



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 Nicos George Komodromos, CPA

Respondent.

PCAOB Release No. 105-2023-028

November 14, 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 Nicos George Komodromos, CPA (“Respondent” or “Komodromos”);
- (2) barring Komodromos from being an associated person of a registered public accounting firm;¹ and
- (3) imposing a civil money penalty in the amount of \$80,000 on Respondent.

The Board is imposing these sanctions on the basis of its findings that Respondent violated PCAOB rules and standards in connection with PricewaterhouseCoopers Auditing Company SA’s audit of the December 31, 2016 financial statements of Aegean Marine Petroleum Network Inc. (“Aegean” or the “Company”).

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).

¹ Komodromos may file a petition for Board consent to associate with a registered public accounting firm after two years from the date of this Order.

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 the purpose of these proceedings and any other proceeding brought by or on behalf of the Board, or to which the Board is a party, and without admitting or denying the findings contained herein, except as to the Board’s jurisdiction over Respondent and the subject matter of this proceeding, which is admitted, Respondent consents to the entry of this Order as set forth below.²

III.

On the basis of Respondent’s Offer, the Board finds that:³

A. Respondent

1. **Nicos George Komodromos** is a former partner of PricewaterhouseCoopers Auditing Company SA.⁴ At all relevant times, he was a certified public accountant licensed in Greece and New York (New York license No. 071674). Komodromos was, at all relevant times, an “associated person of a registered public accounting firm” as that term is defined in Section 2(a)(9) of the Act and PCAOB Rule 1001(p)(i). He was the engagement partner for the integrated audit of Aegean’s 2016 financial statements and internal control over financial reporting (the “Audit”).

B. Issuer

2. **Aegean Marine Petroleum Network Inc.** was, at all relevant times, a Marshall Islands corporation, headquartered in Greece, and traded on the New York Stock Exchange from 2006 to 2018. It was, at all relevant times, an “issuer” as that term is defined by

² 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.

³ The Board finds that Respondent’s conduct described in this Order meets the conditions set out in Section 105(c)(5) of the Act, 15 U.S.C. § 7215(c)(5), which provides that certain sanctions may be imposed in the event of: (1) intentional or knowing conduct, including reckless conduct, that results in a violation of the applicable statutory, regulatory, or professional standard; or (2) repeated instances of negligent conduct, each resulting in a violation of the applicable statutory, regulatory, or professional standard.

⁴ See *PricewaterhouseCoopers Auditing Company SA*, PCAOB Rel. No. 105-2023-027 (Nov. 14, 2023).

Section 2(a)(7) of the Act and PCAOB Rule 1001(i)(iii). In its Form 20-F filing for the year ended December 31, 2016, Aegean described itself as an “international marine fuel logistics company that markets and physically supplies refined marine fuel and lubricants to vessels in port, at sea and on rivers.”

C. Other Relevant Entity

3. **PricewaterhouseCoopers Auditing Company SA** (“PwC Greece”) is a corporation organized under the laws of Greece. PwC Greece is a member of the PricewaterhouseCoopers International Limited network (“PwC Global”). The Firm registered with the Board on June 10, 2004, pursuant to Section 102 of the Act and PCAOB rules. PwC Greece is, and at all relevant times was, a “registered public accounting firm” as that term is defined by Section 2(a)(12) of the Act and PCAOB Rule 1001(r)(i). PwC Greece was first appointed as Aegean’s independent auditor in June 2016, and thereafter served as the principal auditor for the Audit.

D. Summary

4. This matter concerns Komodromos’s violations of PCAOB rules and standards in connection with the Audit and specifically with the audit procedures he performed and directed concerning transactions between Aegean and four counterparties that management represented were located in Fujairah, United Arab Emirates (each a “Counterparty,” together the “Four Counterparties”). Aegean’s records indicated that it both purchased fuel from and sold fuel to the Four Counterparties, often on or about the same date and in similar quantities. However, Aegean recorded that it sold fuel to the Four Counterparties at a much higher price than the price it paid to the Four Counterparties for its purchases. The sales to the Four Counterparties accounted for \$543 million of Aegean’s 2016 revenue (13% of revenue), and the accounts receivable (“A/R”) from those transactions at year-end 2016 totaled \$172 million (11% of Aegean’s total assets).

5. During the acceptance procedures for the 2016 Audit, Komodromos considered publicly available information indicating that a long-time member of Aegean’s executive leadership team who had a significant degree of control over the company (“Aegean Executive”) had been criminally convicted in 2014 for fuel smuggling and accused of a variety of other criminal activity. That information indicated that the Aegean Executive’s fuel smuggling conviction involved “virtual invoicing,” which Komodromos understood to mean the creation of false documents relating to fuel purchases/sales in the years 1993-1995. As a result, Komodromos assessed during the Audit that there was significant risk of material misstatement due to fraud, related to concerns about the ethics of management.

6. During the Audit, Komodromos encountered evidence that raised concerns about the transactions and outstanding balances associated with the Four Counterparties, including concerns about the collectibility of revenue from the Four Counterparties. Those concerns, among other issues, contributed to Komodromos delaying the completion of the Audit, which was originally scheduled for late April 2017, so that he and the engagement team could gather additional audit evidence.

7. In response to the delay, Aegean requested a meeting with members of PwC Greece's senior leadership so that the Aegean Executive could register his complaints about the delay. Prior to the meeting, Komodromos briefed a member of PwC Greece leadership on the bases for the delay, including that Aegean had not provided audit evidence in several areas and that, as of the end of April 2017, there had been no cash collections or payments on any of the sales or purchases between Aegean and the Four Counterparties recorded in 2016. Komodromos understood that, during the meeting, which occurred on May 3, 2017, the Aegean Executive discussed the Four Counterparties' transactions with the PwC Greece leaders and, more broadly, complained to them that PwC Greece was doing too much audit work.⁵

8. Over the next two weeks, Komodromos and the engagement team working under his direction uncovered significant inconsistent audit evidence concerning the Four Counterparties, which he should have viewed as red flags that raised substantial doubt about management's assertions in Aegean's financial statements relating to the Four Counterparties' transactions and balances.

