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Order Making Findings and Imposing Sanctions

In the Matter of Gabriel Jaime López Díez,

Respondent.

PCAOB Release No. 105-2025-004

February 11, 2025

By this Order Making Findings and Imposing Sanctions ("Order"), the Public Company Accounting Oversight Board ("Board" or "PCAOB") is:

(1) censuring Gabriel Jaime López Díez ("López" or "Respondent");

(2) barring López from being associated with a registered public accounting firm;[1] and

(3) imposing a $75,000 civil money penalty on López.

The Board is imposing these sanctions on the basis of its findings that Respondent violated PCAOB rules and standards in connection with the integrated audit of the December 31, 2016 financial statements and internal control over financial reporting ("ICFR") of Bancolombia S.A. ("Bancolombia" or the "Bank").

I.

On September 29, 2023, the Board instituted disciplinary proceedings pursuant to Section 105(c) of the Act and PCAOB Rule 5200(a)(1) against Respondent. The Board determined, under Section 105(c)(2) of the Act and PCAOB Rule 5203, that good cause was shown to make the hearing in this proceeding public, and the Division of Enforcement and Investigations consented to making the hearing public. As permitted by Section 105(c)(2) of the Act and PCAOB Rule 5203, Respondent did not consent to make the hearing in this proceeding public.

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

II.

In response to these proceedings, and pursuant to PCAOB Rule 5205, Respondent has submitted an Offer of Settlement ("Offer") that the Board has determined to accept. Solely for purposes of this proceeding 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 to the Board's jurisdiction over Respondent and the subject matter of these proceedings, which is admitted, Respondent consents to entry of this Order as set forth below.[2]

III.

On the basis of Respondent's Offer, the Board finds that:[3]

A. Respondent

1. **Gabriel Jaime López Díez** was a partner in the Medellín, Colombia office of Deloitte & Touche S.A.S. ("DT Colombia" or the "Firm") until his retirement in 2021. At all relevant times, he 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). López served as the engagement partner on the Firm's integrated audit of the December 31, 2016 financial statements and ICFR of Bancolombia (the "2016 Audit").

B. Relevant Entities and Individuals

2. **Deloitte & Touche S.A.S.** is, and at all relevant times was, a limited liability corporation organized under Colombian law and headquartered in Bogotá, Colombia. The Firm is licensed in Colombia by the Junta Central de Contadores, part of the Colombian Ministry of Commerce, Industry and Tourism, and a member of the Deloitte Touche Tohmatsu Limited ("Deloitte Global") network. The Firm is, and at all relevant times was, registered with the Board pursuant to Section 102 of the Act and PCAOB rules.[4]

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[2] 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.

[3] 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: (a) intentional or knowing conduct, including reckless conduct, that results in a violation of the applicable statutory, regulatory, or professional standard; or (b) repeated instances of negligent conduct, each resulting in a violation of the applicable statutory, regulatory, or professional standard.

[4] On January 31, 2023, the Firm filed a Form 4, *Succeeding to the Registration Status of Predecessor*, with the Board, disclosing that the Firm's form of organization had changed to a simplified

3. **Bancolombia S.A.** is a financial institution based in Medellín, Colombia. According to its public filings, Bancolombia provides a wide range of financial products and services to a diversified individual, corporate, and government customer base throughout Colombia, Latin America, and the Caribbean region. At all relevant times, Bancolombia was an "issuer" as that term is defined by Section 2(a)(7) of the Act and PCAOB Rule 1001(i)(iii).

C. Summary

4. This matter concerns López's violations of PCAOB rules and standards as the engagement partner on the 2016 Audit. Specifically, López, then a partner with DT Colombia, failed to obtain sufficient appropriate audit evidence before authorizing the issuance of the Firm's unqualified audit opinions on Bancolombia's December 31, 2016 financial statements and ICFR. López's failures during the 2016 Audit included inadequate testing of revenue, interest expenses, fair value of the Bank's loans, derivatives, and the Bank's internal controls.

