Taylor coordinated an extensive effort involving several SKP professionals to improperly alter and backdate the work papers for the 2019 Audits before providing them to the PCAOB inspectors. This effort, which lasted over a period of months in 2020 and 2021, and which directly interfered with the integrity of the PCAOB's Inspection, involved substantial revisions to multiple work papers—including changes to existing key work papers and the addition of audit programs and other work papers—in violation of PCAOB audit documentation requirements.

¹¹ See AS 1215.15-.16, *Audit Documentation* ("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*). . . . Circumstances may require additions to audit documentation after the report release date. Audit documentation must not be deleted or discarded after the documentation completion date, however, information may be added. Any documentation added must indicate the date the information was added, the name of the person who prepared the additional documentation, and the reason for adding it." (italics in original)).

¹² Regulation S-X, Rule 2-06, 17 C.F.R. § 210.2-06.

¹³ Starting with the 2018 Audits, SKP personnel prepared, assembled, and kept the work papers for audits of the PVH Plans 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—SKP audit personnel did not routinely use that software feature, and did not activate that feature for the work papers assembled for the 2018-2020 Audits.

¹⁴ See *Galaz, Yamazaki, Ruiz Urquiza, S.C.*, PCAOB Rel. 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.").

13. As part of this effort, Taylor contacted members of management at PVH Corp. to request and obtain additional audit evidence related to the 2019 Audits. Taylor, as well as the other SKP professionals whose efforts he was coordinating, documented the additional client information that they obtained, and the results of additional procedures performed—without complying with PCAOB audit documentation requirements—before making work papers available to the inspectors. Taylor and the other SKP professionals improperly added or altered approximately half of the work papers for the 2019 Audits in anticipation of the inspection, without ever disclosing those changes to the inspectors

14. SKP’s failure to detect this extensive effort to improperly alter and backdate audit documentation reflects the deficient nature of SKP’s quality control monitoring policies and procedures.

15. 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 below section E.ii, “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.

16. In addition, SKP’s repeated failure to ensure timely filed Form APs and accurately filed Form 2s (see below section E.iii, “PCAOB Reporting”) demonstrates that the firm lacked adequate policies and procedures to obtain reasonable assurance of compliance with regulatory requirements.¹⁵ Once again, SKP’s failure to identify the repeated failure to timely and accurately file required Form APs and Form 2s, respectively, reflects the deficient nature of SKP’s quality control monitoring policies and procedures.

17. Accordingly, SKP failed to comply with QC §§ 20-30.

¹⁵ See *WWC, P.C.*, PCAOB Rel. 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.”).

ii. Engagement Quality Reviews

18. PCAOB standards require that EQRs be performed on all audits.¹⁶ A firm “may grant permission to the client to use the engagement report only after the engagement quality reviewer provides concurring approval of issuance.”¹⁷

19. SKP failed to obtain EQRs in the 2017-2020 Audits of the PVH Plans. In each instance, SKP improperly permitted the issuance of its audit reports without obtaining concurring approval of issuance. As a result, SKP violated AS 1220.

iii. PCAOB Reporting

20. SKP has repeatedly failed to timely file Form APs with the PCAOB and, moreover, has filed several materially inaccurate Form 2s with the PCAOB.

a. Form APs

21. PCAOB rules require that a registered firm file a Form AP for “each audit report it issues for an issuer.”¹⁸ 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.”¹⁹

22. SKP’s audit reports for the 2019 Audits were first included in documents filed with the Commission on June 24, 2020, when the PVH Plans filed their Form 11-Ks for 2019. SKP accordingly was required to file Form APs for the 2019 Audits by July 29, 2020, but failed to file them until February 4, 2021—more than six months late—and only after PCAOB inspectors alerted the firm to the fact those forms had not been filed.

23. SKP’s audit reports for the 2017 Audits and 2018 Audits were first included in documents filed with the Commission on June 29, 2018, and June 27, 2019, respectively. SKP accordingly was required to file Form APs by August 3, 2018, for the 2017 Audits and by August 1, 2019, for the 2018 Audits. But SKP failed to file Form APs for those audits until February 16, 2022—over three-and-half years late for the 2017 Audits and over two-and-a-half years late for the 2018 Audits.

¹⁶ AS 1220.01, *Engagement Quality Review*.

¹⁷ AS 1220.13.

¹⁸ PCAOB Rule 3211(a), *Auditor Reporting of Certain Audit Participants*.

¹⁹ PCAOB Rule 3211(b).

24. As a result, SKP violated PCAOB Rule 3211.

b. Form 2s

25. PCAOB rules require that a registered firm “file with the Board an annual report on Form 2 by following the instructions to that form.”²⁰ 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.”²¹

26. SKP has filed a Form 2 each year for several years, including in 2018-2021. In each of the Form 2s that SKP filed in 2018-2021, SKP answered “No” in response to Item 5.2.a.1.

27. SKP knew or should have known that answer was inaccurate. SKP, since January 2015, 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 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.

28. As a result, SKP violated PCAOB Rule 2200.

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), Spielman Koenigsberg & Parker, LLP is hereby censured;

²⁰ PCAOB Rule 2200, *Annual Report*.

²¹ *Form 2 – Annual Report Form, General Instructions*, https://pcaobus.org/about/rules-rulemaking/rules/form_2, Part V – Offices and Affiliations, Item 5.2.

- B. Pursuant to Section 105(c)(4)(A) of the Act and PCAOB Rule 5300(a)(1), the registration of Spielman Koenigsberg & Parker, LLP is revoked;
- C. After five years from the date of this Order, Spielman Koenigsberg & Parker, LLP may reapply for registration by filing an application for registration pursuant to PCAOB Rule 2101;
- D. 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 Spielman Koenigsberg & Parker, 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. Spielman Koenigsberg & Parker, LLP 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 Spielman Koenigsberg & Parker, 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. ***By consenting to this Order, Spielman Koenigsberg & Parker, LLP acknowledges that a failure to pay the civil money penalty described above may alone be grounds to deny any reapplication for registration pursuant to PCAOB Rule 2101. Spielman Koenigsberg & Parker, LLP 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 insurance policy, with regard to any amounts that Spielman Koenigsberg & Parker, LLP shall pay pursuant to this Order.***
- E. Pursuant to Section 105(c)(4)(G) of the Act and PCAOB Rule 5300(a)(9), Spielman Koenigsberg & Parker, LLP is required:
1. before filing with the Board any future registration application, (a) to establish policies and procedures, or revise and/or supplement existing policies and procedures, for the purpose of providing SKP with reasonable assurance of compliance with regulatory requirements applicable to audits and

reviews of issuers;²² (b) to establish a policy of ensuring training of personnel, whether internal or external, on an annual or more frequent regular basis, concerning requirements applicable to audits and reviews of issuers; and (c) to ensure training pursuant to that policy on at least one occasion; and

2. to provide with any future registration application a written certification of compliance with the above undertakings, written evidence of compliance in the form of a narrative, exhibits sufficient to demonstrate compliance, and such additional evidence of and information concerning compliance as the staff of the Division of Registration and Inspections may reasonably request.

ISSUED BY THE BOARD.

/s/ Phoebe W. Brown

Phoebe W. Brown
Secretary

October 18, 2022

²² See PCAOB Rule 1001(i)(iii), *Definitions of Terms Employed in Rules* (“The term ‘issuer’ means an issuer (as defined in Section 3 of the Exchange Act), the securities of which are registered under Section 12 of that Act, or that is required to file reports under Section 15(d) of that 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.”).