9. Most significantly, at Komodromos's instruction, staff from a PwC Global member firm in Dubai, United Arab Emirates ("PwC Dubai") attempted to visit the office addresses for the Four Counterparties that Aegean had provided to the engagement team, but found no evidence that the Four Counterparties were located there and reported that fact to the Firm.⁶ However, Komodromos failed to respond with due professional care and appropriate professional skepticism. Instead, Komodromos disregarded that, and other contradictory audit evidence concerning the Four Counterparties, without appropriately resolving the inconsistencies. As a result, Komodromos violated PCAOB standards when, on May 16, 2017, he authorized the issuance of the Firm's audit report containing an unqualified opinion on

⁵ Komodromos also understood that, during the May 3, 2017 meeting, the PwC Greece leaders reaffirmed that the audit would be complete only when the engagement team had received the necessary requested material and had finished its audit testing.

⁶ At the time PwC Dubai reported the results of its visits to PwC Greece, only three of the visits had been attempted. Komodromos then instructed the engagement team to cancel PwC Dubai's fourth visit.

Aegean's financial statements, because he had not obtained sufficient appropriate audit evidence to support that opinion.

10. Komodromos also violated PCAOB standards by failing to ensure the Audit work papers documented various procedures performed during the Audit relating to the Four Counterparties, including PwC Dubai's visits to the Four Counterparties' asserted addresses. Komodromos and the engagement team further failed to identify the issues with the Four Counterparties' transactions in the engagement completion document for the Audit, a document in which PCAOB standards required the Firm to identify all significant findings or issues.

11. After the 2016 Audit, both the PwC Greece engagement team and Aegean's Audit Committee continued to raise questions about the collectibility of the A/R from the Four Counterparties. In connection with the never-completed audit of Aegean's 2017 financial statements, the engagement team discovered that information it had received from Aegean during the 2016 Audit appeared to have been falsified. Komodromos shared that information with Aegean's Audit Committee and Aegean later announced in 2018 that, based on an internal investigation, it believed that the Four Counterparties were shell companies, with no material assets or operations, owned or controlled by former employees or affiliates of the Company. Aegean's Audit Committee and Board of Directors further concluded that the transactions with the Four Counterparties recorded from 2015 to 2017 lacked economic substance, and that the resulting A/R were uncollectible.

E. Background

12. 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 standards.⁷ Under these standards, an auditor may express an unqualified opinion on an issuer's financial statements only when the auditor has formed such an opinion on the basis of an audit performed in accordance with PCAOB standards.⁸ Among other things, those standards require that an auditor exercise due professional care, exercise professional skepticism, and obtain sufficient appropriate audit evidence to afford a reasonable basis to

⁷ See PCAOB Rule 3100, *Compliance with Auditing and Related Professional Practice Standards*; PCAOB Rule 3200, *Auditing Standards*. All references to PCAOB rules and standards in this Order are to the versions of those rules and standards, and to their organization and numbering, in effect at the time of the Audit.

⁸ See AS 3101.07, *Reports on Audited Financial Statements*.

support the opinion expressed in the auditor’s report.⁹ The exercise of professional skepticism requires a “questioning mind and a critical assessment of audit evidence.”¹⁰

13. PCAOB standards provide that the auditor should properly plan the audit.¹¹ “Planning the audit includes establishing the overall audit strategy for the engagement and developing an audit plan, which includes, in particular, planned risk assessment procedures and planned responses to the risks of material misstatement.”¹² When developing the audit strategy and audit plan, the auditor should evaluate, among other things, whether risks identified in the client acceptance process are important to the company’s financial statements and internal control over financial reporting and, if so, how they will affect the auditor’s procedures.¹³ The auditor must also design and implement audit responses that specifically address the identified and assessed risks of material misstatement, including assessed risks of material misstatement due to fraud (“fraud risks”).¹⁴

14. Planning is not a discrete phase of an audit but, rather, a continual and iterative process that continues until the completion of the audit.¹⁵ The auditor should modify the overall audit strategy and the audit plan as necessary if circumstances change significantly during the course of the audit.¹⁶

15. Ultimately, the auditor must plan and perform the audit to obtain sufficient appropriate evidence to support the audit opinion.¹⁷ Among other things, “[t]he auditor should obtain corroboration for management’s explanations regarding significant unusual or unexpected transactions, events, amounts, or relationships. If management’s responses to the auditor’s inquiries appear to be implausible, inconsistent with other audit evidence, imprecise,

⁹ See AS 1015, *Due Professional Care in the Performance of Work*; AS 1105, *Audit Evidence*.

¹⁰ AS 1015.07.

¹¹ See AS 2101.04, *Audit Planning*.

¹² *Id.* at .05.

¹³ See *id.* at .07.

¹⁴ See AS 2301.08, .13, *The Auditor’s Responses to the Risks of Material Misstatement*.

¹⁵ See AS 2101.05.

¹⁶ See *id.* at .15.

