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Order Instituting Disciplinary Proceedings, Making Findings, and Imposing Sanctions

*In the Matter of Da Hua CPAs (Special General
Partnership),*

Respondent.

PCAOB Release No. 105-2023-039

November 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 Da Hua CPAs (Special General Partnership) (“Da Hua,” “Firm,” or “Respondent”);
- (2) imposing a \$50,000 civil money penalty on Da Hua; and
- (3) requiring Da Hua to review and certify its PCAOB reporting policies and procedures.

The Board is imposing these sanctions on the basis of its findings that Da Hua failed to disclose certain reportable events to the Board on PCAOB Form 3, *Special Report*, on a timely basis and violated PCAOB quality control standards.

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

II.

In anticipation of the institution of these proceedings, and pursuant to PCAOB Rule 5205, Respondent 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 entry of this Order as set forth below.¹

III.

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

A. Respondent

1. **Da Hua CPAs (Special General Partnership)** is a partnership organized under the laws of China and headquartered in Beijing, China. Da Hua is licensed in China by the Chinese Ministry of Finance and is a member of the Moore Global network of firms. Da Hua is, and at all relevant times was, registered with the Board pursuant to Section 102 of the Act and PCAOB rules.

B. Summary

2. This matter concerns Da Hua's failure to timely disclose to the Board on Form 3 ten reportable events regarding five disciplinary proceedings brought against the firm and certain of its personnel by the China Securities Regulatory Commission ("CSRC"). PCAOB rules require registered firms, including Da Hua, to complete and file with the PCAOB a special report on Form 3 to report any event specified in that form within thirty days of the event's occurrence. Among the events that Da Hua is required to report on Form 3 are its becoming aware that the firm has become a respondent in certain disciplinary proceedings, and the conclusion of such proceedings.

3. Between May 2022 and March 2023, five separate proceedings brought by the CSRC against Da Hua (and various associated persons of the Firm) were concluded with orders that, in each instance, sanctioned the Firm and the relevant individuals. The initiation and conclusion of each of those CSRC proceedings constituted reportable events under Form 3, but the Firm failed to report any of those events on Form 3 until June 28, 2023—well past the thirty-day reporting deadline.

4. This matter also concerns Da Hua's violation of PCAOB quality control standards. The Board previously issued an order sanctioning Da Hua for failing to report certain qualifying

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.

disciplinary proceedings on Form 3 and requiring the Firm to improve its PCAOB reporting process.² Da Hua's continued failure to comply with Form 3 reporting requirements demonstrates that the steps taken by the Firm in response to the 2020 Order were insufficient and that its system of quality control concerning PCAOB reporting remains deficient.

C. Respondent Failed to Timely Disclose Certain Reportable Events to the Board, in Violation of PCAOB Rules

5. PCAOB Rule 2203 provides that a registered public accounting firm must file a special report on Form 3 to report any event specified in that form within thirty days of the event's occurrence.³ One such specified event occurs when a firm "has become aware that, in a matter arising out of the Firm's conduct in the course of providing professional services for a client, the Firm has become a defendant or respondent in a civil or alternative dispute resolution proceeding initiated by a governmental entity or in an administrative or disciplinary proceeding other than a Board disciplinary proceeding."⁴

6. Another reportable event occurs when a firm has become aware that a reportable proceeding (*i.e.*, a reportable event under Items 2.4 – 2.9 of Form 3) has been concluded as to the firm or certain of its associated persons.⁵

7. Between May 2022 and March 2023, five separate disciplinary proceedings initiated by the CSRC against Da Hua and various associated persons concluded. Each proceeding pertained to audits Da Hua conducted of non-issuer clients.⁶

² *Da Hua CPAs (Special General Partnership)*, PCAOB Rel. No. 105-2020-015 (Sept. 29, 2020) (the "2020 Order").

³ See PCAOB Rule 2203, *Special Reports*. As the Board noted when adopting its rules on special reporting, "reportable events will sometimes occur, and the public interest, as well as the ability to consider whether prompt action is warranted by the Board's inspection staff or enforcement staff, will be served by contemporaneous reporting of the event." PCAOB Rel. No. 2008-004, at 17 (June 10, 2008).

⁴ PCAOB Form 3, at Item 2.7 (italics in the original removed).

⁵ *Id.*, at Item 2.10.

⁶ The term "issuer" means an issuer (as defined in Section 3 of the Securities Exchange Act of 1934 ("Exchange Act")), the securities of which are registered under Section 12 of the Exchange Act, or that is required to file reports under Section 15(d) of the Exchange Act, or that files or has filed a registration statement that has not yet become effective under the Securities Act of 1933, and that it has not withdrawn. See PCAOB Rule 1001(i)(iii).

