PCAOB
PUBLIC COMPANY ACCOUNTING OVERSIGHT BOARD

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Order Instituting Disciplinary Proceedings, Making Findings, and Imposing Sanctions

In the Matter of Halperin Ilanit CPA and Ilanit Halperin,

Respondents.

PCAOB Release No. 105-2024-012

March 19, 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 Halperin Ilanit CPA ("Firm") and Ilanit Halperin ("Halperin") (collectively, "Respondents");

(2) revoking the Firm's registration;[1]

(3) barring Halperin from being an associated person of a registered public accounting firm;[2]

(4) imposing a civil money penalty in the amount of $200,000, jointly and severally, on the Firm and Halperin;

(5) requiring the Firm to undertake certain remedial actions concerning quality control directed toward satisfying requirements applicable to audits and reviews of issuers before filing, and to provide evidence of such measures with, any future registration application; and

(6) requiring Halperin to complete 40 hours of continuing professional education ("CPE"), in addition to any CPE required in connection with any professional

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1 The Firm may reapply for registration after three years from the date of this Order.

2 Halperin may file a petition for Board consent to associate with a registered public accounting firm after three years from the date of this Order.

license, before filing any petition for Board consent to associate with a registered public accounting firm.

The Board is imposing these sanctions on the basis of its findings that: (a) Respondents violated PCAOB rules and standards in connection with the audits of the financial statements of three issuer clients; (b) the Firm violated PCAOB standards by failing to obtain engagement quality reviews in connection with those audits; (c) the Firm failed to file timely and accurate forms required by PCAOB rules; (d) the Firm violated PCAOB quality control standards; and (e) Halperin directly and substantially contributed to the Firm's violations of PCAOB rules and engagement quality review and quality control standards.[3]

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 Respondents 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, Respondents have submitted Offers of Settlement (the "Offers") 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 herein, except as to the Board's jurisdiction over Respondents and the subject matter of these proceedings, which is admitted, Respondents consent to the entry of this Order as set forth below.[4]

III.

On the basis of Respondents' Offers, the Board finds that:[5]

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[3] 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 audits discussed herein.

[4] The findings herein are made pursuant to Respondents' Offers and are not binding on any other person or entity in this or any other proceeding.

[5] The Board finds that Respondents' 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

A. Respondents

1. **Halperin Ilanit CPA** is a sole proprietorship organized under the laws of Israel and located in Tel Aviv, Israel. The Firm is licensed by the Auditors' Council of the Israeli Ministry of Justice ("Israeli Auditors' Council"). The Firm is, and at all relevant times was, registered with the PCAOB pursuant to Section 102 of the Act and PCAOB rules.

2. **Ilanit Halperin** is the owner of the Firm and a certified public accountant licensed by the Israeli Auditors' Council. At all relevant times, she was the sole partner of the Firm and served as the engagement partner on all issuer audits it conducted, including those discussed below. Halperin is, and at all relevant times was, 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).

B. Issuers

3. **Cuentas Inc.** ("Cuentas") is, and at all relevant times was, a Florida corporation headquartered in Miami Beach, Florida. Cuentas's public filings disclose that its business focuses on providing mobile and e-commerce services to clients with limited access to bank accounts. At all relevant times, Cuentas was an "issuer," as that term is defined by Section 2(a)(7) of the Act and PCAOB Rule 1001(i)(iii), including when the Firm audited Cuentas's financial statements for the fiscal years ended December 31, 2020 and 2021 (the "2020 Cuentas Audit" and "2021 Cuentas Audit," respectively).

4. **Enigma MPC, Inc.** ("Enigma") was, at all relevant times, a Delaware corporation headquartered in San Francisco, California. Enigma's public filings disclose that its business focused on developing and implementing blockchain technology. At all relevant times, Enigma was an "issuer," as that term is defined by Section 2(a)(7) of the Act and PCAOB Rule 1001(i)(iii), including when the Firm audited Enigma's financial statements for the fiscal year ended February 28, 2021 ("2021 Enigma Audit").[6]

5. **SuperCom Ltd.** ("SuperCom") is, and at all relevant times was, an Israeli corporation headquartered in Tel Aviv, Israel. SuperCom's public filings disclose that its business focuses on providing digital identification, tracking, monitoring, and cybersecurity

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imposed in the event of: (1) intentional or knowing conduct, including reckless conduct, that results in 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.