¹⁷ See AS 1105.04; AS 2810.33, *Evaluating Audit Results*.

or not at a sufficient level of detail to be useful, the auditor should perform procedures to address the matter.”¹⁸

16. To be appropriate, evidence must be both relevant and reliable.¹⁹ “If the auditor has not obtained sufficient appropriate audit evidence about a relevant assertion or has substantial doubt about a relevant assertion, the auditor should perform procedures to obtain further audit evidence to address the matter.”²⁰ In forming an opinion, the auditor should take into account all relevant audit evidence, regardless of whether it appears to corroborate or to contradict the assertions in the financial statements.²¹ “If audit evidence obtained from one source is inconsistent with that obtained from another, or if the auditor has doubts about the reliability of information to be used as audit evidence, the auditor should perform the audit procedures necessary to resolve the matter and should determine the effect, if any, on other aspects of the audit.”²²

17. The engagement partner is responsible for the engagement and its performance.²³ Accordingly, the engagement partner is responsible for, among other things, proper supervision of the work of engagement team members and for compliance with PCAOB standards.²⁴ Appropriate supervision of an audit includes reviewing the work of engagement team members to evaluate whether: (1) the work was performed and documented; (2) the objectives of the procedures were achieved; and (3) the results of the work support the conclusions reached.²⁵

18. As discussed in Sections III.F-G below, Komodromos failed to comply with these and other PCAOB rules and standards during the Audit.

¹⁸ AS 2810.08.

¹⁹ See AS 1105.04-.08.

²⁰ AS 2810.35.

²¹ See *id.* at .03.

²² AS 1105.29.

²³ See AS 1201.03, *Supervision of the Audit Engagement*.

²⁴ See *id.* The engagement partner may seek assistance from appropriate engagement team members in fulfilling his or her responsibilities pursuant to this standard. See *id.* at .04.

²⁵ See *id.* at .05(c).

i. Komodromos Identified a Fraud Risk for the Aegean Audit

19. The 2016 Audit was PwC Greece’s first audit of Aegean. As a result, before beginning the Audit, the Firm first performed procedures regarding the acceptance of the client relationship.²⁶

20. During the client acceptance procedures, Komodromos considered the criminal allegations that had been made against the Aegean Executive over an extended period of years. On June 16, 2016, Komodromos, two members of PwC Greece’s leadership, and two other Firm partners who would be assigned to the Audit, all met to discuss whether to accept Aegean as an audit client. During the meeting, the participants discussed the Aegean Executive’s role at Aegean and his criminal history, including, specifically, a conviction for fuel smuggling accomplished through “virtual invoicing,” which Komodromos understood meant the creation of false documents relating to purchases/sales of fuel.

21. During that June 16 acceptance meeting, the Firm also considered inquiries that it had made to Aegean’s predecessor auditor, which had audited Aegean since 2006. The engagement team’s documentation of those inquiries indicated that the predecessor auditor communicated to PwC Greece that: (1) there had been negative media and criminal matters relating to the Aegean Executive, but the PwC Greece engagement team did not understand the predecessor auditor to have identified any other matters for PwC Greece’s consideration as bearing on the integrity of management; and (2) the predecessor auditor had communicated to management during the prior audit that there were significant deficiencies in Aegean’s internal control over financial reporting, arising from information technology general controls.

22. The participants in the June 16 acceptance meeting, including Komodromos, concluded that PwC Greece could accept the audit, but they also determined that the audit client should be classified as “High Risk” for anti-money laundering purposes.

23. At the time PwC Greece accepted the Audit, Komodromos understood that the Aegean Executive was a significant Aegean shareholder, occupied “a role adjacent to that of the Company’s CEO/CODM,” and was “heavily involved in a vast spectrum of the daily operations of the Company and makes decisions related with the Company’s operations.” After the Firm

²⁶ PCAOB quality control standards provide that firms should establish client acceptance and continuance policies and procedures that provide a firm with reasonable assurance that the likelihood of association with a client whose management lacks integrity is minimized. See QC § 20.14, *System of Quality Control for a CPA Firm’s Accounting and Auditing Practice*. Such policies and procedures should also provide reasonable assurance that the firm appropriately considers the risks associated with providing services in the particular circumstances. See QC § 20.15.

accepted the 2016 Audit, but prior to year-end 2016, Aegean entered into an agreement to purchase the Aegean Executive's shares in the Company. Komodromos understood that, despite the share buy-out, the Aegean Executive still remained actively engaged in key aspects of Aegean's business.

24. In light of the Aegean Executive's criminal history and role at the Company, Komodromos and the engagement team documented in the Audit work papers that they had identified a risk concerning the integrity and ethics of management, which they linked to the fraud risk of management override of controls.²⁷

ii. Significant Deficiencies in Aegean's Accounting System Increased the Risks Around the Four Counterparties' Transactions and Outstanding Balances

25. At the time of the Audit, Komodromos was aware that there were significant internal control deficiencies in the accounting system for Aegean's principal operating subsidiary, Aegean Marine Petroleum S.A. ("AMP"), where Aegean recorded most of its revenues. About 70% of Aegean's year-end consolidated accounts receivable were attributable to AMP's transactions.

26. Komodromos understood, among other things, that: (1) there was only one Aegean employee with knowledge of the AMP accounting system's design, and that employee could edit files and reports in the system; (2) the accounting system had no audit log functionality; (3) Aegean's accounting staff all shared a single login to the accounting system, which provided them with unlimited system access (resulting in a lack of segregation of duties); and (4) there was no means to extract journal entries from the accounting system. These significant deficiencies increased the risk of material misstatement for the transactions and outstanding balances recorded in that system, which included all of Aegean's transactions and balances with the Four Counterparties.

27. In response to the above deficiencies, Aegean, at the urging of Komodromos and the engagement team, adopted and tested a manual matching control for revenue, and the engagement team then performed substantive tests of details on more than 10% of revenue transactions. However, the added matching control did not adequately compensate for the known deficiencies in the AMP accounting system. Nor did the matching control and the extent of substantive testing sufficiently address the increased risk of material misstatement through override of controls for transactions recorded in that system.