5. López and the engagement team also improperly altered audit documentation prior to the documentation completion date,[5] and, in several instances, performed audit procedures or obtained supporting audit evidence after issuance of the audit opinions on May 1, 2017, in violation of PCAOB standards. During that period, López and the engagement team tracked changes to the work papers after issuance in a log, referred to by the engagement team as the "Bitácora," that was maintained outside of the 2016 Audit file. Although the number of entries in the Bitácora exceeded 1,000 by May 30, 2017, López and his team deleted nearly all of the entries by May 31, 2017, including many entries that reflected additional work performed after issuance, when they were finalizing the 2016 Audit file for retention. This final version of the Bitácora, which included just ten entries that López had classified as "omitted procedures" performed after issuance, was then added to the final 2016 Audit file.

6. As the engagement partner, López also failed to properly supervise the 2016 Audit to ensure that the engagement team's work was appropriately performed and documented, the objectives of the procedures were achieved, and the results of the work supported the conclusions reached in accordance with PCAOB standards.

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joint stock corporation, and that Deloitte & Touche S.A.S. had succeeded to the registration of Deloitte & Touche Ltda.

5 *See* AS 1215.15, *Audit Documentation* (providing a period of 45 days from the report release date for the auditor to assemble for retention a complete and final set of audit documentation).

D. López Violated PCAOB Rules and Auditing Standards

7. PCAOB rules require that associated persons of registered public accounting firms comply with applicable auditing and related professional practice standards.[6] 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 the auditor has formed an opinion that the financial statements present fairly, in all material respects, an entity's financial position, results of operations, and cash flows in conformity with generally accepted accounting principles.[7] Among other things, PCAOB standards require an auditor to exercise due professional care and professional skepticism in performing an audit and preparing an auditor's report.[8]

8. When an auditor is engaged to perform an audit of management's assessment of the effectiveness of ICFR, the audit of ICFR should be integrated with the audit of the financial statements.[9] The objectives of the audits are not identical, however, and the auditor must plan and perform the work to achieve the objectives of both audits.[10]

9. As described below, López violated these and other PCAOB auditing standards in performing the 2016 Audit.

i. Background

10. In March 2016, DT Colombia was appointed as Bancolombia's independent auditor beginning with the year ended December 31, 2016. The 2016 Audit involved an engagement team of over one hundred people, staffed by personnel from the Firm and several Deloitte Global member firms. López and the engagement team also received consulting advice from (a) the Deloitte Americas Center of Excellence ("ACOE"), (b) capital market specialists, and (c) the Firm's National Professional Practice Director and his team.

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6 *See* PCAOB Rule 3100, *Compliance with Auditing and Related Professional Practice Standards*; PCAOB Rule 3200, *Auditing Standards*. 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 2016 Audit discussed herein.

7 *See* AS 3101.07, *Reports on Audited Financial Statements*.

8 *See* AS 1015.01 and .07, *Due Professional Care in the Performance of Work*.

9 *See* AS 2201.06, *An Audit of Internal Control Over Financial Reporting That Is Integrated with An Audit of Financial Statements*.

10 *See id.*

11. DT Colombia remained Bancolombia's independent auditor for the year ended December 31, 2017. Following the 2016 Audit, however, DT Colombia replaced López as the engagement partner.

ii. López Failed to Complete All Necessary Auditing Procedures and Obtain Sufficient Evidence Prior to Issuance of the 2016 Audit Reports

12. PCAOB standards require that an auditor plan and perform the audit to obtain sufficient appropriate audit evidence to provide a reasonable basis for his or her opinion.[11] Prior to the report release date, an auditor must have completed all necessary auditing procedures and obtained sufficient evidence to support the representations in the auditor's report.[12] PCAOB standards further require that an auditor evaluate the results of the audit to determine whether the audit evidence obtained is sufficient and appropriate to support the opinion to be expressed in the auditor's report.[13]

13. PCAOB standards also require the engagement partner to properly supervise and review the work of the engagement team members and be responsible for compliance with PCAOB standards.[14]

14. As discussed below, López failed to ensure that the engagement team completed and appropriately documented certain necessary procedures prior to authorizing issuance of DT Colombia's audit reports on Bancolombia's December 31, 2016 financial statements and ICFR (the "2016 Audit Reports"). Instead, López and the engagement team continued to perform audit procedures and obtain audit evidence after the issuance of the 2016 Audit Reports in violation of PCAOB standards.

a. Revenue

15. Bancolombia reported total net operating income of $3.6 billion for the year ended December 31, 2016.[15] During that period, the Bank recognized $1.1 billion in revenue from fees and commission income and $495.6 million from other operating income.