[6] The U.S. Securities and Exchange Commission ("Commission") revoked Enigma's registration as of May 31, 2023.

products to governments and other organizations. SuperCom is, and at all relevant times was, an "issuer," as that term is defined by Section 2(a)(7) of the Act and PCAOB Rule 1001(i)(iii), including when the Firm audited SuperCom's financial statements for the fiscal years ended December 31, 2020 and 2021 (the "2020 SuperCom Audit" and "2021 SuperCom Audit," respectively, and, collectively with the 2020 Cuentas Audit, 2021 Cuentas Audit, and 2021 Enigma Audit, the "Issuer Audits").

C. Summary

6. The Firm issued audit reports containing an unqualified audit opinion on the financial statements for each of the Issuer Audits. Halperin served as the engagement partner for each of those audits and authorized the issuance of those audit reports.

7. This matter concerns Respondents' violations of PCAOB rules and standards in connection with the Issuer Audits. Specifically, Respondents failed to: (1) obtain sufficient appropriate audit evidence in connection with testing the valuation of an intangible asset during the 2021 Cuentas Audit; (2) obtain sufficient appropriate audit evidence in connection with testing the valuation of a provision for claims during the 2021 Enigma Audit; (3) evaluate whether certain matters constituted critical audit matters ("CAMs") during the 2021 Cuentas Audit and the 2021 SuperCom Audit; (4) make certain required audit committee communications during the 2021 Cuentas Audit and the 2021 SuperCom Audit; (5) assemble a complete and final set of audit documentation within 45 days of the report release date for the 2021 SuperCom Audit; and (6) properly document changes made to the work papers after the documentation completion date for the 2021 Cuentas Audit and the 2021 SuperCom Audit.

8. In addition, the Firm violated PCAOB standards by failing to obtain engagement quality reviews for any of the Issuer Audits, and violated PCAOB rules by failing to timely file PCAOB Form 2s and Form APs, some of which included inaccurate information when eventually filed.

9. The Firm also violated PCAOB quality control standards because it failed to establish an appropriate system of quality control to provide it with reasonable assurance that work performed by engagement personnel met applicable professional standards, regulatory requirements, and the Firm's standards of quality. The Firm also failed to establish policies and procedures, including monitoring procedures, to provide it with reasonable assurance that its system of quality control was suitably designed and being effectively applied.

10. Finally, Halperin violated PCAOB rules by knowingly or recklessly, and directly and substantially, contributing to the Firm's violations of PCAOB rules and engagement quality review and quality control standards.

D. Respondents Violated PCAOB Rules and Standards

11. In connection with the preparation or issuance of an audit report, PCAOB rules require that a registered public accounting firm and its associated persons comply with the Board's auditing and related professional practice standards.[7] An auditor may express an unqualified opinion on an issuer's financial statements only when the auditor has conducted an audit in accordance with PCAOB standards and concludes that the financial statements, taken as a whole, are presented fairly, in all material respects, in conformity with the applicable financial reporting framework.[8] Among other things, PCAOB standards require an auditor to exercise due professional care in the planning and performance of the audit and the preparation of the report, exercise professional skepticism, and plan and perform audit procedures to obtain sufficient appropriate audit evidence to provide a reasonable basis for the auditor's opinion.[9]

12. PCAOB standards require the auditor to address the risks of material misstatement through appropriate overall audit responses and procedures, and specify that the auditor should design and perform audit procedures in a manner that addresses the assessed risks of material misstatement for each relevant assertion of each significant account and disclosure.[10]

13. As described below, Respondents failed to comply with PCAOB rules and standards.

i. Respondents Failed to Obtain Sufficient Appropriate Audit Evidence in Testing the Valuation of an Intangible Asset in the 2021 Cuentas Audit

14. The objective of the auditor when auditing accounting estimates is to obtain sufficient appropriate evidence to determine whether accounting estimates in significant accounts and disclosures are properly accounted for and disclosed in the financial statements.[11] When performing substantive procedures to respond to the identified and assessed risks of

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

8 AS 3101.02, *The Auditor's Report on an Audit of Financial Statements When the Auditor Expresses an Unqualified Opinion*.

9 *See* AS 1015.01, .07, *Due Professional Care in the Performance of Work*; AS 2301.07, *The Auditor's Responses to the Risks of Material Misstatement*; AS 1105.04, *Audit Evidence*.