²⁷ PCAOB standards provide that, in establishing an overall audit strategy, the auditor should take into account the results from risks evaluated as a part of client acceptance. See AS 2101.07-.08.

iii. The Four Counterparties' Transactions Were Material and Atypical

28. During the Audit, Komodromos understood that the revenues from the Four Counterparties were both significant in size and generated unusually high margins. The Four Counterparties' transactions were Aegean's largest transactions and accounted for \$543 million (13%) of Aegean's 2016 revenue. The sales margins on the revenue transactions with the Four Counterparties—*i.e.*, the difference between the revenue earned on an individual sale and the cost of sale for that transaction—as calculated by the engagement team—were sometimes more than four times Aegean's average sales margin for its 2016 sales.

29. Because of their size and high margins, the Four Counterparties' transactions had a material impact on Aegean's net income. For 2016, the Four Counterparties' transactions generated approximately 38% of Aegean's gross profit, and 240% of its pre-tax income (*i.e.*, the transactions moved Aegean from a gross loss to a gross profit).

30. Komodromos also understood that there were substantial unpaid A/R from the Four Counterparties' transactions. Specifically, Komodromos understood that Aegean had \$172 million in A/R recorded from the Four Counterparties at year-end 2016. Those receivables amounted to 11% of Aegean's total assets as of year-end 2016. Komodromos also understood that, as of the end of April 2017, no cash had been received from the Four Counterparties for any revenues recorded in 2016.

31. Although Aegean had not collected cash for any of its 2016 sales to the Four Counterparties through the end of April 2017, Komodromos understood that Aegean had nevertheless accounted for a significant portion of the A/R as having been satisfied in 2016. Specifically, the engagement team identified that Aegean had offset its accounts payable ("A/P") from its fuel purchases from the Four Counterparties against the A/R arising from its fuel sales to the Four Counterparties, which reduced Aegean's liabilities to the Four Counterparties to zero and reduced the outstanding A/R from the Four Counterparties by an equal amount.

32. The engagement team also identified that the transactions with the Four Counterparties, which Komodromos understood had been occurring since at least 2015, were unusual because they often involved Aegean simultaneously contracting with the same counterparty to both sell and purchase fuel in roughly the same quantities but at much different prices. The engagement team's analyses of the transactions revealed that Aegean sometimes sold fuel to the Four Counterparties at more than twice the price that Aegean had purchased fuel from the same Counterparty just days earlier. The engagement team further identified that the records Aegean initially provided to the team appeared to indicate that Aegean was selling and purchasing the same type of fuel from the Four Counterparties in these

matched transactions, with no explanation for the much more favorable pricing given to Aegean.

33. When Komodromos and the engagement team asked for an explanation of the transactions with the Four Counterparties, they were told that Aegean was engaged in “blending” transactions at its Fujairah facility, whereby: (1) Aegean purchased fuel from the Four Counterparties at a low price because the fuel failed to meet the applicable fuel quality specification (“off-spec” fuel); (2) Aegean reprocessed that low-quality fuel at its Fujairah facility by “blending” it to bring it within the specification (“on-spec”); and (3) Aegean sold on-spec fuel back to the Four Counterparties, which commanded a higher price.²⁸

34. The transactions with the Four Counterparties were atypical for Aegean. Aegean’s Form 20-F indicated that Aegean’s typical fuel sales involved loading fuel onto marine vessels. However, both the purchase and sale transactions with the Four Counterparties all involved onshore, inter-tank transfers. More specifically, the transactions with the Four Counterparties all involved Aegean delivering fuel to, or purchasing fuel from, third-party ground storage tanks located nearby Aegean’s own tanks in Fujairah.

35. Additionally, the inter-tank transfers with the Four Counterparties did not generate the same types of transaction documents as Aegean’s deliveries to and from marine vessels. Aegean’s other fuel transactions were generally supported by delivery notes signed by purchasing parties. For the Four Counterparties’ transactions, however, the engagement team only obtained from Aegean photocopies of Certificates of Quantity of a third-party surveyor (the “Surveyor”), which appeared to certify the volume of fuel transferred between tanks for each transaction, but, unlike Aegean’s typical delivery notes, did not include the signature of the purchasing party.

iv. Komodromos Encountered Difficulties in Getting Information About the Four Counterparties, Including from Aegean

36. Komodromos discussed the Four Counterparties’ transactions and outstanding balances with a member of PwC Greece’s senior leadership, and Komodromos and the Firm determined that those transactions and outstanding balances warranted significant audit testing. However, the engagement team encountered substantial difficulty in obtaining information from Aegean to complete that audit testing.

²⁸ Although Aegean’s 2016 Form 20-F described that it had such blending capability at another facility in the Canary Islands, the Form 20-F did not disclose any such capability or activity at the Fujairah facility.

37. For example, the engagement team encountered substantial difficulties obtaining street addresses for the Four Counterparties from Aegean to be used for confirmation requests about the A/R balances. Initially, Aegean provided the engagement team with only PO Box addresses for each of the Four Counterparties and, for one Counterparty, a “hotmail.com” email address. Although the team initially sent confirmation requests to those addresses and later received responses, the team was unable to locate any publicly available information to corroborate that the PO Box addresses were correct or that the Four Counterparties even existed.²⁹

38. Komodromos therefore insisted that Aegean provide the Firm with street addresses for the Four Counterparties so that the engagement team could send them new confirmation requests. Komodromos and the engagement team made repeated requests to Aegean for those street addresses from mid-March to late April, emphasizing that the requests were a high priority. However, Aegean did not provide the street addresses until early May, after Komodromos had delayed the audit report and informed Aegean that the Firm would not issue an unqualified audit report without additional audit evidence to support the collectibility of the Four Counterparties’ outstanding A/R balances or, alternatively, an adjustment relating to the value of those balances.

39. The engagement team also requested ledger cards from Aegean’s accounting system—*i.e.*, system-generated records showing account details for each of the Four Counterparties that would help the engagement team understand how Aegean had calculated the accounts receivable balance for each of the Four Counterparties. However, Aegean explained that it was unable to provide ledger cards because of shortcomings in the AMP system. Instead, Aegean offered to help the engagement team manually re-create the debit and credit history that Aegean purportedly used to track and calculate the payable and receivable balances.

