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Order Instituting Disciplinary Proceedings, Making Findings, and Imposing Sanctions

In the Matter of Grant Thornton LLP,

Respondent.

PCAOB Release No. 105-2022-041

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 Grant Thornton LLP (“Grant Thornton” or “Respondent”);
- (2) imposing a \$40,000 civil money penalty on Grant Thornton; and
- (3) requiring Grant Thornton 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 Grant Thornton failed to disclose certain reportable events to the Board on PCAOB Form 3, *Special Report*, on a timely basis.

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. **Grant Thornton** is a limited liability partnership organized under the laws of Illinois and headquartered in Chicago, Illinois. Grant Thornton has offices in multiple locations and is licensed under the laws of the state of Illinois (License No. 066-003295), among other states where it has offices, to engage in the practice of public accounting. Grant Thornton 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 Grant Thornton's failure to timely disclose to the Board on Form 3 three reportable events regarding two disciplinary proceedings brought against the firm by the Utah Division of Occupational and Professional Licensing of the Department of Commerce ("Utah DOPL") and the Pennsylvania Board of Accountancy ("Pennsylvania Board"). This matter also involves Grant Thornton's failure to timely disclose to the Board on Form 3 changes in its licensing status in a number of jurisdictions.

3. PCAOB rules require registered firms, including Grant Thornton, 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 Grant Thornton is required to report on Form 3 are its becoming aware that the firm has become a respondent in certain disciplinary proceedings, and the conclusion of such proceedings. Grant Thornton must also report on Form 3 when it obtains a license authorizing it to engage in the business of auditing or accounting which it has not previously disclosed to the Board.

4. In December 2016, the Utah DOPL simultaneously initiated and concluded disciplinary proceedings against Grant Thornton ("Utah Proceeding"). The Utah Proceeding

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.

concerned conduct that resulted in sanctions imposed on the firm by the U.S. Securities and Exchange Commission in a 2015 order.² The initiation and conclusion of the Utah Proceeding each constituted a reportable event under Form 3, but Grant Thornton failed to file a Form 3 reporting those events until May 8, 2020.

5. Additionally, in January 2020, the Pennsylvania Board initiated disciplinary proceedings against Grant Thornton (“Pennsylvania Proceeding”). The Pennsylvania Proceeding concerned conduct that resulted in sanctions imposed on the firm by a 2017 PCAOB order.³ The initiation of the Pennsylvania Proceeding constituted a reportable event under Form 3, but Grant Thornton failed to file a Form 3 reporting it until May 8, 2020.

6. In its May 8, 2020 Form 3, Grant Thornton also belatedly disclosed that it had obtained twelve new, replacement, or additional licenses in eleven jurisdictions. Those changes in Grant Thornton’s licensing status constituted reportable events under Form 3, but Grant Thornton failed to disclose them to the Board on a timely basis.

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

7. 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.⁴ One such specified event occurs when a firm “has become aware that, in a matter arising out of the Firm’s conduct in the course of providing professional services for a client, the Firm has become a defendant or respondent in a civil or alternative dispute resolution proceeding initiated by a governmental entity or in an administrative or disciplinary proceeding other than a Board disciplinary proceeding.”⁵ Another event requiring reporting on Form 3 occurs when a firm has become aware that a reportable proceeding (*i.e.*, a reportable

² *Grant Thornton LLP*, Exch. Act Rel. No. 76536 (Dec. 2, 2015).

³ *Grant Thornton LLP*, PCAOB Rel. No. 105-2017-054 (Dec. 19, 2017).

⁴ 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).