16. López violated PCAOB standards by failing, prior to the issuance of the 2016 Audit Reports, to ensure the engagement team tested certain material categories of revenue,

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11 *See* AS 1105.04, *Audit Evidence*.

12 *See* AS 1215.15.

13 *See* AS 2810.33-.35, *Evaluating Audit Results*.

14 *See* AS 1201.03, .05, *Supervision of the Audit Engagement*.

15 Amounts originally in Colombian pesos have been converted to U.S. dollars at the exchange rate provided by Bancolombia in its 2016 Form 20-F.

totaling approximately $548 million. These failures encompassed commission income related to credit cards, totaling approximately $203 million, and "other income," totaling approximately $345 million, which were both well in excess of the $70.4 million planning materiality level that López and his team established for the 2016 Audit.

17. López and the engagement team planned to perform substantive audit procedures over these material account balances as part of the 2016 Audit, but failed to do so prior to issuance of the 2016 Audit Reports. Moreover, the failures occurred despite López being put on notice by ACOE comments in April 2017 that he and the engagement team still needed to analyze these accounts to see if they exceed materiality.

18. Two weeks after issuing the 2016 Audit Reports, López received an email from an engagement team member indicating that the additional balances had not been subject to substantive testing. Shortly thereafter, the engagement team performed the planned procedures to test these balances, including emailing the client with sample selections and requesting supporting evidence. López and the engagement team documented that this work was performed after issuance in the final Bitácora and final 2016 Audit file.

19. By failing to ensure that the engagement team tested these material categories of revenue prior to issuance, López violated PCAOB supervision standards and failed to obtain sufficient and appropriate audit evidence to support the opinions in the 2016 Audit Reports.[16]

b. Interest Expenses

20. Bancolombia reported approximately $2 billion in interest expenses for the year ended December 31, 2016. López and the engagement team failed to perform certain necessary audit procedures on these interest expenses prior to issuance, in violation of PCAOB standards.[17]

21. For the majority of interest expenses, López and the engagement team planned to perform substantive analytical procedures using a Deloitte-developed regression analysis tool known as "STAR." More than two weeks after issuance of the 2016 Audit Reports, however, the engagement team identified an error in the interest rates used and re-ran the STAR tests for certificates of deposit ("CDTs"). Under PCAOB standards, an auditor performing substantive analytical procedures needs to evaluate significant unexpected differences,[18] but, because the test was re-run with corrected interest rates after issuance, any potential deviations from the engagement team's expectations were not appropriately evaluated prior to

[16] *See* AS 1105.04, AS 1201.05, AS 1215.09, .15, and AS 2810.33-.35.

[17] *See* AS 1105.04, AS 1215.15, and AS 2810.33-.35.

[18] *See* AS 2305.21, *Substantive Analytical Procedures*.

issuance of the 2016 Audit Reports. The changes made to the STAR testing for interest expenses after issuance were incorporated into the final version of the 2016 Audit work papers, but the preparer and reviewer signoffs for the relevant work paper were not updated to reflect when this work was actually performed.

22. Without López's adequate supervision, the engagement team also performed other significant work on interest expense after issuance. Specifically, with respect to savings accounts, which totaled approximately $295 million, López and the engagement team planned to obtain supporting evidence to confirm the completeness and accuracy of the Bank's reports for those savings accounts. The engagement team requested information from the client prior to issuance, but failed to obtain the supporting audit evidence until after issuance. Specifically, two days after issuance of the 2016 Audit Reports, a member of the engagement team emailed the client, again requesting that the client provide them with the "detailed report 441" for savings accounts that would support the team's sample selections. The same email also asked for screenshots showing how the client obtained the reports for savings accounts. The post-issuance audit evidence, including screenshots, sample selections, and copies of the reports, was included in the final 2016 Audit file; however, the preparer and reviewer signoffs for the relevant work paper were not updated to reflect when this work was performed.

