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Order Instituting Disciplinary Proceedings, Making Findings, and Imposing Sanctions

In the Matter of Cherry Bekaert LLP,

Respondent.

PCAOB Release No. 105-2023-031

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 Cherry Bekaert LLP (“Cherry Bekaert,” 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 standards for communications with audit committees.

The Board is imposing these sanctions on the basis of its findings that the Firm failed to make a required communication to the audit committee of Ipsidy Inc. dba authID.ai under AS 1301, *Communications with Audit Committees*.

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, Cherry Bekaert 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. **Cherry Bekaert LLP** is a limited liability partnership headquartered in Raleigh, North Carolina and licensed to practice public accounting in multiple jurisdictions. It is licensed by, among others, the North Carolina Board of Certified Public Accountant Examiners (license no. 18220²), and the New York State Education Department Office of Professions (license no. 069944). At all relevant times, Cherry Bekaert 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 28 issuer clients.

B. Issuer

2. **Ipsidy Inc. dba authID.ai** (n/k/a authID, Inc.) ("authID"), is a corporation headquartered in Denver, Colorado. Its public filings disclose that it is a provider of secure, authentication solutions that bind passwordless authentication with biometric identity. At all relevant times, authID was an issuer as that term is defined in Section 2(a)(7) of the Act and PCAOB Rule 1001(i)(iii). Cherry Bekaert issued an audit report on authID's consolidated financial statements on March 22, 2022, for the year ended December 31, 2021 (the "Audit"), which was included in authID's Form 10-K filed with the U.S. Securities and Exchange Commission on March 22, 2022.

C. Other Relevant Entity

3. **SA Professional Consulting** ("SAPRO") is a consulting firm headquartered in New York, New York. Cherry Bekaert used a person affiliated with SAPRO to perform certain

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.

² As required by the North Carolina Board of Certified Public Accountant Examiners, Cherry Bekaert maintains a unique license number for each of its North Carolina offices. License number 18220 is associated with Cherry Bekaert's Raleigh office.

audit procedures in connection with the Audit.

D. Cherry Bekaert Failed to Make a Required Audit Committee Communication in Violation of AS 1301

4. Pursuant to PCAOB auditing standards, an auditor should communicate with a company'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 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 firms⁵ or other persons, who were not employed by the auditor, that performed audit procedures in the current period audit.⁶

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 The term "other independent public accounting firms" includes "firms that perform audit procedures in the current period audit regardless of whether they otherwise have any relationship with the auditor." AS 1301.10d, Note.

⁶ *Id.* In the AS 1301 Adopting Release, the Board explained the rationale for identifying other independent public accounting firms for the audit committee as follows: "The audit committee should be aware of all the participants in the audit. This communication regarding other participants in the audit would enable the audit committee to inquire or otherwise determine, for example, whether the other participants are registered with the Board and are subject to PCAOB inspections and whether they have disciplinary history with the Board or other regulators." AS 1301 Adopting Release at Appendix 4, p. A4-15.

6. In connection with the Audit, Cherry Bekaert failed to inform the audit committee of the name, location, and planned responsibilities of a person—the individual affiliated with SAPRO—who was not employed by Cherry Bekaert and performed audit procedures in the Audit.

7. Accordingly, Cherry Bekaert violated AS 1301.10d in connection with the Audit.

IV.

Cherry Bekaert has represented to the Board that, since this deficiency was identified by the PCAOB during its 2022 inspection, it has established and implemented the following changes to its policies and procedures for the purpose of providing Cherry Bekaert with reasonable assurance of compliance with PCAOB standards for communications with audit committees.

- a. Cherry Bekaert has implemented updated audit planning and results guidance for communicating the names, locations, and planned responsibilities of other independent public accounting firms performing audit procedures in an audit; and
- b. Cherry Bekaert has communicated this updated guidance to relevant personnel, and has provided relevant training to manager and above assurance personnel.

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 (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), Cherry Bekaert is required to comply with its audit committee communications policies and procedures, including those intended to provide reasonable assurance that, as part of communicating its overall audit strategy, Cherry Bekaert communicates

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 audit.

ISSUED BY THE BOARD.

/s/ Phoebe W. Brown

Phoebe W. Brown
Secretary

November 14, 2023