

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

*In the Matter of MSPC, Certified Public Accountants
and Advisors, A Professional Corporation,*

Respondent.

PCAOB Release No. 105-2023-010

July 28, 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 MSPC Certified Public Accountants and Advisors, A Professional Corporation (“MSPC,” the “Firm,” or “Respondent”);
- (2) imposing a civil money penalty in the amount of \$30,000 upon the Firm; and
- (3) requiring the Firm to undertake certain remedial actions as described in Section IV of this Order.

The Board is imposing these sanctions on the basis of its findings that the Firm failed to make certain required communications to the audit committee of an issuer client under AS 1301, *Communications with Audit Committees*, and failed to appropriately document other communications with the issuer’s audit committee.

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 against Respondent pursuant to Section 105(c) of the Sarbanes-Oxley Act of 2002, as amended (the “Act”), and PCAOB Rule 5200(a)(1).

II.

In anticipation of the institution of these proceedings, and pursuant to PCAOB Rule 5205, MSPC 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.¹

III.

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

A. Respondent

1. **MSPC, Certified Public Accountants and Advisors, A Professional Corporation** (“MSPC,” the “Firm,” or “Respondent”) is a professional corporation headquartered in Cranford, NJ. At all relevant times, MSPC was registered with the Board pursuant to Section 102 of the Act and PCAOB rules. During the period covered by this Order, the Firm annually served as the principal auditor for three issuer clients.

B. Issuer

2. **SFL Corporation LTD** (“SFL”), formerly Ship Finance International Limited, is a corporation headquartered in Hamilton, Bermuda. Its public filings disclose that it is engaged primarily in the ownership and operation of vessels and offshore related assets, and involved in the charter, purchase, and sale of assets. At all relevant times, SFL was an issuer as that term is defined in Section 2(a)(7) of the Act and PCAOB Rule 1001(i)(iii). MSPC issued an audit report that SFL included in its Form 20-F Annual Report filed with the U.S. Securities and Exchange Commission for fiscal year 2020 (the “2020 Audit”).

C. Other Relevant Entities

3. **BDO LLP** (United Kingdom) (“BDO UK”) is a limited liability partnership headquartered in London, United Kingdom. At all relevant times, BDO UK was registered with

¹ The findings herein are made pursuant to the Firm’s Offer and are not binding on any other person or entity in this or any other proceeding.

the Board pursuant to Section 102 of the Act and PCAOB rules. Employees from BDO UK performed certain audit procedures under the supervision of MSPC in connection with the 2020 Audit.²

D. Respondent Failed to Disclose Significant Risks to SFL’s Audit Committee in Violation of AS 1301.09

4. Pursuant to PCAOB auditing standards, an auditor must communicate with a client’s audit committee regarding certain matters related to the conduct of an audit and obtain certain information from the audit committee relevant to the audit.³ The auditor should communicate to the audit committee an overview of the overall audit strategy, including the timing of the audit, and discuss with the audit committee the significant risks identified during the auditor’s risk assessment.⁴

5. PCAOB auditing standards require each auditor to determine whether identified and assessed risks are significant risks.⁵ A significant risk is defined as a risk of material misstatement that requires special audit consideration.⁶ To determine whether an identified and assessed risk is significant, the auditor should evaluate whether the risk requires special audit consideration because of the nature of the risk, or the likelihood and potential magnitude of misstatement related to the risk.⁷

² On April 23, 2021, MSPC filed a Form AP concerning the 2020 Audit as required by PCAOB Rule 3211, *Auditor Reporting of Certain Audit Participants*, and reported that BDO UK’s percentage of participation in the audit was 47%.

³ AS 1301.01, *Communications with Audit Committees*.

⁴ *Id.* at .09. In the adopting release for Auditing Standard No. 16 (now known as AS 1301) (“AS 1301 Adopting Release”), the Board indicated that “[c]ommunications between the auditor and the audit committee allow the audit committee to be well-informed about accounting and disclosure matters, including the auditor’s evaluation of matters that are significant to the financial statements, and to be better able to carry out its oversight role.” See *Auditing Standard No. 16—Communications With Audit Committees; Related Amendments to PCAOB Standards; and Transitional Amendments to AU Sec. 380*, PCAOB Rel. No. 2012-004, at 2 (August 15, 2012).

⁵ AS 2110.59, *Identifying and Assessing Risks of Material Misstatement*.

⁶ AS 2110.A5.

⁷ AS 2110.70.

6. PCAOB auditing standards also require each auditor to determine whether information gathered from risk assessment procedures indicates that one or more fraud risk factors are present. Fraud risk factors are events or conditions that indicate “(1) an incentive or pressure to perpetrate fraud, (2) an opportunity to carry out the fraud, or (3) an attitude or rationalization that justifies fraudulent action.”⁸ Under PCAOB standards, a fraud risk is a significant risk.⁹

7. In connection with the 2020 Audit, MSPC identified improper revenue recognition and management override of controls as fraud risks and significant risks in its risk assessment procedures. MSPC sent a letter to SFL’s audit committee dated November 30, 2020, that contained certain required communications concerning audit planning matters. While certain significant risks were communicated in the audit committee letter, the Firm failed to communicate the significant risks associated with improper revenue recognition and management override of controls.

8. Accordingly, MSPC violated AS 1301.09 in connection with the 2020 Audit.

E. Respondent Failed to Document the Communication of the Names, Locations, and Planned Responsibilities of Other Persons Who Performed Audit Procedures for the 2020 Audit, in Violation of AS 1301.25

9. PCAOB standards specify that each auditor, as part of communicating the overall audit strategy, should communicate with the audit committee the names, locations, and planned responsibilities of other independent public accounting firms or other persons, who were not employed by the auditor, that performed audit procedures in the current period audit.¹⁰ The auditor must document those communications in the work papers, whether they took place orally or in writing.¹¹

10. In connection with the 2020 Audit, MSPC failed to document in the work papers communications to SFL’s audit committee about the name, location, and planned

⁸ AS 2110.65.

⁹ AS 2110.71b., Note.

¹⁰ See AS 1301.10d.

¹¹ AS 1301.25.

responsibilities of employees from BDO UK, who were not employed by MSPC and performed audit procedures in the 2020 Audit. Accordingly, MSPC violated AS 1301.25 in connection with the 2020 Audit.

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), the Firm 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 the Firm.
 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. The Firm shall pay this civil money penalty within ten (10) days of the issuance of this Order by: (1) wire transfer pursuant to instructions provided 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. If timely payment is not made, additional 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 Respondent shall pay pursuant to this Order, Respondent 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 Respondent's payment of the civil money penalty pursuant to this Order, in any private action brought against Respondent based on substantially the same facts as set out in the findings in this Order.
 5. 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), the Firm is required:
1. Within 90 days of the entry of this Order, to establish, revise, or supplement, as necessary, policies and procedures, including monitoring procedures, to provide the Firm with reasonable assurance that Firm personnel will communicate to audit committees all matters required by AS 1301; and
 2. Within 120 days of the entry of this Order, to provide a certification, signed by its CEO, to the Director of the PCAOB's Division of Enforcement and Investigations, stating that the Firm has complied with paragraph IV.C.1 above. The certification shall identify the actions undertaken to satisfy the conditions specified above (including any remedial actions taken prior to the date of this Order), provide written evidence of compliance in the form of a narrative, and be supported by exhibits sufficient to demonstrate compliance. The Firm shall also submit such additional evidence of, and information concerning, compliance as the staff of the Division of Enforcement and Investigations may reasonably request. The Firm 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

Phoebe W. Brown
Secretary

July 28, 2023