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## Order Instituting Disciplinary Proceedings, Making Findings, and Imposing Sanctions

*In the Matter of BDO RCS Auditores Independentes,*

Respondent.

PCAOB Release No. 105-2022-043

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 BDO RCS Auditores Independentes (“BDO RCS” or “Respondent”);
- (2) imposing a \$30,000 civil money penalty on BDO RCS; and
- (3) requiring BDO RCS to undertake certain remedial measures, including measures to establish policies and procedures directed toward ensuring compliance with PCAOB reporting requirements.

The Board is imposing these sanctions on the basis of its findings that BDO RCS 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.<sup>1</sup>

### III.

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

#### A. Respondent

1. **BDO RCS** is a partnership organized under the laws of Brazil and headquartered in São Paulo, Brazil. BDO RCS is licensed to practice public accounting in Brazil, and is a member of the BDO International network of firms. BDO RCS 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 BDO RCS's failure to disclose to the Board on Form 3 seven reportable events regarding five disciplinary proceedings brought against BDO RCS and certain of its personnel by the Securities and Exchange Commission of Brazil (the Comissão de Valores Mobiliários ("CVM")). PCAOB rules require registered firms, including BDO RCS, 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 BDO RCS is required to report on Form 3 are its becoming aware that the firm and/or certain of its personnel have become respondents in certain disciplinary proceedings, and the conclusion of such proceedings.

3. Between July 2018 and December 2021, BDO RCS and various associated persons of the firm became respondents in five separate disciplinary proceedings initiated by the CVM. The initiation of each of these proceedings constituted a reportable event under Form 3. However, BDO RCS failed to file Forms 3 reporting the initiation of any of the proceedings.

4. Additionally, BDO RCS learned—in November 2021 and May 2022—that two of the proceedings initiated against it by the CVM had been concluded. The conclusion of those proceedings also constituted reportable events under Form 3. However, BDO RCS failed to file Forms 3 reporting the conclusion of those proceedings.

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<sup>1</sup> 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.

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

5. 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.<sup>2</sup> 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."<sup>3</sup> To constitute a reportable event, the proceeding in question only has to relate to professional services the firm provided for a client, and does not necessarily have to involve an audit of an issuer, broker, or dealer, as those terms are defined under PCAOB rules.

6. Another event requiring reporting on Form 3 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.<sup>4</sup>

7. Between 2018 and 2021, the CVM initiated disciplinary proceedings against BDO RCS and certain of its associated persons. Each of the proceedings named BDO RCS as a respondent and related to BDO RCS's provision of professional services to companies that were not issuers.<sup>5</sup> The proceedings were initiated on the following dates:

- Proceeding 1: July 6, 2018
- Proceeding 2: October 19, 2018

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<sup>2</sup> 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).

<sup>3</sup> PCAOB Form 3, at Item 2.7 (italics in the original removed).

<sup>4</sup> *Id.*, at Item 2.10.

<sup>5</sup> 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).

- Proceeding 3: June 6, 2021
- Proceeding 4: December 22, 2021
- Proceeding 5: December 23, 2021

8. In violation of PCAOB Rule 2203, BDO RCS failed to file Forms 3 reporting the initiation of any of the CVM proceedings.

9. Additionally, the CVM issued judgments pertaining to Proceedings 3 and 5 that were dated November 22, 2021 and May 7, 2022, respectively. In violation of PCAOB Rule 2203, BDO RCS failed to file Forms 3 reporting the conclusion of those proceedings.

10. BDO RCS's internal compliance and reporting systems failed to identify the initiation of the CVM proceedings, and the conclusion of Proceedings 3 and 5, as being reportable to the PCAOB on Form 3. As a result, BDO RCS inappropriately failed to notify the PCAOB of the initiation and conclusion of relevant disciplinary proceedings.

#### 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), BDO RCS 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 \$30,000 is imposed upon BDO RCS.
  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. BDO RCS 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), BDO RCS is required:
1. within 90 days from the date of this Order, to establish policies and procedures, or revise and/or supplement existing policies and procedures, for the purpose of providing BDO RCS with reasonable assurance of compliance with PCAOB reporting requirements, including policies and procedures providing reasonable assurance that reportable events are identified by BDO RCS personnel who participate in BDO RCS's PCAOB reporting process and that those events are reported on the applicable PCAOB form in a timely and complete manner;
  2. within 90 days from the date of this Order, to establish policies to ensure training concerning PCAOB reporting requirements, at least annually, of any BDO RCS personnel who participate in BDO RCS's PCAOB reporting process;
  3. within 90 days from the date of this Order, to assign the role of compliance with PCAOB reporting matters to an individual within BDO

RCS who possesses adequate knowledge and experience with PCAOB reporting requirements and sufficient authority within BDO RCS to fulfill those requirements on behalf of BDO RCS; and

4. within 120 days from the date of this Order, to have the individual referenced in paragraph C.3 above 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, BDO RCS's compliance with paragraphs C.1 through C.3 above. The certification shall identify the actions taken to satisfy the conditions specified above, provide written evidence of compliance in the form of a narrative, and be supported by exhibits sufficient to demonstrate compliance. BDO RCS shall also submit such additional evidence of and information concerning compliance as the staff of the Division of Enforcement and Investigations may reasonably request. ***BDO RCS understands that the failure to satisfy these conditions may constitute a violation of PCAOB Rule 5000 that could provide a basis for the imposition of additional sanctions in a subsequent disciplinary proceeding.***

ISSUED BY THE BOARD.

/s/ Phoebe W. Brown

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Phoebe W. Brown  
Secretary

December 22, 2022