10 AS 2301.02, .08.

11 AS 2501.03, *Auditing Accounting Estimates, Including Fair Value Measurements*.

material misstatement associated with accounting estimates, the auditor should test an accounting estimate by using one or a combination of the following approaches: (1) test the company's process used to develop the accounting estimate; (2) develop an independent expectation for comparison to the company's estimate; and (3) evaluate audit evidence from events or transactions occurring after the measurement date related to the accounting estimate for comparison to the company's estimate.[12]

15. Developing an independent expectation involves the auditor using some or all of his or her own methods, data, and assumptions to develop an expectation of the estimate for comparison to the company's estimate. In developing the expectation, the auditor should consider the requirements of the applicable financial reporting framework and the auditor's understanding of the company's process.[13] When the auditor independently derives assumptions or uses his or her own method in developing an independent expectation, the auditor should have a reasonable basis for the assumptions and method used.[14]

16. As of December 31, 2021, Cuentas reported an intangible asset—specifically, a perpetual software license acquired in 2019—that accounted for 44% of its total reported assets. Cuentas amortized the license on a straight-line basis over its expected useful life.[15]

17. In its Form 10-K for the fiscal year ended December 31, 2021, Cuentas identified the valuation of intangible assets as a significant estimate and disclosed in the footnotes to its financial statements that "the Company reviews its long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of these assets may not be fully recoverable."

18. During the 2021 Cuentas Audit, Respondents understood that the company's management engaged a specialist to prepare an intangible asset impairment analysis. The analysis noted recent events that suggested a potential impairment of the software license, which necessitated a recoverability test.[16] The company's specialist estimated the recoverable

12 *Id.* at .07.

13 *Id.* at .21.

14 *Id.* at .22.

15 An intangible asset that is subject to amortization shall be reviewed for impairment in accordance with the Impairment or Disposal of Long-Lived Assets Subsections of Subtopic 360-10. *See* FASB Accounting Standards Codification ("ASC") 350-30-35-14, *Intangibles – Goodwill and Other*.

16 *See* FASB ASC 360-10-35-17, *Property, Plant, and Equipment* ("An impairment loss shall be recognized only if the carrying amount of a long-lived asset (asset group) is not recoverable and exceeds

amount of the software license by preparing an undiscounted cash flow analysis based on issuer-prepared financial forecasts and concluded that no impairment of the intangible asset existed at year-end 2021. The issuer-prepared forecasts used by the company's specialist projected a substantial increase in the revenue to be generated from use of the software license in future years. Respondents included a copy of this impairment analysis in the audit documentation for the 2021 Cuentas Audit but did not perform any procedures to evaluate the impairment analysis, including the data and assumptions used.

19. Respondents did not: (1) review and test the process used by management to develop its estimate, which as noted above, included the use of a specialist retained by the company to prepare an impairment analysis; or (2) review events or transactions that occurred prior to the auditor's report date that related to the accounting estimate for comparison to the issuer's estimate.

20. Instead, Respondents' approach to substantively test the intangible asset for impairment was to develop an independent estimate of the fair value of the asset for comparison to the carrying amount. To estimate the fair value, Respondents took Cuentas's market capitalization at December 31, 2021, and subtracted Cuentas's net "Financial Assets."[17] Respondents then treated the resulting difference as an estimate of the fair value of the intangible asset and compared it to the carrying amount of that asset. Because that estimated fair value exceeded the carrying amount, Respondents concluded there was no impairment of the asset.

21. Respondents lacked a reasonable basis for the assumptions and method used in developing their independent expectation and failed to take into account the requirements of the applicable financial reporting framework.[18] Specifically, they failed to appropriately evaluate whether subtracting Cuentas's net "Financial Assets" from its market capitalization was a reasonable method of measuring the fair value of the intangible asset. For example, Respondents failed to sufficiently evaluate whether the market capitalization of Cuentas included value attributable to assets other than the perpetual software license. Moreover, Respondents failed to sufficiently evaluate whether their fair value estimate derived from the market capitalization of Cuentas represented the standalone price that would be received to

its fair value. The carrying amount of a long-lived asset (asset group) is not recoverable if it exceeds the sum of the undiscounted cash flows expected to result from the use and eventual disposition of the asset (asset group).").

