



1666 K Street NW
Washington, DC 20006

Office: 202-207-9100
Fax: 202-862-8430

www.pcaobus.org

Order Instituting Disciplinary Proceedings, Making Findings, and Imposing Sanctions

In the Matter of Blue & Co., LLC,

Respondent.

PCAOB Release No. 105-2023-018

August 8, 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 Blue & Co., LLC (“Blue” or “Respondent”), a registered public accounting firm;
- (2) imposing a civil money penalty in the amount of \$75,000 on Blue; and
- (3) requiring Blue to review and certify its auditor independence policies and procedures.

The Board is imposing these sanctions on the basis that, in connection with six audits of three issuer employee benefit plans over the course of two years, Blue violated applicable auditor independence requirements by failing to comply with partner rotation requirements.

In ordering these sanctions, the Board took into account Blue’s extraordinary cooperation in this matter, including self-reporting and remedial actions, as described in more detail below.

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, Respondent has submitted an Offer of Settlement (the “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. **Blue & Co., LLC** is a limited liability company organized under the laws of Indiana and headquartered in Carmel, Indiana. Blue is licensed to practice public accounting by the Indiana Accountancy Board (License No. FP59400100), among other state boards. Blue is, and at all relevant times was, registered with the Board, and is a “registered public accounting firm” as that term is defined in Section 2(a)(12) of the Act and PCAOB rules.

B. Issuers

2. **Ashland Employee Savings Plan** (“Ashland ESP”) is, according to its public filings, a defined contribution plan for certain employees of Ashland Inc., (“Ashland”), a Delaware corporation headquartered in Wilmington, Delaware. At all relevant times, Ashland ESP was an “issuer” as that term is defined by Section 2(a)(7) of the Act and PCAOB Rule 1001(i)(iii).

3. **Ashland Union Employee Savings Plan** (“Ashland UESP”) is, according to its public filings, a defined contribution plan for certain employees of Ashland. At all relevant times, Ashland UESP was an “issuer” as that term is defined by Section 2(a)(7) of the Act and PCAOB Rule 1001(i)(iii).

4. **International Specialty Products Inc. 401(k) Plan** (“ISP Plan” and, together with Ashland ESP and Ashland UESP, the “Benefit Plans”) is, according to its public filings, a defined contribution plan for certain employees of International Specialty Products Inc., a wholly-

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.

owned subsidiary of Ashland. At all relevant times, ISP Plan was an “issuer” as that term is defined by Section 2(a)(7) of the Act and PCAOB Rule 1001(i)(iii).

C. Summary

5. This matter concerns Blue’s violations of partner rotation requirements. Specifically, Blue allowed the same individual (“Partner A”) to serve as the engagement partner during the 2018 and 2019 Ashland ESP, Ashland UESP, and ISP Plan audits immediately after Partner A had served as the engagement quality reviewer or engagement partner during the 2013 through 2017 audits of those same three issuers.

6. After the 2017 audits of the Benefit Plans, Partner A had served in the engagement partner or engagement quality reviewer role for five consecutive years. Accordingly, Partner A’s service as engagement partner on the 2018 and 2019 audits of the Benefit Plans impaired Blue’s independence under the U.S. Securities and Exchange Commission’s (“Commission”) partner rotation rules, which provide that an auditor is not independent if an individual serves as engagement partner or engagement quality reviewer for more than five consecutive years.

7. In addition, Blue violated PCAOB quality control standards by failing to implement and monitor adequate policies and procedures to provide reasonable assurance that firm personnel would comply with applicable auditor independence requirements.

D. Blue Violated PCAOB Rules and Standards

8. In connection with the preparation or issuance of an audit report, PCAOB rules require that a registered public accounting firm and its associated persons comply with the Board’s auditing and related professional practice standards.² PCAOB rules further require registered public accounting firms to comply with the Board’s quality control standards.³

i. Blue Violated PCAOB Rules and Standards by Failing to Comply With Partner Rotation Requirements

9. PCAOB rules and standards require that a registered public accounting firm and its associated persons be independent of the firm’s audit clients throughout the audit and

² PCAOB Rule 3100, *Compliance with Auditing and Related Professional Practice Standards*; PCAOB Rule 3200, *Auditing Standards*.

³ See PCAOB Rule 3400T, *Interim Quality Control Standards*.

professional engagement period.⁴ A registered public accounting firm's or associated person's independence obligation with respect to an issuer audit client encompasses not only an obligation to satisfy the independence criteria set out in the rules and standards of the PCAOB, but also an obligation to satisfy all other independence criteria applicable to the engagement, including the independence criteria set out in Commission rules and regulations.⁵

10. Rule 2-01(c)(6) of the Commission's Regulation S-X provides that an accountant is not independent of an audit client if any audit partner performs the services of a lead partner (*i.e.*, engagement partner) or engagement quality reviewer for more than five consecutive years.⁶

11. Blue served as each Benefit Plan's auditor for the fiscal years ended December 31, 2013, through December 31, 2019. Following each of its 2013 through 2019 audits of the Benefit Plans, Blue issued an unqualified audit report on each Benefit Plan's financial statements that was included in a Form 11-K filed with the Commission.

12. Partner A served as the engagement quality reviewer for the 2013 and 2014 audits of the Benefit Plans. Partner A then served as the engagement partner for the 2015 through 2019 audits of the Benefit Plans. Thus, the 2018 and 2019 audits of the Benefit Plans represented the sixth and seventh consecutive years, respectively, that Partner A served as the engagement partner or engagement quality reviewer.