23. López reviewed versions of the Bitácora indicating that that work had been performed and evidence had been added for interest expenses after issuance. However, he failed to ensure that this additional work was performed and documented properly, that signoffs were accurately dated, and that the results of the work supported the engagement team's conclusions.[19] López and the engagement team subsequently removed all references to the post-issuance work around interest expense from the final Bitácora archived in the 2016 Audit file.

c. Fair Value of Bancolombia's Loan Portfolio

24. Bancolombia disclosed the fair value of its financial assets and liabilities, including loans, in the footnotes of its December 31, 2016 financial statements as part of its Form 20-F. As disclosed, Bancolombia's loan portfolio was material, representing approximately $46.8 billion and constituting approximately 89% of the fair value of its total assets.

25. During the 2016 Audit, López and the engagement team planned to test the fair value of Bancolombia's loan portfolio, by, among other things (a) reconciling the loan portfolio fair value balances with the notes to the consolidated financial statements; and (b) obtaining an understanding of the methodology Bancolombia used to calculate the fair value of the loan

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[19] *See* AS 1201.03 and .05.

portfolio. As part of the latter, López and the engagement team also planned to perform a walkthrough of the internal valuation process for a sample of selected loans.

26. López used Firm fair value specialists to help recalculate the fair value of the loan portfolio, validate the discount rates used in the projections, and recalculate the fair value of the sample of selected loans. López was required to test, or have his engagement team test, the accuracy and completeness of the data produced by Bancolombia and used by the specialist to calculate the loan portfolio fair value balance.[20]

27. Again, however, neither López nor the engagement team completed all of the planned procedures for fair value testing of the loan portfolio until after the issuance of the 2016 Audit Reports. Less than 48 hours after the 2016 Audit Reports were issued, a member of the engagement team emailed the client about planned walkthroughs, including the fair value testing environment, acknowledging that there were pending tests as of issuance:

> *We appreciate your prompt help with the fair value testing environment, we expect to obtain results this week to be able to conclude on our audit procedures and we only have this review pending.*

28. Work in this area continued throughout May 2017. For example, on May 12, 2017, the engagement team again reached out to the client about the pending test results:

> *We are pending this request, due to the date it is already a critical issue and we need to have results no later than Monday, May 15, otherwise it would be presented as noncompliance with our audit schedule and would be raised to the corresponding committees.*

29. Bancolombia personnel agreed to meet with the engagement team on May 15, 2017 to run the necessary tests. Following that meeting, a member of the engagement team emailed the client to ask for evidence of the test that had been performed, including:

> *1. Screenshots of the walkthrough test*
> *2. Source of information for the calculation of the sample of 20 loans*
> *3. Results obtained from the test environment*

30. Two days later, another engagement team member sent the client two more emails: the first to set up a meeting to discuss any questions DT Colombia's internal fair value specialists might have and the second to ask for Bancolombia's "Updated [Fair Value] Methodology as of December 31, 2016" and the "Base input for the projections in Excel." After

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20 *See* AS 1201.03 and AS 1105.10.

receiving the information requested in the second email, the engagement team member forwarded this information to the DT Colombia fair value specialists.

31. The performance of these additional procedures is also reflected in the 2016 Audit file. For example, the work paper entitled "23300.06.1 Portfolio Valuation Test" includes a cover tab, which was added after issuance, that listed planned steps under the header of "Procedure" corresponding to the post-issuance work. That same tab included a note, expressly acknowledging that "[t]his procedure was carried out after the date of issuance of the report." In addition, the work paper included screenshots, dated May 16, 2017, that the engagement team used as supporting evidence.

32. By failing to complete, or ensure that the engagement team completed, these necessary procedures before authorizing the issuance of the Audit Reports, López violated PCAOB standards.[21]

33. Unlike in certain other areas, López acknowledged that some of the fair value procedures were completed after issuance of the 2016 Audit Reports by including a description of the post-issuance work in this area in the final Bitácora. However, the description minimized the amount of additional work that had been done, merely stating that "[t]he work of the specialist in the validation of the fair value of the portfolio of note 29 is documented."

d. Bancolombia's Derivative Financial Instruments

34. Bancolombia's derivative assets during 2016 included approximately $105.6 million in forwards, $437.8 million in swaps, and $15.8 million in options. López classified Bancolombia's derivative financial instruments as a significant risk during the 2016 Audit.

