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

*In the Matter of CohnReznick LLP,*

Respondent.

PCAOB Release No. 105-2023-008

July 11, 2023

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

- (1) censuring CohnReznick LLP (“CohnReznick” or “Respondent”);
- (2) imposing a \$20,000 civil money penalty on CohnReznick; and
- (3) requiring CohnReznick 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 CohnReznick 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 (“Act”), and PCAOB Rule 5200(a)(1) against Respondent.

### II.

In anticipation of the 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. **CohnReznick** is a partnership organized under the laws of New Jersey. CohnReznick has offices in multiple locations and is licensed to practice public accounting by the state of New Jersey (License No. 20CB00324300), as well as other states where it has offices. CohnReznick is a member of the Nexia International network of firms and 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 CohnReznick's failure to timely disclose to the Board on Form 3 four reportable events regarding two disciplinary proceedings brought by the U.S. Securities and Exchange Commission ("Commission") against CohnReznick and certain of its personnel. PCAOB rules require registered firms, including CohnReznick, 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 CohnReznick 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. On June 8, 2022, the Commission issued an order sanctioning CohnReznick for deficiencies in its system of quality controls that led to audit failures in connection with a quarterly review and year-end audit of one client, and a year-end audit of another client.<sup>2</sup> The initiation and conclusion of the Commission's proceeding against CohnReznick constituted reportable events under Form 3, but CohnReznick failed to file a Form 3 reporting either event until December 12, 2022.

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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.

<sup>2</sup> *CohnReznick LLP*, Exchange Act Rel. No. 95066 (June 8, 2022).

4. The Commission issued another order on June 8, 2022 sanctioning three CohnReznick partners who were involved in one of the year-end audits serving as the basis for the Commission's concurrent order against CohnReznick.<sup>3</sup> The initiation and conclusion of the Commission's proceeding against the three partners constituted reportable events under Form 3, but CohnReznick failed to file a Form 3 reporting either event until December 12, 2022.

### **C. Respondent Failed to Timely 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>4</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>5</sup>

6. Registered firms must also report when they 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 disciplinary proceeding other than a Board disciplinary proceeding."<sup>6</sup>

7. Another reportable 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.<sup>7</sup>

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<sup>3</sup> *Stephen M. Wyss, CPA, Stephen H. Jackson, CPA, and Robert G. Hilbert, CPA*, Exchange Act Rel. No. 95067 (June 8, 2022).

<sup>4</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>5</sup> PCAOB Form 3, at Item 2.7 (italics in the original removed).

<sup>6</sup> *Id.*, at Item 2.8 (italics in the original removed).

<sup>7</sup> *Id.*, at Item 2.10.

8. No later than June 8, 2022, CohnReznick became aware that the Commission had initiated and concluded a disciplinary proceeding against the firm concerning weaknesses in the firm's system of quality controls that resulted in deficiencies in the audits of two issuer clients.<sup>8</sup>

9. CohnReznick was also aware no later than June 8, 2022, that the Commission had initiated and concluded a related disciplinary proceeding against three firm partners who participated in one of the deficient issuer audits that was the subject of the Commission's concurrent order against the firm.

10. The initiation and conclusion of the Commission proceedings constituted reportable events under Form 3. Accordingly, the firm was required to report those events to the Board on Form 3 within thirty days of their occurrence.<sup>9</sup> However, CohnReznick reported the initiation and conclusion of the two Commission proceedings approximately five months after the deadline for doing so.

11. CohnReznick's internal compliance and reporting systems failed to identify the initiation and conclusion of the Commission proceedings against CohnReznick and the firm's partners as being reportable to the PCAOB on Form 3 on a timely basis. As a result, CohnReznick inappropriately notified the PCAOB of the initiation and conclusion of relevant disciplinary proceedings after the deadline for doing so.

#### IV.

12. CohnReznick has represented to the Board that, since the events described in this order, it has enhanced documentation of existing policies and implemented changes to its policies and procedures for the purpose of providing CohnReznick with reasonable assurance of compliance with PCAOB reporting requirements:

- a. CohnReznick has revised and supplemented its policies and procedures for the purpose of providing CohnReznick with reasonable assurance of compliance with PCAOB reporting requirements, including policies and procedures providing reasonable assurance that reportable events are identified by CohnReznick personnel who participate in CohnReznick's

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<sup>8</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).

<sup>9</sup> *See* PCAOB Rule 2203(a).

PCAOB reporting process and that those events are reported on the applicable PCAOB form in a timely and complete manner;

- b. CohnReznick has established policies to ensure training concerning PCAOB reporting requirements, at least annually, of any CohnReznick personnel who participate in CohnReznick's PCAOB reporting process; and
- c. CohnReznick has assigned the role of compliance with PCAOB reporting matters to a team of individuals within CohnReznick who possess adequate knowledge and experience with PCAOB reporting requirements and sufficient authority within CohnReznick to fulfill those requirements on behalf of CohnReznick.

#### 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), CohnReznick 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 CohnReznick.
  - 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. CohnReznick shall pay this civil money penalty within ten (10) 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 CohnReznick 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. If timely payment is not made, interest shall accrue at the federal debt collection rate set for the current quarter pursuant to 31 U.S.C. § 3717. Payments shall be applied first to post-order interest.
  4. With respect to any civil money penalty amounts that CohnReznick shall pay pursuant to this Order, CohnReznick shall not, directly or indirectly, (a) seek or accept reimbursement or indemnification from any source including, but not limited to, any current or former affiliated firm or professional or any payment made pursuant to any insurance policy; (b) claim, assert, or apply for a tax deduction or tax credit in connection with any federal, state, local, or foreign tax; nor (c) seek or benefit by any offset or reduction of any award of compensatory damages, by the amount of any part of CohnReznick's payment of the civil money penalty pursuant to this Order, in any private action brought against CohnReznick based on substantially the same facts as set out in the findings in this Order.
  5. CohnReznick understands that failure to pay the civil money penalty described above may result in summary suspension of CohnReznick's registration, pursuant to PCAOB Rule 5304(a), following written notice to CohnReznick 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), CohnReznick 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 CohnReznick personnel who participate in CohnReznick'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 CohnReznick personnel who participate in CohnReznick's PCAOB reporting process; and
3. those assigning the role of compliance with PCAOB reporting matters to a team of individuals within CohnReznick who possess adequate knowledge and experience with PCAOB reporting requirements and sufficient authority within CohnReznick to fulfill those requirements on behalf of CohnReznick.

ISSUED BY THE BOARD.

/s/ Phoebe W. Brown

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Phoebe W. Brown  
Secretary

July 11, 2023