40. The engagement team also requested the Surveyor’s Certificates of Quantity and Certificates of Quality for the Four Counterparties’ transactions. The former purported to verify the quantity of fuel delivered in each transaction and identified both the receiving and sending tank. The latter purported to provide a chemical analysis of the fuel delivered in each

²⁹ PCAOB standards provide that the auditor “should direct the confirmation request to a third party who the auditor believes is knowledgeable about the information to be confirmed.” AS 2310.26, *The Confirmation Process*. “During the performance of confirmation procedures, the auditor should maintain control over the confirmation requests and responses. Maintaining control means establishing direct communication between the intended recipient and the auditor to minimize the possibility that the results will be biased because of interception and alteration of the confirmation requests or responses.” *Id.* at .28 (footnote omitted).

transaction. The engagement team obtained from Aegean photocopies of those certificates, but did not obtain additional audit evidence addressing their reliability.

41. The engagement team also requested a copy of the contract between Aegean and the Surveyor. However, Aegean informed PwC Greece that no such contract existed.

v. In Late April, Komodromos Delayed the Firm’s Audit Report Because He Lacked Sufficient Appropriate Audit Evidence

42. Komodromos originally planned for the Firm to issue its audit opinion for the 2016 Aegean Audit at the end of April 2017. However, as that deadline approached, Komodromos recognized that he did not have sufficient appropriate audit evidence to support an unqualified audit report because, among other things: (1) the engagement team did not have sufficient appropriate evidence concerning the collectibility of the A/R of the Four Counterparties, and (2) Aegean had not yet provided the engagement team with evidence that it had completed implementation and testing of the new manual internal control for revenue in response to the significant deficiencies in the AMP accounting system.

43. As of the end of April, the engagement team still had not received street addresses for the Four Counterparties so that the team could send out new A/R confirmation requests. There also had not been any cash collections for any of the 2016 revenue transactions involving the Four Counterparties, four full months after year-end. As a result, Komodromos had substantial doubts about the collectibility of the \$172 million A/R balance for the Four Counterparties that remained after Aegean had netted off and eliminated all the A/P balances incurred through purchases from the Four Counterparties.

44. Komodromos informed Aegean in late April that the Firm would not issue an audit report at the end of April because the Firm did not have sufficient appropriate audit evidence concerning certain audit areas, including the collectibility of the Four Counterparties’ A/R. Komodromos also notified Aegean that, in order to avoid an audit adjustment to the year-end 2016 A/R balances from the Four Counterparties, Aegean would need to collect those balances prior to the Firm issuing the audit report or offer other reliable evidence of those balances’ collectibility.

vi. Aegean Complained to Firm Management About the Audit

45. In early 2017, Komodromos notified a member of the Firm’s leadership team (“Firm Leader A”) about the Four Counterparties’ transactions. Komodromos, along with other members of the engagement team, identified for Firm Leader A, among other things: (1) the fact that Aegean was both buying and selling fuel from the same parties; (2) that Aegean purported to be selling on-spec fuel and buying off-spec fuel in the Four Counterparties’

transactions; and (3) that Aegean had not collected any cash payments on its 2016 sales to the Four Counterparties. Komodromos further informed Firm Leader A in April 2017 that they were still waiting for Aegean to provide significant information, and that they did not yet have adequate evidence on the Four Counterparties' A/R to support an unqualified audit opinion.

46. Shortly after Komodromos delayed the audit report, an Aegean representative contacted another member of the Firm's leadership team ("Firm Leader B") to inform him that the Aegean Executive was frustrated with the delay of the audit report, and that the Aegean Executive wanted to meet with Firm Leader B to complain.

47. Firm Leader A and Firm Leader B then met with the Aegean Executive, along with a member of Aegean's senior management. Komodromos understood that Aegean had complained to Firm Leader A and Firm Leader B about the extent of the procedures being performed and evidence being sought in the Audit, including with respect to the Four Counterparties.

F. Komodromos Violated PCAOB Standards by Issuing an Unqualified Audit Opinion Without Gathering Sufficient Appropriate Audit Evidence and Without Adequately Responding to Contradictory Audit Evidence

i. Komodromos Failed to Ensure the A/R Confirmation Requests Were Appropriately Designed

48. Although Komodromos believed that the A/R confirmation responses from the Four Counterparties would be a critical piece of audit evidence, he failed to ensure that the confirmation requests to the Four Counterparties were appropriately designed. The confirmation requests were not tailored to account for the fact that Aegean had netted A/P from its purchases from the Four Counterparties against recorded A/R for its sales to those same counterparties.³⁰ Aegean's netting of the A/P from the A/R in 2016 eliminated a \$408 million debt from the unpaid purchases Aegean made from the Four Counterparties in 2016. That netting likewise resulted in Aegean recording a reduced A/R balance for the Four

³⁰ See AS 2310.16 ("Confirmation requests should be tailored to the specific audit objectives. Thus, when designing the confirmation requests, the auditor should consider the assertion(s) being addressed and the factors that are likely to affect the reliability of the confirmations."); *id.* at .25 ("The auditor's understanding of the client's arrangements and transactions with third parties is key to determining the information to be confirmed. The auditor should obtain an understanding of the substance of such arrangements and transactions to determine the appropriate information to include on the confirmation request. The auditor should consider requesting confirmation of the terms of unusual agreements or transactions . . . in addition to the amounts.").

Counterparties, totaling only \$172 million, despite \$543 million in unpaid revenue transactions in 2016.