35. To test the existence of these derivative financial instruments, López and the engagement team selected a sample of forwards, swaps, and options transactions and performed confirmation procedures. The confirmation response rates were only 27%, 34%, and 4% for each of the respective derivative categories. Despite such low response rates, prior to the issuance of the Audit Reports, neither López nor anyone else on the engagement team performed alternative procedures on the samples for which they did not receive a confirmation response, as required by PCAOB standards.[22]

36. After issuance, engagement team members continued to conduct audit work on Bancolombia's derivative financial instruments. For example, the engagement team performed

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21 *See* AS 1015.01, .07; AS 1105.04, .10; AS 1201.03, .05; AS 1215.15; AS 2810.33-.35.

22 *See* AS 2310.31, *The Confirmation Process* ("When the auditor has not received replies to positive confirmation requests, he or she should apply alternative procedures to the nonresponses to obtain the evidence necessary to reduce audit risk to an acceptably low level.").

and documented alternative procedures on more than 1,000 selections of forwards, swaps, and options after issuance of the 2016 Audit Reports.

37. After issuance, López and the engagement team also tested for the first time certain information provided by Bancolombia related to its derivatives balance. For example, as part of the testing of information provided by the entity under audit ("IPE"), an engagement team member emailed Bancolombia personnel on May 17, 2017 with a list of requests, including a request for "Trading portfolios Swaps, Forward, Futures and Options of December 28, 29 and 30, 2016." That same day, according to the final work papers, the engagement team made its sample selections to test IPE related to Bancolombia's derivatives.

38. López and the engagement team acknowledged in both the relevant work papers and in the description of work in the final Bitácora that they had performed post-issuance work on Bancolombia's derivatives. But again, López failed to describe in the final Bitácora the extent of that work.

39. As a result of this conduct, López violated PCAOB standards related to supervision and the confirmation process, and failed to obtain sufficient appropriate audit evidence with respect to Bancolombia's derivative financial instruments prior to issuance of the 2016 Audit Reports.[23]

e. Bancolombia's ICFR

40. López also failed to adequately supervise the engagement team's audit work on internal controls. In particular, after delegating the control work to two Risk Advisory partners, López failed to adequately supervise their work to ensure that the control testing complied with PCAOB auditing standards.[24] As discussed below, the engagement team failed, on numerous occasions, to properly perform or complete control testing prior to issuance of the 2016 Audit Reports. López's failure to adequately supervise occurred even though he discussed the control work with the two partners and other members of the engagement team, and was aware of ACOE comments identifying problems with the control testing.

41. For example, with respect to two key controls related to mitigating the significant risk associated with Bancolombia's loan portfolio, the engagement team performed additional audit procedures and obtained additional evidence after issuance. As acknowledged in the final Bitácora, for one of the key controls, the engagement team identified and tested after issuance the information used by the company ("IUC") in performing the control. For the

[23] *See* AS 1015.01, .07-.08; AS 1105.04, .10; AS 1201.03, .05; AS 1215.15; AS 2310.31; and AS 2810.33-.35.

[24] *See* AS 1201.03, .05-.06.

other key control, the engagement team identified different control owners after issuance and added the qualifications of those new owners, as well as changed the review procedures performed by the team. Moreover, as of issuance, the control activities section for testing operating effectiveness of the second key control was blank, despite signoffs by a preparer and several reviewers. In addition, for both of the key controls, the engagement team changed the risk addressed by the control and increased the risk associated with the control from “not higher” to “higher” after issuance of the 2016 Audit Reports.

42. López was also aware that the engagement team sought additional audit evidence from the client after issuance to complete the testing of controls in numerous areas, ranging from the Bank’s review of loan applications to its approval of methodologies for loan impairment calculations. For example, López received emails that put him on notice that the engagement team was still seeking information from the client to support this control testing, including one on May 16, 2017 informing him that the IPE for a control related to review of applications for consumer or microcredit loans was pending clarification from the client.