8. No later than the dates on which the CSRC concluded the proceedings, Da Hua became aware that the proceedings had been initiated and concluded. Da Hua was required to report the initiation and conclusion of each of the proceedings within thirty days of the Firm becoming aware of each of those events.⁷ However, Da Hua failed to report the initiation and conclusion of the proceedings until it filed a series of Form 3s on June 28, 2023, well after the applicable deadlines. The relevant dates and the extent of Da Hua’s delinquency are listed below:

	Initiation/Conclusion Date⁸	Reporting Deadline	Delinquency
Proceeding 1	May 16, 2022	June 15, 2022	378 days
Proceeding 2	June 28, 2022	July 28, 2022	335 days
Proceeding 3	January 5, 2023	February 6, 2023 ⁹	142 days
Proceeding 4	March 14, 2023	April 13, 2023	76 days
Proceeding 5	March 28, 2023	April 27, 2023	62 days

9. Accordingly, Da Hua repeatedly violated PCAOB Rule 2203.

D. Respondent Violated PCAOB Quality Control Standards

10. PCAOB rules further require registered public accounting firms to comply with the Board’s quality control standards.¹⁰ PCAOB quality control standards require each registered firm to effectively design, implement, and maintain a system of quality control in the firm’s accounting and auditing practice.¹¹ A firm should establish policies and procedures to provide the firm with reasonable assurance that the work performed by engagement personnel

⁷ See PCAOB Rule 2203(a).

⁸ To calculate reporting deadlines for purposes of this Order—and consistent with the dates for the initiation and conclusion of the proceedings listed in Da Hua’s June 28, 2023 Form 3s—the Board is treating each of the proceedings as having been initiated and concluded on the same date.

⁹ Thirty days from the initiation/conclusion date of Proceeding 3 is February 4, 2023, which was a Saturday. Accordingly, the Firm’s effective deadline to report that proceeding fell on the following Monday, February 6, 2023.

¹⁰ See PCAOB Rule 3400T, *Interim Quality Control Standards*.

¹¹ Quality Control Standard 20, *System of Quality Control for a CPA Firm’s Accounting and Auditing Practice* (“QC § 20”), .01-.02.

meets applicable professional standards, regulatory requirements, and the firm's standards of quality.¹²

11. A firm should establish policies and procedures to provide it with reasonable assurance that its quality control policies and procedures are suitably designed and are being effectively applied. Monitoring involves an ongoing consideration and evaluation of the (a) relevance and adequacy of the firm's policies and procedures; (b) appropriateness of the firm's guidance materials and any practice aids; (c) effectiveness of professional development activities; and (d) compliance with the firm's policies and procedures.¹³

12. The 2020 Order sanctioned Da Hua for failing to report the initiation and conclusion of a CSRC proceeding on Form 3 and required Da Hua to complete various undertakings designed to improve its policies and procedures concerning PCAOB reporting. Specifically, the 2020 Order required Da Hua to (i) establish policies and procedures—or revise or supplement existing policies or procedures—to provide the Firm with reasonable assurance of compliance with PCAOB reporting requirements, (ii) establish policies to ensure that personnel participating in the Firm's PCAOB reporting process receive training at least annually concerning PCAOB reporting requirements, and (iii) assign the role of compliance with PCAOB reporting matters to an individual within the Firm possessing adequate knowledge and experience with PCAOB requirements, and sufficient authority within the Firm, to fulfill Da Hua's PCAOB reporting requirements, and certify in writing the Firm's compliance with the requirements listed above.

13. Following issuance of the 2020 Order, Da Hua certified to the Director of the Board's Division of Enforcement and Investigations that it had complied with the undertakings enumerated in the 2020 Order.

14. However, Da Hua's internal compliance and reporting systems failed to identify the initiation and conclusion of the five CSRC proceedings against Da Hua and its personnel described above as being reportable to the PCAOB on Form 3 on a timely basis. The Firm's continued failure to make timely disclosures on Form 3 demonstrates that Da Hua's system of quality control concerning PCAOB reporting remains deficient despite the Firm's certification following issuance of the 2020 Order.

¹² QC § 20.17.

¹³ See QC § 20.20; Quality Control Standard 30, *Monitoring a CPA Firm's Accounting and Auditing Practice* ("QC § 30"), .02.

15. Accordingly, Da Hua violated QC §§ 20 and 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.

Accordingly, it is hereby ORDERED that:

- A. Pursuant to Section 105(c)(4)(E) of the Act and PCAOB Rule 5300(a)(5), Da Hua 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 \$50,000 is imposed upon Da Hua.
 - 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. Da Hua shall pay this civil money penalty within ten (10) days of the issuance of this Order by (1) wire transfer in accordance with instructions furnished 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 Da Hua 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 post-Order interest.
 - 4. With respect to any civil money penalty amounts that Da Hua shall pay pursuant to this Order, Da Hua 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 Da Hua's payment of the civil money penalty pursuant to this Order, in any private action brought against Da Hua based on substantially the same facts as set out in the findings in this Order.

5. Da Hua understands that failure to pay the civil money penalty described above may result in summary suspension of Da Hua's registration, pursuant to PCAOB Rule 5304(a), following written notice to Da Hua 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 Da Hua. Within 90 days of the date of this Order, Da Hua shall review and evaluate its quality control or other policies and procedures intended to provide the Firm with reasonable assurance that it complies with PCAOB reporting requirements.
2. Reporting. Within 120 days of the date of this Order, Da Hua 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 Da Hua or, if Da Hua 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, Da Hua shall submit any additional information and evidence concerning the Report, the information in the Report, and Da Hua'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, Da Hua's head of quality assurance shall certify in writing ("Certificate of Implementation") to the Director of the Division of Enforcement and

Investigations that Da Hua 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 Da Hua'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. Da Hua 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. Da Hua 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

November 28, 2023