13. Because Partner A performed the services of a lead partner or engagement quality reviewer for more than five consecutive years, Blue failed to maintain its independence during the 2018 and 2019 audits of the Benefit Plans in violation of PCAOB Rule 3520 and AS 1005.

ii. Blue Violated PCAOB Quality Control Standards

14. PCAOB quality control standards provide that each registered public accounting firm should establish policies and procedures to provide the firm with reasonable assurance that "personnel maintain independence (in fact and in appearance) in all required

⁴ PCAOB Rule 3520, *Auditor Independence*; AS 1005, *Independence*.

⁵ PCAOB Rule 3520, Note 1.

⁶ 17 C.F.R. § 210.2-01(c)(6).

circumstances” and “that the work performed by engagement personnel meets applicable professional standards, regulatory requirements, and the firm’s standards of quality.”⁷

15. PCAOB quality control standards also provide that policies and procedures for monitoring “should be established to provide the firm with reasonable assurance that the policies and procedures established by the firm for each of the other elements of quality control . . . are suitably designed and are being effectively applied,”⁸ and that “its system of quality control is effective.”⁹

16. As evidenced by Blue’s violations of auditor independence requirements, Blue failed to implement, effectively apply, and appropriately monitor quality control policies and procedures sufficient to provide reasonable assurance that its personnel would maintain independence in fact and in appearance.

17. Specifically, Blue lacked independence policies or procedures to provide reasonable assurance that its personnel would comply with partner rotation requirements. Similarly, Blue lacked monitoring procedures sufficient to identify the failure of its independence policies and procedures to provide reasonable assurance that firm personnel would comply with partner rotation requirements.

18. These quality control failures contributed to Blue’s violations of PCAOB rules and standards related to auditor independence. As a result, Blue violated QC § 20 and QC § 30.

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.

In ordering sanctions, the Board took into account Respondent’s extraordinary cooperation in this matter.¹⁰ First, Blue voluntarily self-reported the matter to PCAOB staff near the beginning of the Board’s 2021 inspection of the firm. Second, Blue promptly instituted

⁷ QC §§ 20.09, .17, *System of Quality Control for a CPA Firm’s Accounting and Auditing Practice*.

⁸ *Id. at* .20.

⁹ QC § 30.03, *Monitoring a CPA Firm’s Accounting and Auditing Practice*.

¹⁰ *See Policy Statement Regarding Credit for Extraordinary Cooperation in Connection with Board Investigations*, PCAOB Rel. No. 2013-003 (Apr. 24, 2013).

remedial measures, including: reviewing the staffing on in-progress audits to ensure there were no additional partner rotation violations; creating a new partner rotation tracking sheet that is maintained by the firm's quality control department and used in the partner assignment process; instituting a process to monitor partner rotation and other PCAOB deadlines in a central log maintained by the firm's quality control department; instituting annual meetings with all staff who work on PCAOB audits to discuss rule changes, policy updates, training opportunities, and audit practices; and instituting an annual Advanced Employee Benefit Plan Training for employee benefit plan auditors. Absent Blue's extraordinary cooperation, the civil money penalty imposed would have been significantly larger, and the Board may have imposed additional sanctions.

Accordingly, it is hereby ORDERED that:

- A. Pursuant to Section 105(c)(4)(E) of the Act and PCAOB Rule 5300(a)(5), Blue 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 \$75,000 is imposed on Blue.
 1. All funds collected by the PCAOB 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. Blue shall pay this civil money penalty within ten (10) days of the issuance of this Order by (a) wire transfer in accordance with instructions furnished by PCAOB staff; or (b) United States Postal Service money order, bank money order, certified check, or bank cashier's check (i) made payable to the Public Company Accounting Oversight Board, (ii) delivered to the Office of Finance, Public Company Accounting Oversight Board, 1666 K Street, N.W., Washington D.C. 20006, and (iii) submitted under a cover letter, which identifies the entity or person 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 interest.

4. With respect to any civil money penalty amounts that Blue shall pay pursuant to this Order, Blue 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 Blue's payment of the civil money penalty pursuant to this Order, in any private action brought against Blue based on substantially the same facts as set out in the findings in this Order.
 5. Blue understands that failure to pay the civil money penalty described above may result in summary suspension of its registration, pursuant to PCAOB Rule 5304(a), following written notice to it 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 Board orders that:
1. Review by Blue. Within 90 days of the date of this Order, Blue shall review and evaluate its quality control or other policies and procedures intended to provide the firm with reasonable assurance that its personnel and other associated persons comply with auditor independence requirements applicable to audits and reviews conducted pursuant to PCAOB standards.
 2. Reporting. Within 120 days of the date of this Order, Blue shall submit a written report to the Director of the Division of Enforcement and Investigations summarizing the review and evaluation of the area specified in paragraph C.1 above ("Report"). The Report shall describe any modified or additional policies or procedures adopted or to be adopted by Blue or, if Blue concludes no such modifications or additions should be adopted, a detailed and satisfactory explanation of why the firm believes changes are not warranted. In addition, Blue shall submit any additional information and evidence concerning the Report, the information in the Report, and Blue's compliance with this Order as the staff of the Division of Enforcement and Investigations may reasonably request.
 3. Certificate of Implementation. Within 150 days of the date of this Order, Blue's head of quality assurance shall certify in writing ("Certificate of

Implementation”) to the Director of the Division of Enforcement and Investigations that Blue has implemented all of the modifications and additions to its policies and procedures, if any, that were described in the Report. The Certificate of Implementation shall provide written evidence of Blue’s adoption of such modifications and additions in narrative form, identify the actions taken to implement such modifications and additions, and be supported by exhibits sufficient to demonstrate implementation. Blue shall also submit such additional evidence of, and information concerning, implementation as the staff of the Division of Enforcement and Investigations may reasonably request.

4. Noncompliance. Blue understands that a failure to satisfy these undertakings may constitute a violation of PCAOB Rule 5000 and 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

August 8, 2023