[17] Respondents calculated Cuentas's market capitalization by multiplying the number of shares outstanding by the stock price as of December 31, 2021. Respondents calculated Cuentas's net "Financial Assets" as Cuentas's cash balance less loans payable.

[18] *See* AS 2501.21-.22.

sell the intangible asset in an orderly transaction between market participants at the measurement date.[19]

22. Accordingly, Respondents failed to obtain sufficient appropriate evidence to test the valuation of Cuentas's intangible asset in violation of AS 1105, AS 2301, and AS 2501. Respondents also violated AS 1015 by failing to exercise due professional care, including professional skepticism.

ii. Respondents Failed to Obtain Sufficient Appropriate Audit Evidence in Testing the Valuation of a Provision for Claims in the 2021 Enigma Audit

23. As of the fiscal year ended February 28, 2021, Enigma reported a provision for claims of nearly $25 million, which represented approximately 80% of its total reported liabilities. The provision for claims balance represented the amount the company estimated it would have to pay for claim requests received in connection with a settlement it reached with the Commission in February 2020 concerning an unregistered offering of digital assets conducted by the company.[20] The provision for claims balance did not change from the prior year.

24. In its Form 10-K for the fiscal year ended February 28, 2021, Enigma identified the liability for estimated claims as a critical and significant accounting estimate and disclosed in the footnotes to its financial statements that "based on the ENG Token market the Company knows that some of the $42 million ENG Tokens sold at the [initial coin offering] have since been sold at a profit. Accordingly, in exercising a prudent approach, as of the end of the reporting periods presented herein, the Company has recorded a liability for the estimate[] of claims of $24.9 million . . . ." In the Legal Proceedings section of the same Form 10-K, Enigma also disclosed that "[t]he deadline for ENG Token claimants to submit claims has since passed and we are currently processing the claims."

25. During the 2021 Enigma Audit, other than comparing the current year account balance to the amount Enigma reported in the prior year and obtaining from management a claims status report that included a listing of submitted claims, Respondents—who should have used one or more of the methods for testing accounting estimates discussed above—failed to perform any substantive procedures to test the valuation of the provision for claims. For example, Respondents failed to evaluate whether the assumptions used in the company's

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[19] *See* FASB ASC 820, *Fair Value Measurement* (defining fair value as the price that would be received to sell an asset or to transfer a liability in an orderly transaction between market participants at the measurement date).

[20] *See Enigma MPC*, Securities Act Rel. No. 10755, at 1 (Feb. 19, 2020).

estimate of its provision for claims in the prior year were still reasonable in the current year or whether the company had obtained any new information during the year that would bear on the appropriateness of the estimate.

26. Respondents also failed to evaluate whether information concerning submitted claims contained in the claims status report it obtained from management and included in the audit documentation contradicted the company's estimate. Notably, the claims status report indicated that, at the conclusion of the claim submission deadline on April 25, 2021 (a date after the measurement date of February 28, 2021, but before the audit report date of June 15, 2021), the company had received claims with an aggregate claim value representing less than 1% of the company's provision for claims estimate of roughly $25 million. Accordingly, Respondents lacked a reasonable basis for concluding that it was appropriate for the current year provision for claims estimate to be the same as the prior year estimate.

27. As a result, Respondents failed to obtain sufficient appropriate evidence to test the valuation of Enigma's provision for claims in violation of AS 1105, AS 2301, and AS 2501. Respondents also violated AS 1015 by failing to exercise due professional care, including professional skepticism.

iii. Respondents Failed to Perform Procedures to Evaluate Whether Certain Matters Were Critical Audit Matters in the 2021 Cuentas Audit and the 2021 SuperCom Audit

28. AS 3101 "establishes requirements regarding the content of the auditor's written report when the auditor expresses an unqualified opinion on the financial statements."[21] Among other things, "[t]he auditor must determine whether there are any critical audit matters in the audit of the current period's financial statements."[22] A CAM is "any matter arising from the audit of the financial statements that was communicated or required to be communicated to the audit committee and that: (1) relates to accounts or disclosures that are material to the financial statements and (2) involved especially challenging, subjective, or complex auditor judgment."[23]

29. For the 2021 Cuentas Audit and the 2021 SuperCom Audit, Respondents failed to evaluate as potential CAMs numerous matters that were communicated, or required to be communicated, to the companies' audit committees and that related to accounts or disclosures

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21 AS 3101.01.

22 *Id*. at .11.