43. With respect to that control, López and the engagement team had failed to obtain necessary evidence supporting the report used in the control prior to issuance of the 2016 Audit Reports. Although the engagement team had obtained the relevant report prior to issuance, neither López nor the team tested its completeness and accuracy as part of testing the control’s operating effectiveness. On the same day that López was informed about the pending clarification, a member of the engagement team emailed Bank personnel, asking for space at the Bank where the team member could “validate the generation of the report of disbursements of consumer and microcredit portfolio that were made from January 1 to December 31, 2016. In order to ensure that the information provided corresponds to that registered in the system.” The final work paper for this control, modified after issuance, documents the performance of an updated work step to test the operating effectiveness, whereby the engagement team “[v]erif[ied] that the information requested is that received by comparing the information requested with the information inserted in the system.”

44. The engagement team also requested other items after issuance to support the control testing, including meeting minutes, screenshots to show the access path for users of certain Bank systems, and information about the users of those systems. López became aware of certain of these post-issuance requests because of contemporaneous emails yet signoffs for these work papers did not reflect when this work was performed, nor did the final Bitácora reflect this additional work.

45. Further, on one occasion, when the engagement team could not obtain the information it sought from Bancolombia, it simply modified one of its conclusions regarding a control after issuance of the 2016 Audit Reports. Specifically, as part of testing a control concerning the operation of the Bank’s risk committee, an engagement team member had asked the client to confirm what was done to verify the completeness and accuracy of the IUC

prior to issuance of the 2016 Audit Reports. The client, however, did not respond until after issuance and, even then, the response did not answer the question. Having not received the information needed, the engagement team member changed the designation of whether the control was dependent on IUC from “yes” to “no” in the work paper. This change appeared in a draft of the Bitácora that López reviewed yet was not included in the final Bitácora.

46. As described above, López failed to adequately supervise the engagement to ensure that this work was appropriately performed and documented prior to issuance.[25] As a result, López failed to obtain sufficient evidence to support DT Colombia’s opinion on Bancolombia’s ICFR as of December 31, 2016.[26]

f. Other Work Performed After Issuance

47. In addition to the work identified above, the engagement team also performed audit procedures and obtained audit evidence after issuance in several other audit areas, and López either participated directly in, or was aware of, the ongoing work after issuance.

48. Specifically, the engagement team made requests to the client after issuance for audit evidence about material journal entries, differences in closing figures for Bancolombia’s loan portfolio, changes to indices used by the Bank for valuing collateral, the information provided by the Bank during the Bank’s guarantees reserve calculation, and management’s calculation and payment of bonuses. In many instances, the engagement team documented the subsequent changes to the relevant work papers in draft versions of the Bitácora that were reviewed by López, but none of the changes were included in the final Bitácora, nor were signoffs updated in the Firm’s audit documentation software to reflect when the work was performed.

49. In other instances, López was directly aware of the incomplete work. For example, the engagement team obtained and summarized in a work paper seven months of meeting minutes received from the client after issuance of the 2016 Audit Reports. The team originally requested the minutes prior to issuance, but the client did not provide the minutes until May 4, 2017. After receiving the minutes, the engagement team summarized the meetings through March 2017 in a work paper entitled “21106 Resumen actas de Comité Posición Propia.” López had signed off as a reviewer of this work paper in February 2017, when the work paper could not have contained all of the summaries necessary to complete the work.

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[25] *See* AS 1201.03, .05, AS 1215.06, .09, .15, and AS 2201.03, .09.

[26] AS 1105.10.

50. As result of this conduct, López violated PCAOB supervision standards and failed to obtain sufficient appropriate audit evidence to support the opinions in the 2016 Audit Reports.[27]

iii. López Failed to Comply with PCAOB Auditing Standards in Other Respects During the 2016 Audit

51. As described above, López and the engagement team performed work after issuance of the 2016 Audit Reports. Even with that post-issuance work, López and the engagement team failed to adequately address numerous violations of PCAOB standards they committed prior to issuance, including with respect to Bancolombia's revenue, interest expenses, and ICFR.

a. Revenue and Interest Expenses

1. The analytical procedures that López primarily relied on to test revenue and interest expenses did not comply with PCAOB standards.

