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Order Instituting Disciplinary Proceedings, Making Findings, and Imposing Sanctions

In the Matter of Wilfredo Baltazar,

Respondent.

PCAOB Release No. 105-2024-026

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 Wilfredo Baltazar (“Baltazar” or “Respondent”);
- (2) Barring Respondent from being an associated person of a registered public accounting firm;¹ and
- (3) imposing a civil money penalty in the amount of \$10,000 on Respondent.²

The Board is imposing these sanctions on the basis of its findings that Respondent violated PCAOB Rule 3502, *Responsibility Not to Knowingly or Recklessly Contribute to Violations*, by directly and substantially contributing to violations by Navarro Amper & Co. (the “Firm” or “DT Philippines”) of PCAOB rules and quality control standards in connection with the Firm’s internal training program.

¹ Baltazar may file a petition for Board consent to associate with a registered public accounting firm after three years from the date of this Order.

² Based on his conduct, Baltazar’s civil money penalty in this settlement would have been \$50,000. The Board determined to accept Baltazar’s offer of settlement and impose a lower penalty after considering his financial resources.

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.³

III.

On the basis of Respondent’s Offer, the Board finds that:⁴

A. Respondent

1. **Wilfredo Baltazar** was a partner at DT Philippines in the Audit and Assurance group. From June 2009 until May 2021, Baltazar served as the Firm’s National Professional Practice Director (“NPPD”). As the NPPD, Baltazar was responsible for, among other things, promoting Firm audit quality, facilitating audit consultations, and monitoring and managing the compliance by the Firm’s auditors with online training and professional training requirements. At all relevant times, Respondent 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).

³ 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.

⁴ 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, *inter alia*, intentional or knowing conduct, including reckless conduct, that results in a violation of the applicable statutory, regulatory, or professional standard.

B. Other Relevant Entity

2. **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).

C. Summary

3. This matter concerns Baltazar’s direct and substantial contribution to violations of PCAOB rules and quality control standards by DT Philippines.⁵ As described below, Respondent knew, or was reckless in not knowing, that his acts and omissions would directly and substantially contribute to DT Philippines’s violations.

4. 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 Respondent, the Firm’s then-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.

5. Despite Respondent’s quality control-related responsibilities as the NPPD, he shared answers to online training (“e-learning”) and training assessments. On at least six occasions between 2017 and 2019, Respondent, in his capacity as the partner responsible for e-learning compliance, shared the answers to assessments with other partners at the Firm. Further, throughout the relevant period, Respondent knew that answer sharing occurred and took no steps to stop others at the Firm from sharing answers or to report such misconduct. Through these knowing or reckless acts and omissions, Respondent directly and substantially contributed to DT Philippines’s violations of PCAOB rules and quality control standards.

⁵ See *Navarro Amper & Co.*, PCAOB Rel. No. 105-2024-025 (Apr. 10, 2024).

D. DT Philippines’s Violations of PCAOB Rules and Quality Control Standards

i. Applicable PCAOB Rules and Quality Control Standards

6. PCAOB rules require that a registered public accounting firm comply with the Board’s quality control standards,⁶ which provide that a registered firm “shall have a system of quality control for its accounting and auditing practice.”⁷

7. 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.”⁸ 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.”⁹ 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.”¹⁰

8. PCAOB quality control standards recognize that “[t]he elements of quality control are interrelated,”¹¹ 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.”¹² Under PCAOB standards, monitoring involves an ongoing consideration and evaluation of, among

⁶ See PCAOB Rule 3100, *Compliance with Auditing and Related Professional Practice Standards*; PCAOB Rule 3400T, *Interim Quality Control Standards*.

⁷ QC § 20.01, *System of Quality Control for a CPA Firm’s Accounting and Auditing Practice*.

⁸ QC § 20.09.

⁹ 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*.

¹⁰ QC § 20.13.c; QC § 40.02.c.

¹¹ QC § 20.08.

¹² *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.¹³

ii. Training Requirements

9. As part of DT Philippines's personnel management systems, the Firm administers internal training programs for its audit 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.

10. 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 Appropriate Quality Control Policies and Procedures Related to Integrity and Personnel Management

11. 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 Respondent, who had responsibility as the NPPD for overseeing Firm personnel's compliance with e-learnings and trainings.

12. During the relevant time period, Respondent 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.

13. Respondent 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,

¹³ See QC § 20.20.c-d; QC § 30.02.c-d.

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

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

15. 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.

16. 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.

17. As illustrated by the misconduct described above, from at least 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.¹⁴

E. Respondent at Least Recklessly, and Directly and Substantially, Contributed to the Firm’s Violations of PCAOB Rules and Quality Control Standards

18. PCAOB Rule 3502 provides 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 Rules of the Board . . . or professional standards.”

¹⁴ See QC § 20.09, .13.b-c, .20; QC § 30.02; and QC § 40.02.b-c.