⁵ PCAOB Form 3, at Item 2.7 (italics in the original removed).

event under Items 2.4 – 2.9 of Form 3) has been concluded as to the firm or certain of its associated persons.⁶

8. A registered firm must also file a report on Form 3 when it “has obtained a license or certification authorizing the Firm to engage in the business of auditing or accounting and which has not been identified on any Form 1 or Form 3 previously filed by the Firm, or there has been a change in a license or certification number identified on a Form 1 or Form 3 previously filed by the Firm.”⁷

9. The Utah Proceeding was initiated and concluded in December 2016, and concerned professional services Grant Thornton provided for two clients that were issuers at the time of the relevant conduct.⁸ The Utah DOPL identified Grant Thornton as a respondent in the Utah Proceeding, which ultimately resulted in the Utah DOPL reprimanding Grant Thornton. In violation of PCAOB Rule 2203, Grant Thornton failed to timely file a Form 3 with the Board reporting the initiation and conclusion of the Utah Proceeding.

10. The Pennsylvania Proceeding was initiated in January 2020, and concerned professional services Grant Thornton provided for an issuer client. The Pennsylvania Board identified Grant Thornton as a respondent in the Pennsylvania Proceeding. In violation of PCAOB Rule 2203, Grant Thornton failed to timely file a Form 3 with the Board reporting the initiation of that proceeding.⁹

11. Additionally, Grant Thornton violated PCAOB Rule 2203 by failing to timely report to the Board on Form 3 twelve total changes to its licensing status in eleven states.

12. Grant Thornton’s internal compliance and reporting systems failed to timely identify as being reportable to the PCAOB on Form 3: (i) the initiation and conclusion of the Utah Proceeding, (ii) the initiation of the Pennsylvania Proceeding, and (iii) the changes in the

⁶ *Id.*, at Item 2.10.

⁷ *Id.*, at Item 2.16.

⁸ The term “issuer” means an issuer (as defined in Section 3 of the Securities Exchange Act of 1934 (“Exchange Act”)), the securities of which are registered under Section 12 of the Exchange Act, or that is required to file reports under Section 15(d) of the Exchange Act, or that files or has filed a registration statement that has not yet become effective under the Securities Act of 1933, and that it has not withdrawn. See PCAOB Rule 1001(i)(iii).

⁹ GT US timely reported the conclusion of the Pennsylvania Proceeding in a Form 3 filed on May 27, 2020.

firm's licensing status. As a result, Grant Thornton failed to timely notify the PCAOB of reportable events associated with disciplinary proceedings and licensing changes.

IV.

13. Grant Thornton 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 Grant Thornton with reasonable assurance of compliance with PCAOB reporting requirements:

- a. Grant Thornton has revised and supplemented its policies and procedures for the purpose of providing it with reasonable assurance of compliance with PCAOB reporting requirements, including policies and procedures providing reasonable assurance that reportable events are identified by Grant Thornton personnel who participate in the firm's PCAOB reporting process and that those events are reported on the applicable PCAOB form in a timely and complete manner;
- b. Grant Thornton has established policies to ensure training concerning PCAOB reporting requirements, at least annually, of any personnel who participate in Grant Thornton's PCAOB reporting process; and
- c. Grant Thornton has assigned the role of compliance with PCAOB reporting matters to an individual within the firm who possesses adequate knowledge and experience with PCAOB reporting requirements and sufficient authority within the firm to fulfill those requirements on behalf of Grant Thornton.

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), Grant Thornton 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 \$40,000 is imposed upon Grant Thornton.

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. Grant Thornton 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.
 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), Grant Thornton is required to comply with its current PCAOB reporting policies and procedures, including:
1. those intended to provide reasonable assurance that reportable events are identified by Grant Thornton personnel who participate in Grant Thornton'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 Grant Thornton personnel who participate in Grant Thornton's PCAOB reporting process; and
3. those requiring assignment of the role of compliance with PCAOB reporting matters to an individual within Grant Thornton who possesses adequate knowledge and experience with PCAOB reporting requirements and sufficient authority within Grant Thornton to fulfill those requirements on behalf of Grant Thornton.

ISSUED BY THE BOARD.

/s/ Phoebe W. Brown

Phoebe W. Brown
Secretary

December 22, 2022