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

*In the Matter of S. R. Snodgrass, P.C.,*

Respondent.

PCAOB Release No. 105-2023-014

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 S. R. Snodgrass, P.C. (“S. R. Snodgrass,” the “Firm,” or “Respondent”);
- (2) imposing a civil money penalty in the amount of \$35,000 upon the Firm; and
- (3) requiring the Firm to comply with its policies and procedures directed toward ensuring compliance with PCAOB independence rules in obtaining pre-approval from issuers’ audit committees for audit and non-audit services.

The Board is imposing these sanctions on the basis of its findings that the Firm violated PCAOB rules relating to independence in connection with the audit of Penns Woods Bancorp, Inc. (“Penns Woods”).

### 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, S. R. Snodgrass 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.<sup>1</sup>

### III.

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

#### A. Respondent

1. **S. R. Snodgrass, P.C.** is a corporation formed under Pennsylvania law and headquartered in Cranberry Township, Pennsylvania. It is licensed to practice public accounting in multiple jurisdictions, including with the Pennsylvania Bureau of Professional and Occupational Affairs (license no. AF001478L) and the West Virginia Board of Accountancy (license no. F00728). At all relevant times, S. R. Snodgrass was registered with the Board pursuant to Section 102 of the Act and PCAOB rules.

#### B. Issuer

2. **Penns Woods Bancorp, Inc.**, was, at all relevant times, a bank holding corporation incorporated under Pennsylvania law and headquartered in Williamsport, Pennsylvania. At all relevant times, Penns Woods was an issuer as that term is defined by Section 2(a)(7) of the Act and PCAOB Rule 1001(i)(iii). S. R. Snodgrass issued an audit report that Penns Woods included in its Form 10-K filed with the U.S. Securities and Exchange Commission ("Commission") for the year ended December 31, 2019.

#### C. **S. R. Snodgrass Failed to Obtain Audit Committee Pre-Approval of Information Technology Consulting Services, in Violation of PCAOB Rule 3520**

3. PCAOB rules and standards require that a registered public accounting firm and its associated persons must be independent of the firm's audit client throughout the audit and professional engagement period.<sup>2</sup> That requirement includes an obligation to satisfy the

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<sup>1</sup> The findings herein are made pursuant to S. R. Snodgrass's Offer and are not binding on any other person or entity in this or any other proceeding.

<sup>2</sup> See PCAOB Rule 3520, *Auditor Independence*.

independence criteria set out in the rules and standards of the PCAOB and all other independence criteria set out in the Commission's rules and regulations under the federal securities laws.<sup>3</sup>

4. Rule 2-01(c)(7)(i) of Commission Regulation S-X provides that “[a]n accountant is not independent of an issuer” unless, “[b]efore the accountant is engaged by the issuer...to render audit or non-audit services, the engagement is approved by the issuer’s...audit committee.”<sup>4</sup>

5. S.R. Snodgrass issued an audit opinion for Penns Woods concerning the issuer’s internal control over financial reporting as of December 31, 2019, which Penns Woods included in its Form 10-K filed with the Commission on March 11, 2020.

6. During the time that S. R. Snodgrass performed this audit, the Firm also performed information technology consulting services for Penns Woods.

7. S. R. Snodgrass failed to obtain pre-approval from Penns Woods’s audit committee to provide these information technology consulting services.

8. Accordingly, S. R. Snodgrass violated Rule 3520 by not fulfilling the requirements of Rule 2-01(c)(7)(i) of Commission Regulation S-X, and thus was not independent of Penns Woods.

#### IV.

9. S. R. Snodgrass 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 the Firm with reasonable assurance of compliance with PCAOB independence rules in obtaining pre-approval from issuers’ audit committees for audit and non-audit services:

- a. S. R. Snodgrass has revised its policies and procedures to restrict the Firm’s ability to create accounts for issuer clients in its billing system until the Firm receives, and Firm personnel log that it has received, an engagement letter approved by the issuer’s audit committee;

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<sup>3</sup> See PCAOB Rule 3520, Note 1.

<sup>4</sup> 17 C.F.R. § 210.2-01(c)(7).

- b. S. R. Snodgrass has revised its policies and procedures to require that any engagement letter for a service, prior to issuance to an issuer client, is signed by the lead audit engagement partner; and
- c. S. R. Snodgrass required all Firm assurance partners to attend a training about the requirements of PCAOB Rule 3520 and the above-referenced revised policies and procedures.

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), 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 \$35,000 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 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 NW, 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 NW, 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; and
  5. Respondent understands that its failure to pay the civil money penalty described above may result in summary suspension of the Firm'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 to comply with its revised policies and procedures concerning independence, including those intended to provide reasonable assurance that Firm personnel comply with PCAOB independence rules in obtaining pre-approval from issuers' audit committees for audit and non-audit services.

ISSUED BY THE BOARD.

/s/ Phoebe W. Brown

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Phoebe W. Brown  
Secretary

July 28, 2023