19. Respondent violated PCAOB Rule 3502 because he knew, or recklessly did not know, that his actions and omissions would directly and substantially contribute to the Firm's violations described above. As the NPPD, Respondent had responsibility for Firm personnel's compliance with the Firm's e-learning and trainings. When Respondent recognized that Firm personnel's compliance rates had fallen, he began sharing answers to exams.

20. As described above, Respondent shared answers with the Firm's audit partners on at least six occasions from 2017-2019. Additionally, he was aware that others at the Firm were involved in improper answer sharing. Respondent failed to put a stop to or report that misconduct during the relevant period, despite his responsibilities for personnel management and promoting an ethical culture at the Firm.

21. Instead, as the Firm's NPPD in charge of Firm training, Respondent created and fostered an environment in which it was acceptable to share answers and use shared answers on e-learning and training tests.

22. Respondent directly and substantially contributed to the Firm's failure to provide reasonable assurance that its personnel, including its partners, acted with integrity by facilitating answer sharing at the Firm, including by personally sharing answers with the Firm's partners.

23. Further, by sharing answers with the Firm's audit partners to use on required e-learning and trainings, and creating and fostering an environment in which others at the Firm also improperly shared or used answers, Respondent directly and substantially contributed to the Firm's failure to provide reasonable assurance that its personnel: (1) had the degree of technical training and proficiency required in the circumstances; and (2) participated in general and industry-specific continuing professional education that enabled them to fulfill responsibilities assigned and satisfy applicable continuing professional education requirements of relevant professional bodies.

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), Wilfredo Baltazar is hereby censured;
- B. Pursuant to Section 105(c)(4)(B) of the Act and PCAOB Rule 5300(a)(2), Wilfredo Baltazar 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);¹⁵
- C. After three years from the date of this Order, Wilfredo Baltazar may file a petition, pursuant to PCAOB Rule 5302(b), for Board consent to associate with a registered public accounting firm;
- D. Pursuant to Section 105(c)(4)(D) of the Act and PCAOB Rule 5300(a)(4), a civil money penalty in the amount of \$10,000 is imposed on Wilfredo Baltazar.
 - 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: Respondent shall pay \$5,000 within ten (10) days of the issuance of this Order and an additional \$5,000 within 30 days of the issuance of this Order. Respondent shall make payment 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 Wilfredo Baltazar 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

¹⁵ As a consequence of the bar, the provisions of Section 105(c)(7)(B) of the Act will apply with respect to Baltazar. 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.”

of the Secretary, Attention: Phoebe W. Brown, Secretary, Public Company Accounting Oversight Board, 1666 K Street, N.W., Washington, D.C. 20006.

3. Respondent understands that his failure to pay the civil money penalty imposed upon him may alone be grounds to deny any petition to terminate a bar pursuant to PCAOB Rule 5302(b).
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. With respect to any civil money penalty amounts that Respondent shall pay pursuant to this Order, Baltazar 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.
6. Respondent acknowledges that the determination to accept his Offer is contingent upon the accuracy and completeness of the financial information he provided to the PCAOB Division of Enforcement and Investigations ("Division"). Baltazar also acknowledges that, if at any time following this settlement, the Division obtains information indicating that any financial information provided by him—including, but not limited to, any information concerning assets, income, liabilities, or net worth—was fraudulent, misleading, inaccurate, or incomplete in any material respect as of the time such information was provided, then at any time following entry of this Order (1) the Board may institute a disciplinary proceeding for noncooperation with an investigation under PCAOB Rule 5110 and/or (2) the Division may petition the Board to (a) reopen this matter to consider whether Baltazar provided accurate and complete financial information at the time such information was provided to the Division; and (b) seek an order directing payment of the maximum civil money penalty allowable under the law or any lesser amount determined to be appropriate. No other issue shall be considered in connection with this petition other than

whether the financial information provided by Baltazar was fraudulent, misleading, inaccurate, or incomplete in any material respect; and, if so, whether a civil money penalty should be ordered up to the maximum civil money penalty allowable under the law. Baltazar may not, by way of defense to any such petition: (i) contest the findings in this Order; (ii) assert that payment of a civil money penalty should not be ordered; (iii) contend that the amount of the civil money penalty to be ordered should be less than \$50,000, which is specified herein as the amount the penalties would have been, based on Baltazar's conduct and without consideration of his financial resources; or (iv) put forward any other contention or assert any defense to liability or remedy, including, but not limited to, any defense based on statute of limitations or any other time-related defense, other than to contend (a) that Baltazar did not provide financial information that was fraudulent, misleading, inaccurate, or incomplete in any material respect, or (b) that a civil money penalty should not be ordered in an amount higher than \$50,000.

ISSUED BY THE BOARD.

/s/ Phoebe W. Brown

Phoebe W. Brown
Secretary

April 10, 2024