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Order Instituting Disciplinary Proceedings, Making Findings, and Imposing Sanctions

In the Matter of Mazars USA LLP,

Respondent.

PCAOB Release No. 105-2024-008

February 20, 2024

By this Order Instituting Disciplinary Proceedings, Making Findings, and Imposing Sanctions (“Order”), the Public Company Accounting Oversight Board (“Board” or “PCAOB”) is:

- (1) censuring Mazars USA LLP (“Mazars,” the “Firm,” or “Respondent”);
- (2) imposing a civil money penalty in the amount of \$60,000 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 certain required communications to the audit committee of its issuer audit clients, Inter Parfums, Inc. (“Inter Parfums”) and Medallion Financial Corp. (“Medallion”), in violation of 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, Mazars 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. **Mazars USA LLP** is a limited liability partnership headquartered in New York, New York. At all relevant times, Mazars was registered with the Board pursuant to Section 102 of the Act and PCAOB rules. During the period covered by this Order, the Firm issued audit reports for fifteen issuer clients.

B. Issuers

2. **Inter Parfums, Inc.** is a corporation incorporated in Delaware with principal executive offices in New York, New York. Its public filings disclose that it manufactures, markets, and distributes fragrances and fragrance related products. At all relevant times, Inter Parfums was an “issuer,” as that term is defined in Section 2(a)(7) of the Act and PCAOB Rule 1001(i)(iii). On March 1, 2021, Mazars issued an audit report on Inter Parfums’ financial statements that Inter Parfums included in its Form 10-K filed with the U.S. Securities and Exchange Commission (the “Commission”) for fiscal year ending December 31, 2020 (the “Inter Parfums Audit”).

3. **Medallion Financial Corp.** is a corporation incorporated in Delaware with principal executive offices in New York, New York. Its public filings disclose that it is a finance company that operates through Medallion Bank, which originates consumer loans. At all relevant times, Medallion was an “issuer,” as that term is defined in Section 2(a)(7) of the Act and PCAOB Rule 1001(i)(iii). On March 15, 2021, Mazars issued an audit report on Medallion’s

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.

financial statements that Medallion included in its Form 10-K filed with the Commission for fiscal year ending December 31, 2020 (the “Medallion Audit”).

C. Other Relevant Entities

4. **GreerWalker LLP** (“GreerWalker”) is a limited liability partnership headquartered in Charlotte, North Carolina. GreerWalker is a “public accounting firm,” as that term is defined in Section 2(a)(11) of the Act and PCAOB Rule 1001(p)(iii). At all relevant times, GreerWalker was registered with the Board pursuant to Section 102 of the Act and PCAOB rules. GreerWalker performed audit procedures for the Medallion Audit.

5. **Mazars Advisory LLP** (“Mazars Advisory”) is a limited liability partnership headquartered in India that contracted with Mazars to provide staffing and services. Mazars Advisory provided a professional to work on each of the Inter Parfums Audit and the Medallion Audit under the supervision of Mazars.

D. Mazars Failed to Make Required Audit Committee Communications in Violation of AS 1301

6. Pursuant to PCAOB auditing standards, an auditor must communicate with a client’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.² 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 procedures.³

7. As part of communicating the overall audit strategy, an auditor should also communicate:

² AS 1301.01, *Communications with Audit Committees*.

³ *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).

- the nature and extent of specialized skill or knowledge needed to perform the planned audit procedures or evaluate the audit results related to significant risks;⁴
- the extent to which the auditor plans to use the work of internal auditors, company personnel (in addition to internal auditors), and third parties working under the direction of management or the audit committee when performing an audit of internal control over financial reporting;⁵ and
- the names, locations, and planned responsibilities of other independent public accounting firms⁶ or other persons, who were not employed by the auditor, that performed audit procedures in the current period audit.⁷

8. In addition, PCAOB auditing standards require an auditor to communicate certain matters related to the results of the audit to the issuer's audit committee.⁸ The matters to be communicated include the auditor's evaluation of the quality of the issuer's financial reporting related to qualitative aspects of significant accounting policies and practices; the auditor's assessment of critical accounting policies and practices; and the auditor's conclusions regarding critical accounting estimates.⁹

9. In connection with the Inter Parfums Audit, Mazars failed to inform Inter Parfums' audit committee of the significant risks identified during its risk assessment procedures related to inventory, accounts payable, and other liabilities for entities affiliated with Inter Parfums. In addition, Mazars failed to inform Inter Parfums' audit committee of the name, location, and planned responsibilities of a person employed by Mazars Advisory and not employed by Mazars that performed audit procedures for the Inter Parfums Audit.

⁴ AS 1301.10a.

⁵ *Id.* at .10c.

⁶ 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." *Id.* at .10d. Note.

⁷ *Id.* at .10d.

⁸ *Id.* at .13.

⁹ *Id.* at .13a- c.

10. Accordingly, Mazars violated AS 1301.09 and .10d in connection with the Inter Parfums Audit.

11. In connection with the Medallion Audit, Mazars failed to communicate the following to Medallion's audit committee:

- the significant risk identified during Mazars' risk assessment procedures related to management override of controls;
- the nature and extent of specialized skill or knowledge needed to perform the planned audit procedures or evaluate the results of the procedures related to the impairment valuation analysis of goodwill and intangible assets, which were areas of significant risks;
- the extent to which the engagement team planned to use the work of internal auditors when performing its audit of internal control over financial reporting;
- the names, locations, and planned responsibilities of (a) an other independent public accounting firm (GreerWalker) and (b) an other person, who was not employed by Mazars (the Mazars Advisory professional), each of which performed audit procedures for the Medallion Audit; and
- the final results of the Medallion Audit, including Mazars' evaluation of the quality of Medallion's financial reporting related to qualitative aspects of significant accounting policies and practices, its assessment of critical accounting policies and practices, and its conclusions regarding critical accounting estimates.

12. Accordingly, Mazars violated AS 1301.09, .10a, .10c, .10d, and .13a-c in connection with the Medallion Audit.

IV.

13. Mazars has represented to the Board that, since this deficiency was identified by the PCAOB during its 2021 inspection, it has established and implemented the following changes to its policies and procedures for the purpose of providing it with reasonable assurance of compliance with PCAOB standards for communications with audit committees:

- a. Mazars has implemented an updated audit committee communications template to assist engagement teams with appropriately capturing all required audit committee communications;

- b. Mazars has communicated the updated template to personnel, and has communicated that the template is mandatory; and
- c. Mazars engaged an external consultant to develop and deliver training on AS 1301, and Mazars required relevant personnel to complete the training.

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 \$60,000 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), Mazars is required to comply with its audit committee communications policies and procedures, including those intended to provide reasonable assurance that Mazars communicates to the audit committee the information required by AS 1301.

ISSUED BY THE BOARD.

/s/ Phoebe W. Brown

Phoebe W. Brown
Secretary

February 20, 2024