49. The confirmation requests the engagement team made to the Four Counterparties failed to identify that the A/R balance in the confirmation request was net of A/P. As a result, the confirmation responses did not provide reliable audit evidence of whether the Four Counterparties were confirming the net or gross A/R amounts. Komodromos and the engagement team also failed to perform any other procedures to verify that the Four Counterparties had agreed to offset A/P against A/R, or that such offset by Aegean was otherwise legally enforceable. As a result, Komodromos did not obtain sufficient appropriate audit evidence to conclude that no A/P balance existed for Aegean's purchases from the Four Counterparties.

ii. Visits to the Four Counterparties' Addresses Resulted in Significant Contradictory Audit Evidence that Raised a Red Flag of Potential Fraud Concerning the Revenue and A/R from the Four Counterparties

50. In early May, after Aegean provided the engagement team with street addresses for the Four Counterparties, Komodromos had the team promptly send confirmation requests to those addresses. However, Komodromos and the engagement team still had no other information available to corroborate those addresses. As a result, at the same time that they sent the new confirmation requests, Komodromos engaged PwC Dubai to perform site visits at the Aegean-provided street addresses for the Four Counterparties.

51. In its instructions to PwC Dubai, the engagement team explained that it needed help verifying the existence of the Four Counterparties. The team instructed PwC Dubai to visit the Four Counterparties to confirm that the street addresses Aegean provided for them were valid, and to take photographs of each building and the enterprise door or sign with the name of the entity. The engagement team further instructed that, if entrance was not allowed to a building, PwC Dubai should "perform inquiries over the existence of the offices/entities" with the building's reception or doorman. The team stated in its instructions to PwC Dubai in underlined, bold, red, and all capital letter type: "**PLEASE TREAT THIS REQUEST AS BEING OF HIGH URGENCY AS THE CLIENT NEEDS TO FILE THE ANNUAL REPORT BY MAY 8, 2017.**"

52. On May 7, 2017, PwC Dubai attempted to visit the addresses provided for the Four Counterparties. Those efforts resulted in audit evidence contradicting the existence of the Four Counterparties. Upon completing its visits to the first three addresses, PwC Dubai found that one address did not exist, and the other two were residential apartments. PwC Dubai informed the engagement team of its findings, including that the two apartments it located had unmarked doors with no indications that any business existed there, and that workers at those

buildings confirmed that the buildings were residential and that they were unaware of any offices in the building.

53. PwC Dubai also emailed the engagement team a summary of its findings from the first three site visits, along with supporting photos. Komodromos and the engagement team reviewed that information from PwC Dubai, including the photos.

54. The results of PwC Dubai's visits should have increased Komodromos's doubt not only about the collectibility of the A/R but also about the existence of the Four Counterparties, and whether the significant unusual revenue and A/R recorded from those Four Counterparties may have been the result of fraud.

55. However, in violation of PCAOB standards, Komodromos did not take adequate steps to resolve the contradictory audit evidence uncovered by PwC Dubai.³¹ Instead, Komodromos instructed the engagement team to cancel PwC Dubai's planned site visit to the remaining Counterparty address. Komodromos then disregarded the results of the PwC Dubai procedures based on uncorroborated representations received from a member of Aegean's senior management that street addresses are not commonly used in Fujairah, and that business locations in Fujairah are often informal.

iii. Telephone Inquiries Concerning the A/R Were Inadequate and Did Not Resolve Doubts Raised by the Site Visits

56. Although the engagement team received written responses to the original confirmation requests that were sent to the PO Box addresses, prior to the Audit's conclusion the team did not receive written responses to the confirmation requests that it sent to the street addresses. And, as described above, the engagement team was unable to independently verify either the PO Box or the street addresses that Aegean provided for the Four Counterparties. Those circumstances, along with the other difficulties that the team encountered in obtaining documents and information relating to the Four Counterparties and

³¹ See AS 1105.29.

the significant and unusual nature of the Four Counterparties' transactions, warranted the exercise of increased professional skepticism.³²

57. In the final days of the audit, Komodromos determined to have the engagement team make telephone inquiries to the Four Counterparties concerning the A/R confirmation requests. Between May 11 and May 15, the team called Aegean-provided telephone numbers for the Four Counterparties to verbally verify the A/R balances, which the telephone respondents confirmed.

58. Despite the need for heightened professional skepticism, Komodromos failed to exercise due professional care and have the engagement team obtain information that would provide a sufficient basis for concluding that the individuals they called could provide meaningful and appropriate evidence about the Four Counterparties' transactions. For example, Komodromos did not instruct the engagement team to solicit any information from the telephone respondents that would enable the team to resolve the doubts raised by PwC's unfruitful searches for public information on the Four Counterparties and PwC Dubai's problematic site visits to their purported street addresses. Nor did he have the engagement team solicit information that would cure the defective design of the written confirmation requests. Instead, the team sought and received the verbal agreement from the telephoned individuals that they had received the confirmation requests and agreed with the information in the original responses, including the outstanding A/R balance amounts.³³ The engagement team did not obtain any information that would allow the team to independently verify either the existence of the Four Counterparties or that the individuals with whom they spoke were the

³² See AS 2310.27 (providing that an auditor may encounter circumstances in which it should exercise increased professional skepticism about the confirmation respondent's competence, knowledge, motivation, ability, or willingness to respond, or about the respondent's objectivity and freedom from bias with respect to the audited entity, and that, "[i]n these circumstances, the auditor should consider whether there is sufficient basis for concluding that the confirmation request is being sent to a respondent from whom the auditor can expect the response will provide meaningful and appropriate evidence."); see also AS 2401.13 *Consideration of Fraud in a Financial Statement Audit* (professional skepticism requires an ongoing questioning of whether the information and evidence obtained suggests that a material misstatement due to fraud has occurred); AS 2810.C1.c(1) & (4) (denial of access to records and unusual delays from management in providing information may affect assessment of fraud risk).