23 *Id.*

that were material to the financial statements.[24] For example, in the 2021 Cuentas Audit, Respondents failed to evaluate as potential CAMs certain significant risks and other matters communicated to the audit committee, including those that Respondents had identified concerning revenue recognition, equity, and intangible asset valuation. Similarly, in the 2021 SuperCom Audit, Respondents failed to evaluate as potential CAMs significant risks and other matters communicated to the audit committee, including those that Respondents had identified concerning revenue recognition, equity, and inventories.

30. Accordingly, Respondents failed to evaluate whether certain matters were CAMs and violated AS 3101.

iv. Respondents Failed to Make Required Audit Committee Communications in the 2021 Cuentas Audit and the 2021 SuperCom Audit

31. PCAOB standards require the auditor to communicate certain matters related to the conduct of an audit to the issuer's audit committee.[25] The auditor should communicate to the audit committee the issuer's significant accounting policies and practices, critical accounting policies and practices, critical accounting estimates, and the results of the auditor's evaluation of the quality of the issuer's financial reporting.[26]

32. Additionally, PCAOB standards require the auditor to communicate to the audit committee his or her evaluation of the company's identification of, accounting for, and disclosure of its relationships and transactions with related parties.[27]

33. In connection with the 2021 Cuentas Audit and 2021 SuperCom Audit, Respondents failed to communicate their evaluation of the companies' identification of, accounting for, and disclosure of their relationships and transactions with related parties to the audit committees despite both Cuentas and SuperCom disclosing related party transactions in their Form 10-Ks for the fiscal year ended December 31, 2021.[28]

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[24] *Id.* at .11-.12. The Firm also lacked any practice aid or work program to document procedures to identify or evaluate CAMs. *See* AS 3101.17.

[25] AS 1301.01, *Communications with Audit Committees*.

[26] *Id*. at .12-.13.

[27] AS 2410.19, *Related Parties*.

[28] Cuentas disclosed that "the Company has had extensive dealings with related parties including those in which our Chief Executive Officer holds a significant ownership interest as well as an executive

34. With respect to the 2021 SuperCom Audit, Respondents also failed to make certain required communications to SuperCom's audit committee related to: (1) significant accounting policies and practices; (2) critical accounting policies and practices, (3) critical accounting estimates; and (4) the results of Respondents' evaluation of the quality of the issuer's financial reporting.

35. Accordingly, Respondents violated AS 1301 and AS 2410.

v. Respondents Violated the Audit Documentation Standard in the 2021 Cuentas Audit and the 2021 SuperCom Audit

36. PCAOB standards require that the auditor "prepare audit documentation in connection with each engagement conducted pursuant to the standards of the PCAOB."[29] PCAOB standards further require that "[a] complete and final set of audit documentation should be assembled for retention as of a date not more than 45 days after the report release date (*documentation completion date*)."[30] Further, although "[c]ircumstances may require additions to audit documentation after the report release date[,]" any documentation added "must indicate the date the information was added, the name of the person who prepared the additional documentation, and the reason for adding it."[31]

37. The report release dates for the 2021 Cuentas Audit and 2021 SuperCom Audit were April 1, 2022, and April 4, 2022, respectively. Accordingly, Respondents should have assembled a complete and final set of audit documentation for the 2021 Cuentas Audit by May 16, 2022, and for the 2021 SuperCom Audit by May 19, 2022.

38. However, Respondents assembled an incomplete set of audit documentation for the 2021 SuperCom Audit, as they omitted certain relevant work papers from the final set of audit documentation they assembled. In addition, Respondents added information to the work papers for the 2021 Cuentas Audit and 2021 SuperCom Audit after the applicable documentation completion dates without documenting the date the information was added, the name of who prepared the additional documentation, and the reason for adding it to the work papers. As a result, Respondents violated AS 1215.

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position during the years ended December 31, 2021 and 2020" and SuperCom disclosed various transactions involving its chief executive officer.

[29] AS 1215.04, *Audit Documentation*.

[30] *Id*. at .15.

[31] *Id.* at .16.

E. The Firm Violated PCAOB Standards by Failing to Obtain Engagement Quality Reviews for the Issuer Audits

39. PCAOB standards require that an engagement quality review be performed on all audits.[32] A firm may grant permission to a client to use the audit report only after an engagement quality reviewer provides concurring approval of issuance of the report.[33]

40. The Firm failed to obtain engagement quality reviews for any of the Issuer Audits, and improperly permitted Cuentas, Enigma, and SuperCom to use its audit reports for the Issuer Audits without having obtained concurring approval of issuance from an engagement quality reviewer. As a result, the Firm repeatedly violated AS 1220.

