



1666 K Street NW
Washington, DC 20006

Office: 202-207-9100
Fax: 202-862-8430

www.pcaobus.org

Order Instituting Disciplinary Proceedings, Making Findings, and Imposing Sanctions

In the Matter of KCCW Accountancy Corporation,

Respondent.

PCAOB Release No. 105-2022-046

December 22, 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 KCCW Accountancy Corporation (“KCCW” or “Respondent”);
- (2) imposing a \$20,000 civil money penalty on KCCW; and
- (3) requiring KCCW to comply with its policies and procedures directed toward ensuring compliance with PCAOB reporting requirements.

The Board is imposing these sanctions on the basis of its findings that KCCW failed to disclose certain reportable events to the Board on PCAOB Form 3, *Special Report*.

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 is admitted, Respondent consents to entry of this Order as set forth below.¹

III.

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

A. Respondent

1. **KCCW** is a corporation organized under the laws of California and headquartered in Diamond Bar, California. KCCW is licensed to practice public accounting by the California Board of Accountancy (License No. 5813). KCCW is, and at all relevant times was, registered with the Board pursuant to Section 102 of the Act and PCAOB rules.

B. Summary

2. This matter concerns KCCW’s failure to disclose to the Board on Form 3 four reportable events concerning a disciplinary proceeding brought by the U.S. Securities and Exchange Commission (“Commission”) against a KCCW partner and a related disciplinary proceeding against the same partner brought by the California Board of Accountancy. PCAOB rules require KCCW to complete and file with the PCAOB a special report on Form 3 to report any event specified in that form within thirty days of the event’s occurrence. Among the events that KCCW is required to report on Form 3 are its becoming aware that one of its partners had become a respondent in certain disciplinary proceedings, and the conclusion of such proceedings.

3. On July 1, 2019, the Commission issued an order sanctioning a KCCW partner for causing KCCW to violate auditor independence rules.² The initiation of the Commission’s proceeding against the partner was a reportable event under Form 3, but KCCW failed to file a Form 3 reporting that the partner had become a respondent in a Commission proceeding.

4. In addition, the conclusion of the Commission’s proceeding against the partner constituted a reportable event under Form 3, but KCCW also failed to file a report of the conclusion of the proceeding on Form 3.

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 *Thomas Chang, CPA*, Exchange Act Rel. No. 86252 (July 1, 2019).

5. KCCW and the KCCW partner reported the Commission’s order to the California Board of Accountancy. On August 31, 2020, the California Board of Accountancy issued an order sanctioning the same KCCW partner for the same conduct underlying the Commission’s July 1, 2019 order, and imposed a three year probation period. The initiation and conclusion of the proceeding against the partner by the California Board of Accountancy constituted reportable events under Form 3, but KCCW failed to report either event on Form 3.

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

6. 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.³ One such specified event occurs when a firm “has become aware that, in a matter arising out of his or her conduct in the course of providing audit services or other accounting services to an issuer, broker, or dealer, a partner, shareholder, principal, owner, member, or audit manager of 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.”⁴ 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.⁵

7. No later than July 1, 2019, KCCW became aware that the Commission had initiated—and concluded—a disciplinary proceeding against the partner for causing KCCW to violate auditor independence rules. That proceeding arose out of the partner’s provision of audit services to KCCW’s issuer clients.⁶

³ See PCAOB Rule 2203, *Special Reports*. As the Board noted when adopting its rules on special reporting, “reportable 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).

⁴ PCAOB Form 3, at Item 2.8 (italics in the original removed).

⁵ PCAOB Form 3, at Item 2.10.

⁶ 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

8. No later than August 31, 2020, KCCW became aware that the California Board of Accountancy had initiated—and concluded—a disciplinary proceeding against the same partner based on the same underlying conduct as the Commission’s proceeding.

9. In violation of PCAOB Rule 2203, KCCW failed to file a Form 3 with the Board with respect to the initiation or conclusion of either the Commission’s proceeding against the partner or the California Board of Accountancy’s proceeding against the partner.⁷

10. KCCW’s internal compliance and reporting systems failed to identify the initiation and conclusion of the proceedings by the Commission and the California Board of Accountancy as being reportable to the PCAOB on Form 3. As a result, KCCW inappropriately failed to notify the PCAOB of the initiation and conclusion of two relevant disciplinary proceedings.

IV.

11. KCCW has represented to the Board that, since the events described in this Order, it has established and implemented the following changes to its policies and procedures for the purpose of providing KCCW with reasonable assurance of compliance with PCAOB reporting requirements:

- a. KCCW has revised and supplemented its policies and procedures for the purpose of providing KCCW with reasonable assurance of compliance with PCAOB reporting requirements, including policies and procedures providing reasonable assurance that reportable events are identified by KCCW personnel who participate in KCCW’s PCAOB reporting process and that those events are reported on the applicable PCAOB form in a timely and complete manner;
- b. KCCW has established policies to ensure training concerning PCAOB reporting requirements, at least annually, of any KCCW personnel who participate in KCCW’s PCAOB reporting process; and

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).

⁷ On July 1, 2022, KCCW filed a Form 3 and on July 2, 2022, KCCW filed a Form 3/A reporting the initiation and conclusion of the Commission’s proceeding and the related California Board of Accountancy proceeding against the partner.

- c. KCCW has assigned the role of compliance with PCAOB reporting matters to an individual within KCCW who possesses adequate knowledge and experience with PCAOB reporting requirements and sufficient authority within KCCW to fulfill those requirements on behalf of KCCW.

V.

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), KCCW is hereby censured;
- 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 \$20,000 is imposed upon KCCW.
 1. 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.
 2. KCCW shall pay this 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 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;
 3. Respondent 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 Respondent shall pay pursuant to this Order; and

4. Respondent understands that failure to pay the civil money penalty described above may result in summary suspension of Respondent's registration, pursuant to PCAOB Rule 5304(a), following written notice to Respondent at the address on file with the PCAOB at the time of the issuance of this Order.
- C. Pursuant to Section 105(c)(4)(G) of the Act and PCAOB Rule 5300(a)(9), KCCW is required to comply with its PCAOB reporting policies and procedures, including:
1. those intended to provide reasonable assurance that reportable events are identified by KCCW personnel who participate in KCCW's PCAOB reporting process and that those events are reported on the applicable PCAOB form in a timely and complete manner;
 2. those ensuring training concerning PCAOB reporting requirements, at least annually, of any KCCW personnel who participate in KCCW's PCAOB reporting process; and
 3. those requiring the assignment of the role of compliance with PCAOB reporting matters to an individual within KCCW who possesses adequate knowledge and experience with PCAOB reporting requirements and sufficient authority within KCCW to fulfill those requirements on behalf of KCCW.

ISSUED BY THE BOARD.

/s/ Phoebe W. Brown

Phoebe W. Brown
Secretary

December 22, 2022