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Order Instituting Disciplinary Proceedings, Making Findings, and Imposing Sanctions

In the Matter of Navarro Amper & Co.,

Respondent.

PCAOB Release No. 105-2024-025

April 10, 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 Navarro Amper & Co. (“DT Philippines,” the “Firm,” or “Respondent”);
- (2) imposing a civil money penalty in the amount of \$1,000,000 on DT Philippines; and
- (3) requiring DT Philippines 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 DT Philippines violated PCAOB rules and quality control standards over several years in connection with the Firm’s internal training program.

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 (the “Offer”) 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 contained herein, except as to the Board’s jurisdiction over Respondent and the subject matter of this proceeding, 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:²

A. Respondent

1. **DT Philippines** is a public accounting firm located in Taguig, Philippines. DT Philippines is an affiliate of a member of the Deloitte Touche Tohmatsu Limited (“Deloitte Global”) network. The Firm registered with the Board on June 2, 2004, pursuant to Section 102 of the Act and PCAOB rules. DT Philippines is, and at all relevant times was, a “registered public accounting firm” as that term is defined by Section 2(a)(12) of the Act and PCAOB Rule 1001(r)(i).

B. Summary

2. From at least 2017 until early 2019, DT Philippines violated PCAOB rules and quality control standards related to integrity and personnel management by failing to establish appropriate policies and procedures for administering and overseeing internal training tests, including tests designed to help the Firm’s audit professionals satisfy the requirements for maintaining their professional certifications. Those quality control failures prevented the Firm from identifying that nearly all of its audit partners during the period, including the then-National Professional Practice Director (“NPPD”), and other audit professionals, engaged in improper answer sharing—either by providing answers or using answers—or received answers without reporting such sharing in connection with online tests for mandatory internal training courses.

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.

² The Board finds that Respondent’s 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 imposed in the event of: (1) intentional or knowing conduct, including reckless conduct, that results in a 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.

C. DT Philippines Violated PCAOB Rules and Standards

i. Applicable PCAOB Rules and Quality Control Standards

3. PCAOB rules require that a registered public accounting firm comply with the Board’s quality control standards,³ which provide that a registered firm “shall have a system of quality control for its accounting and auditing practice.”⁴

4. As part of a firm’s system of quality control, “[p]olicies and procedures should be established to provide the firm with reasonable assurance that personnel . . . perform all professional responsibilities with integrity.”⁵ In addition, PCAOB quality control standards related to personnel management state that “policies and procedures should be established to provide the firm with reasonable assurance that . . . [w]ork is assigned to personnel having the degree of technical training and proficiency required in the circumstances.”⁶ Moreover, “policies and procedures should be established to provide the firm with reasonable assurance that . . . [p]ersonnel participate in general and industry-specific continuing professional education and other professional development activities that enable them to fulfill responsibilities assigned, and satisfy applicable continuing professional education requirements of . . . regulatory agencies.”⁷

5. PCAOB quality control standards recognize that “[t]he elements of quality control are interrelated,”⁸ and that monitoring procedures are necessary “to provide the firm with reasonable assurance that the policies and procedures related to each of the other elements of quality control are suitably designed and are being effectively applied.”⁹ Under PCAOB standards, monitoring involves an ongoing consideration and evaluation of, among

³ See PCAOB Rule 3100, *Compliance with Auditing and Related Professional Practice Standards*; PCAOB Rule 3400T, *Interim Quality Control Standards*.

⁴ QC § 20.01, *System of Quality Control for a CPA Firm’s Accounting and Auditing Practice*.

⁵ QC § 20.09.

⁶ QC § 20.13.b; QC § 40.02.b, *The Personnel Management Element of a Firm’s System of Quality Control—Competencies Required by a Practitioner-in-Charge of an Attest Engagement*.

⁷ QC § 20.13.c; QC § 40.02.c.

⁸ QC § 20.08.

⁹ *Id.*; QC § 30.02, *Monitoring a CPA Firm’s Accounting and Auditing Practice*; see also QC § 20.20.

other things, the effectiveness of professional development activities and compliance with the firm's policies and procedures.¹⁰

ii. Training Requirements

6. As part of DT Philippines's personnel management systems, the Firm administers internal training programs for all of its professionals. The training programs the Firm uses are designed to serve multiple purposes, including to provide personnel with technical instruction, to further their professional development, and to help licensed certified public accountants satisfy some of the continuing professional education requirements imposed by relevant professional bodies. The Firm's training requirements are intended to be relevant to, among other things, the independence of their personnel, the audit work they perform, and the integrity with which they carry out their professional responsibilities. The training requirements can vary by a professional's position, role, and industry practice area.

7. The Firm's online internal trainings often include a testing component. For training courses with a testing component, the Firm does not credit personnel with completing the training until they satisfactorily pass the related test.

iii. Failures by DT Philippines to Establish Adequate Quality Control Policies and Procedures Related to Integrity and Personnel Management

8. DT Philippines's quality control policies and procedures concerning ethics and integrity as well as personnel management were inadequate to prevent or detect improper answer sharing on training tests that occurred among DT Philippines personnel, including nearly all of its audit partners, from at least 2017 to 2019. In fact, during this time, improper sharing of answers was common within the Firm's audit practice and was facilitated by the Firm's then-NPPD, who had responsibility for overseeing Firm personnel's compliance with online courses ("e-learnings") and trainings.¹¹

9. During the relevant time period, the NPPD recognized that the Firm's audit partners had fallen behind in their rates of compliance with trainings because their workloads and utilization rates made it difficult for them to keep up with required continuing professional education and trainings.

