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Order Instituting Disciplinary Proceedings, Making Findings, and Imposing Sanctions

*In the Matter of Freedman & Goldberg, C.P.A.'s,
P.C.,*

Respondent.

PCAOB Release No. 105-2024-017

March 28, 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 Freedman & Goldberg, C.P.A.’s, P.C. (“Freedman & Goldberg,” the “Firm,” or “Respondent”);
- (2) imposing a civil money penalty in the amount of \$25,000 upon the Firm; and
- (3) requiring the Firm to undertake certain remedial actions as described in Section IV of this Order.

The Board is imposing these sanctions on the basis of its findings that the Firm failed to establish quality control policies and procedures that would provide reasonable assurance that the work performed by engagement personnel would comply with PCAOB standards requiring the timely assembly of a complete and final set of audit documentation under AS 1215.

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, Freedman & Goldberg 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. **Freedman & Goldberg, C.P.A.’s, P.C.** is a Michigan domestic professional corporation headquartered in Farmington Hills, Michigan. Freedman & Goldberg is licensed to practice public accounting by the Michigan Department of Licensing and Regulatory Affairs (License No. 1102001272). At all relevant times, the Firm was registered with the Board pursuant to Section 102 of the Act and PCAOB rules.

B. Freedman & Goldberg Violated PCAOB Quality Control Standards

2. PCAOB rules require a registered public accounting firm to comply with all applicable auditing and related professional practice standards, including the Board’s quality control standards.²

3. PCAOB quality control standards require that a registered firm have a system of quality control for its accounting and auditing practice.³ “A system of quality control is broadly

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 See PCAOB Rule 3100, *Compliance with Auditing and Related Professional Practice Standards*; PCAOB Rule 3200, *Auditing Standards*; PCAOB Rule 3400T, *Interim Quality Control Standards*.

³ See Quality Control Standard 20.01, *System of Quality Control for a CPA Firm’s Accounting and Auditing Practice* (“QC § 20”).

defined as a process to provide the firm with reasonable assurance that its personnel comply with applicable professional standards and the firm’s standards of quality.”⁴

4. PCAOB quality control standards require firms to establish policies and procedures sufficient to provide it with “reasonable assurance that the work performed by engagement personnel meets applicable professional standards, regulatory requirements, and the firm’s standards of quality.”⁵

5. PCAOB standards require that the auditor prepare and retain audit documentation in connection with audit engagements.⁶ That includes the requirement 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*).”⁷

6. From May 2020 until at least July 2021, the Firm failed to design and implement appropriate policies and procedures to provide it with reasonable assurance that it would comply with AS 1215’s requirements regarding audit documentation. Specifically, the Firm’s policies and procedures were designed to comply with professional standards that imposed less exacting archiving requirements than the PCAOB’s audit documentation standards. The Firm’s policies and procedures therefore failed to require a complete and final set of audit documentation to be assembled for retention within 45 days following the report release date as required under AS 1215.

7. Accordingly, Freedman & Goldberg violated QC § 20.

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:

⁴ *Id.* at .03.

⁵ *Id.* at .17.

⁶ *See* AS 1215.01, *Audit Documentation*.

⁷ *Id.* at .15.

- 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 \$25,000 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. Respondent shall pay this civil money penalty as follows: the Firm shall pay \$15,000 within ten days of the issuance of this Order and an additional \$10,000 within 60 days of the issuance of this Order. The Firm shall make payment by: (1) wire transfer pursuant to instructions provided by PCAOB 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 NW, 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 NW, 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 its failure to pay the civil money penalty described above may result in summary suspension of the Firm'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)(F) and (G) of the Act and PCAOB Rule 5300(a)(6) and (9), the Firm is required:
1. Within 90 days of the entry of this Order, to establish, revise, or supplement, as necessary, policies and procedures, including monitoring procedures, to provide the Firm with reasonable assurance that Firm personnel will comply with the audit documentation requirements of AS 1215, *Audit Documentation*, including with respect to the archiving of audit documentation in accordance with AS 1215;
 2. Within 90 days of the entry of this Order, to ensure that all professionals involved in any audit, as that term is defined in Section 110(1) of the Act, have received professional education and training concerning compliance with AS 1215, including archiving of audit documentation in accordance with AS 1215; and
 3. Within 120 days of the entry of this Order, to provide a certification, signed by its CEO, to the Director of the PCAOB's Division of Enforcement and Investigations, stating that the Firm has complied with paragraphs IV.C.1 and IV.C.2 above. The certification shall identify the actions undertaken to satisfy the conditions specified above (including any remedial actions taken prior to the date of this Order), provide written evidence of compliance in the form of a narrative, and be supported by exhibits sufficient to demonstrate compliance. The Firm shall also submit such additional evidence of, and information concerning, compliance as the staff of the Division of Enforcement and Investigations may reasonably request. The Firm understands that the failure to satisfy these

conditions may constitute a violation of PCAOB Rule 5000 that 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

March 28, 2024