F. The Firm Violated PCAOB Reporting Requirements

i. The Firm Violated PCAOB Rules by Failing to File Timely Annual Reports on Form 2

41. PCAOB rules require registered public accounting firms to file annual reports with the Board on Form 2 no later than June 30 of each year, unless a firm's application for registration has been approved by the Board during the period between April 1 and June 30 of the year in which the filing would otherwise be due.[34]

42. The Firm registered with the Board on June 13, 2018. It was therefore required to file an annual report on Form 2 by June 30 each year beginning in 2019. In every year it was required to file a Form 2, the Firm failed to file by the relevant deadline. Specifically, its annual reports were filed on September 5, 2019, July 31, 2020, November 24, 2021, and December 21, 2022.

43. Accordingly, the Firm repeatedly violated PCAOB Rule 2201.

ii. The Firm Violated PCAOB Rules by Failing to File Timely and Accurate Form APs

44. PCAOB Rule 3211, *Auditor Reporting of Certain Audit Participants*, requires every registered public accounting firm to file a Form AP for each audit report it issues for an issuer, and include the identity of the engagement partner and certain information about the issuer and other accounting firms that participated in the audit.

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32 AS 1220.01, *Engagement Quality Review*.

33 *Id*. at .13.

34 PCAOB Rule 2200, *Annual Report*; PCAOB Rule 2201, *Time for Filing of Annual Report*.

45. A Form AP must be filed by the 35th day after the date a firm's audit report is first included in a document filed with the Commission or, in the case of a registration statement, by the tenth day after the date the audit report is first included in a document filed with the Commission.[35]

46. The Firm filed its Form AP for the 2020 Cuentas Audit 126 days after the date Cuentas's Form 10-K including the Firm's audit report was filed with the Commission. The Firm filed its Form AP for the 2021 Cuentas Audit 80 days after the date Cuentas's Form 10-K including the Firm's audit report was filed with the Commission, and the Firm included an incorrect financial statement date for the financial statements subject to audit in that Form AP.

47. Similarly, the Firm filed its Form AP for the 2020 SuperCom Audit 90 days after the date SuperCom's Form 20-F including the Firm's audit report was filed with the Commission, and the Firm included an incorrect Central Index Key number for SuperCom in that Form AP. The Firm filed its Form AP for the 2021 SuperCom Audit 77 days after the date SuperCom's Form 20-F including the Firm's audit report was filed with the Commission, and the Firm included an incorrect financial statement date for the financial statements subject to audit and an incorrect Central Index Key number for SuperCom in that Form AP.

48. Accordingly, the Firm repeatedly violated PCAOB Rule 3211.

G. The Firm Violated PCAOB Rules and Quality Control Standards

49. PCAOB rules require a registered public accounting firm and its associated persons to comply with PCAOB quality control standards.[36] These standards require that a registered public accounting firm have a system of quality control for its accounting and auditing practice.[37] A firm's system of quality control provides a critical foundation and infrastructure for a firm's audit quality as it should "ensure that services are competently delivered and adequately supervised."[38] The quality control system should include policies and procedures to provide the firm with reasonable assurance that the work performed by engagement personnel meets applicable professional standards, regulatory requirements, and the firm's standards of quality.[39]

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35 PCAOB Rule 3211(b).

36 *See* PCAOB Rule 3100; PCAOB Rule 3400T, *Interim Quality Control Standards*.

37 *See* QC § 20.01, *System of Quality Control for a CPA Firm's Accounting and Auditing Practice*.

38 *Id.* at .02.

39 *Id.* at .17.

50. As described below, the Firm failed to establish policies and procedures sufficient to provide reasonable assurance that its personnel complied with applicable professional standards and regulatory requirements.

i. The Firm's System of Quality Control Failed to Provide Reasonable Assurance That Audit Work Performed by Firm Personnel Met Professional Standards and Regulatory Requirements

51. Quality control policies and procedures for engagement performance should encompass all phases of the design and execution of an engagement.[40] To the extent appropriate and as required by applicable professional standards, these policies and procedures should cover, among other things, planning, performing, and documenting each engagement.[41]

52. From 2019 to 2022, the Firm's internally developed audit methodology, which the Firm employed for issuer audits, frequently referenced international auditing standards and PCAOB auditing standards that were outdated and had been superseded, rather than the PCAOB standards that governed the Firm's issuer audits. As a result of the Firm's deficient audit methodology and as evidenced by the numerous audit failures described above, the Firm's system of quality control failed to provide it with reasonable assurance that personnel conducting the Firm's audits would comply with applicable professional standards and regulations.