10. The NPPD e-mailed answers to e-learnings to the audit partners and others in the Firm at least six times from 2017 through 2019. For example, on January 4, 2019, the NPPD

¹⁰ See QC § 20.20.c-d; QC § 30.02.c-d.

¹¹ See *Wilfredo Baltazar*, PCAOB Rel. No. 105-2024-026 (Apr. 10, 2024).

sent an e-mail to the Firm’s audit partner listserv with the subject “IFRS E – Learnings.” The email included answers to 21 different questions on three different IFRS topics. The NPPD explained that those answers would result in a passing rate, but not a score of 100%.

11. Between 2017 and 2019, some of the audit partners who received answers from the NPPD used those answers to complete required e-learnings and trainings.

12. Other Firm personnel also engaged in improper answer sharing. For example, in 2018, a director in the Firm’s audit practice shared answers with others in the Firm on, at least, three occasions.

13. Despite this widespread answer sharing among audit partners of the Firm and by other audit personnel, none of the Firm’s personnel timely reported the answer sharing to (a) anyone at the Firm not involved in answer sharing; (b) anyone within regional leadership or Deloitte Global; or (c) any relevant regulator.

14. As illustrated by the misconduct described above, from at least 2017 to 2019, DT Philippines’s inappropriate tone at the top enabled widespread improper answer sharing with respect to internal training tests. From 2017 to October 2019, DT Philippines failed to establish and implement policies and procedures, including monitoring procedures, to provide the Firm with reasonable assurance that (1) DT Philippines personnel performed all professional responsibilities with integrity; (2) DT Philippines personnel to whom work was assigned had the degree of technical training and proficiency required in the circumstances; and (3) DT Philippines personnel participated in general and industry-specific continuing professional education that enabled them to fulfill responsibilities assigned and satisfy applicable continuing professional education requirements for licensed certified public accountants of relevant professional bodies. Accordingly, the Firm violated PCAOB quality control standards related to integrity and personnel management.¹²

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.

In ordering sanctions, the Board took into account the Firm’s extraordinary cooperation with respect to certain aspects of its response to discovering improper answer sharing on internal trainings. Specifically, the Firm provided substantial assistance to the PCAOB’s

¹² See QC §§ 20.09, .13.b-c, .20; QC § 30.02; and QC § 40.02.b-c.

investigation by conducting, and providing to the PCAOB the results of, its internal investigation, including evidence relating to the Firm's interviews of personnel it suspected of engaging in improper answer sharing.

Additionally, since the answer sharing misconduct occurred, the Firm has implemented remedial and corrective measures aimed at successfully ending improper answer sharing. Among other actions, the Firm has made changes to its quality control policies and procedures to promote professional integrity, especially as it relates to training examinations, and to ensure that its personnel obtain the degree of technical training and proficiency required without engaging in improper answer sharing.

Absent this extraordinary cooperation, the civil money penalty imposed would have been significantly larger, and the Board may have imposed additional sanctions. Accordingly, it is hereby ORDERED that:

- A. Pursuant to Section 105(c)(4)(E) of the Act and PCAOB Rule 5300(a)(5), Navarro Amper & Co. 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 \$1,000,000 is imposed on Navarro Amper & Co.
 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. Navarro Amper & Co. shall pay this civil money penalty within ten (10) days of the issuance of this Order by (a) wire transfer in accordance with instructions furnished by Board staff; or (b) United States Postal Service postal money 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 Navarro Amper & Co. as the 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. With respect to any civil money penalty amounts that Navarro Amper & Co. shall pay pursuant to this Order, Navarro Amper & Co. 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 Navarro Amper & Co.'s payment of the civil money penalty pursuant to this Order, in any private action brought against Navarro Amper & Co. based on substantially the same facts as set out in the findings in this Order.
 4. 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.
 5. Navarro Amper & Co. understands that failure to pay the civil money penalty described above may result in summary suspension of its 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), Navarro Amper & Co. is required:
1. Within 120 days of the entry of this Order, to establish, revise, or supplement, as necessary, policies and procedures, including monitoring procedures as described in QC §20.20, *System of Quality Control for A CPA Firm's Accounting and Auditing Practice*, to provide the Firm with reasonable assurance that (a) personnel perform all internal training and tests associated with such training with integrity; (b) personnel to whom work has been assigned have the degree of technical training and proficiency required in the circumstances; (c) personnel participate in general and industry-specific continuing professional education that enable them to fulfill responsibilities assigned and satisfy applicable continuing professional education requirements of regulatory agencies; and (d) the above-described policies and procedures are suitably designed and are being effectively applied.

2. Within 150 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 Section IV.C.1. 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. Navarro Amper & Co. shall also submit such additional evidence of, and information concerning, compliance as the staff of the Division of Enforcement and Investigations may reasonably request.
3. The Firm understands that the failure to satisfy any provision of Section IV.C. 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

April 10, 2024