³³ The telephone respondents indicated that they had received the mailed confirmations and would return them. However, the engagement team did not receive any additional written confirmation responses during the Audit.

intended recipients at the Four Counterparties. Nor did the engagement team clarify that it had sought to confirm the A/R balance net of any A/P balances.

iv. Aegean-Provided Evidence of Cash Collections Included Additional Contradictory Audit Evidence that Komodromos Did Not Resolve

59. At the time Komodromos delayed the audit report, he informed Aegean that, to avoid an audit adjustment relating to the value of the Four Counterparties' year-end 2016 A/R balances, Aegean needed to make cash collections on those outstanding balances prior to the issuance of the audit report. Thus, Komodromos had previously determined that evidence of cash collections would be critical to any conclusion that the Four Counterparties A/R balances were correctly stated.

60. On May 15 or 16, Aegean provided Komodromos with a document that Aegean claimed was an extract of May 7 to May 14 transaction information from one of its bank accounts, showing cash collections from two of the Counterparties. The extract was not a periodic bank statement generated by a bank in the ordinary course; Komodromos instead understood that it was an extract from an electronic bank account record. The engagement team did not observe the bank information directly, because they understood the relevant bank information could be accessed only in Fujairah.

61. Despite the foregoing circumstances concerning the extract and the critical importance of the cash collections evidence to the Audit, Komodromos did not have the engagement team take steps to assess the extract's reliability as audit evidence.³⁴ Instead, Komodromos relied on the extract as evidence of the collectibility of the Four Counterparties' A/R balances and he authorized issuance of the Firm's audit report within a day of receiving the extract. However, as discussed below, the extract: (1) provided little to no evidence of collectibility for three of the Counterparties' A/R; (2) left substantial questions about the collectibility of more than half of the A/R balance for the fourth Counterparty; and (3) indicated that Aegean might have unrecorded liabilities to the Four Counterparties.³⁵

62. The extract did not evidence any payments from two of the Counterparties. For another Counterparty, the extract indicated a single payment amounting to less than half of the

³⁴ See AS 1105.06 ("To be appropriate, audit evidence must be both relevant and reliable in providing support for the conclusions on which the auditor's opinion is based.").

³⁵ As Komodromos would later learn when he began work on the audit of Aegean's 2017 financial statements, the extract also appears to have been a forgery.

year-end 2016 A/R balance that Aegean had recorded for that Counterparty in its year-end 2016 A/R balance.

63. For the remaining Counterparty, the extract appeared to show that, between May 7 and May 13, Aegean and the Counterparty made offsetting payments to one another. As a result, the payments reflected only a net cash flow to Aegean amounting to less than 6% of the year-end 2016 A/R balance that Aegean had calculated for that Counterparty.

64. The offsetting payments that Aegean had made to one of the Counterparties in May 2017 were, themselves, contradictory audit evidence that should have raised doubts for Komodromos about all of the Four Counterparties' A/R and A/P balances. As described above, prior to receiving the extract, Komodromos understood that Aegean had no outstanding A/P balances with the Four Counterparties, because Aegean had offset all those A/P balances against the Four Counterparties' larger A/R balances. In 2016 alone, Aegean had purportedly incurred \$408 million in A/P, all of which it had eliminated through offsets to A/R. Based on that offset, Aegean had no recorded A/P for the Four Counterparties as of year-end 2016, and Aegean reported a significantly reduced A/R balance than it would have absent the offset.

65. Komodromos specifically understood that the May 2017 payments to one of the Four Counterparties were payments on purchases from that Counterparty. The cash payments were therefore an indication that Aegean's offsets of the A/P against A/R may have been invalid, and that Aegean may have had substantial unrecorded liabilities to the Four Counterparties and substantially higher A/R balances for the Four Counterparties as of year-end 2016. Nevertheless, in violation of AS 1105.29, Komodromos did not perform or have the engagement team perform audit procedures necessary to resolve the matter.

v. Komodromos Improperly Authorized the Firm's Issuance of an Audit Report Containing an Unqualified Audit Opinion

66. PCAOB standards provide that, if the auditor has not obtained sufficient appropriate audit evidence about a relevant assertion or has substantial doubt about a relevant assertion, the auditor should perform procedures to obtain further audit evidence to address the matter.³⁶ If the auditor is unable to obtain sufficient appropriate audit evidence to have a reasonable basis to conclude whether the financial statements as a whole are free of material misstatement, the auditor should express a qualified opinion or a disclaimer of opinion.³⁷ An

³⁶ See AS 2810.35.

³⁷ See *id.*

unqualified audit opinion may be expressed only when the auditor has formed such an opinion on the basis of an audit performed in accordance with the standards of the PCAOB.³⁸

67. Komodromos violated these standards when, on May 16, 2017, he authorized the Firm's release of an audit report containing an unqualified audit opinion on Aegean's financial statements. Despite the heightened risks associated with the significant and unusual Four Counterparties' transactions and outstanding balances, Komodromos did not plan and perform procedures with due professional care to obtain sufficient appropriate evidence concerning those transactions and outstanding balances. Most critically, Komodromos violated PCAOB standards by failing to resolve significant contradictory audit evidence concerning the Four Counterparties and the revenue, A/R, and A/P that Aegean attributed to the Four Counterparties.³⁹ As a result, Komodromos did not obtain sufficient appropriate audit evidence to support an unqualified audit opinion, and he violated AS 1105, AS 2810, and AS 3101 when he authorized the issuance of the Firm's audit report.

G. Komodromos Violated PCAOB Standards by Failing to Document the Significant Audit Issues and Inconsistent Audit Evidence Concerning the Four Counterparties

68. Komodromos also violated PCAOB standards because he did not include in the audit documentation, or did not have the engagement team include in the audit documentation: (1) the contradictory audit evidence resulting from the PwC Dubai attempted site-visits to the Four Counterparties; (2) certain other critical procedures that the engagement team performed concerning the Four Counterparties; and (3) any discussion of the Four Counterparties in the engagement completion document, despite the fact that the transactions with the Four Counterparties raised significant issues for the Audit.