53. Accordingly, the Firm violated QC §§ 20.17 and .18.

ii. The Firm's System of Quality Control Failed to Provide Reasonable Assurance That the Firm Would Obtain Engagement Quality Reviews

54. PCAOB quality control standards require that a firm's system of quality control include policies and procedures that address engagement quality reviews pursuant to AS 1220.[42]

55. Throughout the relevant period, the Firm lacked sufficient policies and procedures to provide reasonable assurance that the work performed by engagement personnel met applicable professional standards with regard to its engagement quality reviews. Specifically, the Firm's policies and procedures failed to provide reasonable assurance that each issuer audit would be subject to an engagement quality review and the Firm would obtain

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40 *Id*. at .18.

41 *Id.*

42 *Id.*

concurring approval from an engagement quality reviewer prior to issuing an audit report, as required by AS 1220.

56. Accordingly, the Firm violated QC §§ 20.17 and .18.

iii. The Firm's System of Quality Control Failed to Provide Reasonable Assurance with Respect to the Assembly of Audit Documentation for Retention

57. A firm's quality control policies and procedures should address the documentation of each engagement in accordance with applicable professional standards.[43] As noted above, AS 1215 requires that auditors assemble for retention a complete and final set of audit documentation not more than 45 days after the report release date.[44]

58. At all relevant times, the Firm failed to maintain effective policies and procedures to provide it with reasonable assurance that it would comply with AS 1215's requirements regarding audit documentation, as evidenced by its failure to assemble a complete and final set of audit documentation for the 2021 SuperCom Audit by the applicable deadline, and its failure to ensure that changes made to the work papers for that audit and for the 2021 Cuentas Audit after the applicable documentation completion dates indicated the date the information was added, the name of the person who prepared the additional documentation, and the reason for adding it.

59. Accordingly, the Firm violated QC §§ 20.17 and .18.

iv. The Firm's System of Quality Control Failed to Provide Reasonable Assurance with Respect to Monitoring

60. PCAOB quality control standards also provide that policies and procedures, including monitoring procedures, should be established to provide the firm with reasonable assurance that its system of quality control is suitably designed and being effectively applied.[45] Monitoring involves an ongoing consideration and evaluation of: (1) the relevance and adequacy of the firm's policies and procedures; (2) the appropriateness of the firm's guidance materials and any practice aids; (3) the effectiveness of professional development activities; and (4) compliance with the firm's policies and procedures.[46] Monitoring procedures taken as a

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43 *Id.* at .03, .17-.18.

44 AS 1215.15.

45 QC § 20.20; *see* QC § 30.02, *Monitoring a CPA Firm's Accounting and Auditing Practice*.

46 QC § 30.02; *see also* QC § 20.20.

whole should enable the firm to obtain reasonable assurance that its system of quality control is effective.[47]

61. At all relevant times, the Firm lacked any process to monitor its quality control system. For example, during the time it conducted issuer audits, the Firm never performed an internal inspection or other evaluation to assess whether the work performed by its engagement personnel on issuer audits met applicable professional standards, regulatory requirements, and the Firm's standards of quality.

62. The Firm's failure to implement monitoring procedures to enable it to obtain reasonable assurance that its system of quality control was effective violated QC §§ 20 and 30.

H. Halperin Directly and Substantially Contributed to the Firm's Engagement Quality Review, PCAOB Reporting and Quality Control Violations

63. PCAOB Rule 3502, *Responsibility Not to Knowingly or Recklessly Contribute to Violations*, states that "[a] person associated with a registered public accounting firm shall not take or omit to take an action knowing, or recklessly not knowing, that the act or omission would directly and substantially contribute to a violation by that registered public accounting firm of the Act, the Rules of the Board, the provisions of the securities laws relating to the preparation and issuance of audit reports and the obligations and liabilities of accountants with respect thereto, including the rules of the Commission issued under the Act, or professional standards."