69. PCAOB standards provide that the auditor must document the procedures performed, evidence obtained, and conclusions reached with respect to relevant financial statement assertions.⁴⁰ Audit documentation must contain sufficient information to enable an experienced auditor, having no previous connection with the engagement, to understand the

³⁸ See AS 3101.07.

³⁹ See AS 1105.29.

⁴⁰ See AS 1215.06, *Audit Documentation*.

nature, timing, extent, and results of the procedures performed, evidence obtained, and conclusions reached.⁴¹

70. “The auditor must document significant findings or issues, actions taken to address them (including additional evidence obtained), and the basis for the conclusions reached in connection with each engagement.”⁴² “The auditor must identify all significant findings or issues in an *engagement completion document*. . . . This document, along with any documents cross-referenced, should collectively be as specific as necessary in the circumstances for a reviewer to gain a thorough understanding of the significant findings or issues.”⁴³

71. “In addition to the documentation necessary to support the auditor’s final conclusions, audit documentation must include information the auditor has identified relating to significant findings or issues that is inconsistent with or contradicts the auditor’s final conclusions.”⁴⁴

72. Most significantly, Komodromos violated AS 1215.08 because there is no mention or reference in the engagement team’s audit documentation of the procedures that PwC Dubai performed to attempt to visit the Aegean-provided addresses for the Four Counterparties, the results of those procedures, or why the engagement team later dismissed those results. Indeed, the audit documentation contains no mention at all of the concerns about the Four Counterparties’ existence.

73. Additionally, in violation of AS 1215.06, the audit documentation omitted any reference to Komodromos and the engagement team’s examination of why Aegean was making both purchases and sales of fuel from the Four Counterparties, often at roughly the same time and in similar quantities, but at significantly different prices. Komodromos and the engagement

⁴¹ *See id.*

⁴² *Id.* at .12. Significant findings or issues are substantive matters that are important to the procedures performed, evidence obtained, or conclusions reached, and include, but are not limited to: (i) results of auditing procedures that indicate a need for significant modification of planned auditing procedures; (ii) circumstances that cause significant difficulty in applying auditing procedures; (iii) significant changes in the auditor’s risk assessments, including risks that were not identified previously, and the modifications to audit procedures or additional audit procedures performed in response to those changes; and (iv) risks of material misstatement that are determined to be significant risks and the results of the auditing procedures performed in response to those risks. *See id.*

⁴³ *Id.* at .13 (italics in original).

⁴⁴ *Id.* at .08.

team did not document their initial concerns about those transactions and the unusually high margins Aegean achieved on them. Nor did they document that Aegean explained those transactions as “blending” transactions, or that the team then attempted to verify management’s blending explanation by examining Certificates of Quality for both the purchases and sales.

74. Finally, although the Four Counterparties’ transactions were a significant issue for the audit, Komodromos and the engagement team failed to document them as such in the engagement completion document, in violation of AS 1215.12-13. In fact, the engagement completion document for the Audit makes no reference to the Four Counterparties’ transactions at all.

75. The failure to adequately document the significant auditing issues, the related audit procedures and results, and the inconsistent audit evidence uncovered concerning the Four Counterparties deprived the engagement quality reviewer for the Audit of important information for his required evaluation of the significant judgments and related conclusions made by the engagement team in the Audit.⁴⁵

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 Komodromos’s Offer. Accordingly, it is hereby ORDERED, effective immediately, that:

- A. Pursuant to Section 105(c)(4)(E) of the Act and PCAOB Rule 5300(a)(5), Nicos George Komodromos is hereby censured.
- B. Pursuant to Section 105(c)(4)(B) of the Act and PCAOB Rule 5300(a)(2), Nicos George Komodromos is barred from being an “associated person of a registered

⁴⁵ PCAOB standards provide that the engagement quality reviewer should review the engagement completion document as part of the required evaluation of the significant judgments made by the engagement team and the related conclusions reached in forming the overall conclusion on the engagement and in preparing the engagement report. *See* AS 1220.09, .10(e), *Engagement Quality Review*.

public accounting firm,” as that term is defined in Section 2(a)(9) of the Act and PCAOB Rule 1001(p)(i).⁴⁶

- C. Pursuant to PCAOB Rule 5302(b), Nicos George Komodromos may file a petition for Board consent to associate with a registered public accounting firm after two years from the date of this Order.
- D. Pursuant to Section 105(c)(4)(D) of the Act and PCAOB Rule 5300(a)(4), a civil money penalty in the amount of \$80,000 is imposed on Nicos George Komodromos.
 - 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. Respondent shall pay the civil money penalty as follows: Respondent shall pay \$40,000 within ten days of the issuance of this Order, an additional \$20,000 within 6 months of the issuance of this Order, and the remaining \$20,000 within 12 months of the issuance of this Order. Respondent shall make each payment 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 Komodromos as the 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,

⁴⁶ As a consequence of the bar, the provisions of Section 105(c)(7)(B) of the Act will apply with respect to Komodromos. Section 105(c)(7)(B) provides: “It shall be unlawful for any person that is suspended or barred from being associated with a registered public accounting firm under this subsection willfully to become or remain associated with any issuer, broker, or dealer in an accountancy or a financial management capacity, and for any issuer, broker, or dealer that knew, or in the exercise of reasonable care should have known, of such suspension or bar, to permit such an association, without the consent of the Board or the Commission.”

Public Company Accounting Oversight Board, 1666 K Street, N.W.,
Washington, D.C. 20006.

3. Respondent understands that his failure to pay the civil money penalty imposed upon him may alone be grounds to deny any petition to terminate a bar pursuant to PCAOB Rule 5302(b).
4. 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.
5. 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.

ISSUED BY THE BOARD.

/s/ Phoebe W. Brown

Phoebe W. Brown
Secretary

November 14, 2023