64. Halperin is, and at all relevant times was, the Firm's sole owner and partner and served as the engagement partner for each of the Issuer Audits. Accordingly, Halperin was responsible for ensuring that the Firm complied with PCAOB rules and standards. She was also responsible for developing and maintaining quality control policies and procedures applicable to the Firm's auditing practice.

65. Halperin knew, or was reckless in not knowing, that her acts and omissions would directly and substantially contribute to the Firm's violations of AS 1220, PCAOB reporting requirements, and PCAOB quality control standards described above. As a result, Halperin violated PCAOB Rule 3502.

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

[47] QC § 30.03.

determines it appropriate to impose the sanctions agreed to in Respondents' Offers. 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 and Halperin are hereby censured;

B. Pursuant to Section 105(c)(4)(A) of the Act and PCAOB Rule 5300(a)(1), the Firm's registration is revoked;

C. After three years from the date of this Order, the Firm may reapply for registration by filing an application for registration pursuant to PCAOB Rule 2101;

D. Pursuant to Section 105(c)(4)(B) of the Act and PCAOB Rule 5300(a)(2), Halperin is barred from being 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);[48]

E. After three years from the date of this Order, Halperin may file a petition for Board consent to associate with a registered public accounting firm pursuant to PCAOB Rule 5302(b);

F. Pursuant to Section 105(c)(4)(D) of the Act and PCAOB Rule 5300(a)(4), a civil money penalty in the amount of $200,000 is imposed, jointly and severally, on the Firm and Halperin;

    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. Respondents shall pay the civil money penalty within ten days of the issuance of this Order by (a) wire transfer in accordance with instructions furnished by PCAOB staff; or (b) United States Postal Service money

[48] As a consequence of the bar, the provisions of Section 105(c)(7)(B) of the Act will apply with respect to Halperin. 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."

order, bank money order, certified check, or bank cashier's check (i) made payable to the Public Company Accounting Oversight Board, (ii) delivered to the Office of Finance, Public Company Accounting Oversight Board, 1666 K Street, N.W., Washington D.C. 20006, and (iii) submitted under a cover letter, which identifies the Firm and Halperin as respondents 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 Respondents shall pay pursuant to this Order, Respondents 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 Respondents' payment of the civil money penalty pursuant to this Order, in any private action brought against either Respondent based on substantially the same facts as set out in the findings in this Order.

5. By consenting to this Order, the Firm acknowledges that a failure to pay the civil money penalty described above may alone be grounds to deny any reapplication for registration pursuant to PCAOB Rule 2101.

6. By consenting to this Order, Halperin acknowledges that a failure to pay the civil money penalty described above may alone be grounds to deny any petition to terminate a bar pursuant to PCAOB Rule 5302(b).

G. Pursuant to Section 105(c)(4)(G) of the Act and PCAOB Rule 5300(a)(9), the Firm is required:

1. Before filing with the Board any future registration application, to establish, revise, or supplement, as necessary, policies and procedures to provide the Firm with reasonable assurance that: (a) Firm personnel will comply with PCAOB standards when conducting issuer audits; (b) Firm personnel will obtain, and adequately document, engagement quality reviews for all issuer audits in accordance with applicable professional standards; (c) the Firm will properly assemble for retention complete and final sets of audit documentation in accordance with professional standards; (d) the Firm will comply with PCAOB reporting requirements on a timely basis, including with respect to Form 2 and Form AP; and (e) the Firm has established monitoring procedures sufficient to enable it to obtain reasonable assurance that its system of quality control is suitably designed and being effectively applied.

2. To provide with any future registration application a written certification of compliance with the above requirements, in the form of a narrative, exhibits sufficient to demonstrate compliance, and such additional evidence of and information concerning compliance as the staff of the Division of Registration and Inspections may reasonably request.

H. Pursuant to Section 105(c)(4)(F) of the Act and PCAOB Rule 5300(a)(6), Halperin is required to complete, prior to filing any petition to terminate her bar and for Board consent to reassociate with a registered public accounting firm, 40 hours of continuing professional education and training relating to PCAOB auditing standards (such hours shall be in addition to, and shall not be counted in, the continuing professional education she is required to obtain in connection with any professional license).

ISSUED BY THE BOARD.

/s/ Phoebe W. Brown

Phoebe W. Brown
Secretary

March 19, 2024