52. During the 2016 Audit, López assessed whether improper revenue recognition for Bancolombia was a fraud risk. Despite PCAOB standards providing that an auditor should presume that there is a fraud risk involving improper revenue recognition,[28] López determined that it was neither a fraud risk nor a significant risk for Bancolombia and, instead, was only a "higher" risk. López also evaluated the risk associated with interest expense as "normal."

53. As a result, López planned to test Bancolombia's 2016 revenue and interest expenses primarily through STAR testing. For revenue, López and the engagement team used STAR testing to evaluate interest income on consumer, microcredit, and mortgage loans, which represented approximately $1.7 billion or 32% of the Bank's revenue for the year ended December 31, 2016. For interest expenses, they used STAR testing to evaluate savings accounts and CDTs, which accounted for approximately $1.29 billion or 64% of the Bank's total interest expenses balance.

54. Analytical procedures are an important part of the audit process when they are properly designed and performed.[29] Analytical procedures consist of evaluations of financial information made by a study of plausible relationships among both financial and nonfinancial

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27 *See* AS 1105.04, AS 1201.05, and AS 1215.09, .15.

28 *See* AS 2110.68, *Identifying and Assessing Risks of Material Misstatement*.

29 *See* AS 2305.02, .10.

data.[30] Before using the results obtained from substantive analytical procedures, the auditor should either test the design and operating effectiveness of controls over financial information used in the substantive analytical procedures or perform other procedures to support the completeness and accuracy of the underlying information.[31] PCAOB standards further require the auditor to evaluate the results of the audit and conclude on whether sufficient appropriate audit evidence has been obtained to support his or her opinion on the financial statements.[32]

55. To perform the STAR testing, López and the engagement team used monthly historical data provided by the Bank. That data included not only amounts from 2016 but also from earlier periods, prior to Bancolombia's engagement of DT Colombia. Neither López nor anyone on the engagement team, however, performed any procedures to support the completeness and accuracy of the data for the periods prior to the Firm's engagement. They failed to do so, despite (a) the total historical monthly revenue and expense data not reflecting the audited consolidated total amounts in prior filings, and (b) the monthly 2015 revenue data differing materially from the revenue amounts in the Bank's general ledger.

56. As a result of using this untested data for substantive analytical procedures, López failed to comply with PCAOB standards with respect to the testing of the Bank's 2016 revenue and interest expenses.[33]

2. López failed to ensure the engagement team properly performed cutoff testing for revenue and interest expenses.

57. Under PCAOB standards, auditors 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.[34]

58. During the 2016 Audit, López planned to perform audit procedures to test Bancolombia's revenue and expenses. Late in the 2016 Audit, ACOE consultants reviewed the relevant work papers and specifically noted the lack of documented cutoff procedures, that is, procedures that address the risk that a portion of the revenue and expenses was not recorded in the correct period. In response, López and the engagement team merely added references in

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30 *See id.* at .02.

31 *See id.* at .16.

32 *See* AS 2810.33-.35.

33 *See* AS 1105.04; AS 2305.16; and AS 2810.33-.35.

34 See AS 2301.08, *The Auditor's Responses to the Risks of Material Misstatement*.

the work papers to other testing that did not appropriately evaluate whether revenue was recognized, or expenses were incurred, in the correct accounting period.

59. As a result, for this reason as well, López failed to comply with PCAOB standards with respect to the testing of the Bank's 2016 revenue and interest expenses.[35]

b. Bancolombia's ICFR

60. Under PCAOB standards, an audit of ICFR should be integrated with the audit of the financial statements.[36] The auditor's objective in an audit of ICFR is to express an opinion on the effectiveness of the company's ICFR.[37] To form a basis for expressing that opinion, the auditor must plan and perform the audit to obtain appropriate evidence that is sufficient to obtain reasonable assurance about whether material weaknesses exist as of the date specified in management's assessment.[38] A material weakness in ICFR may exist even when financial statements are not materially misstated.[39]

61. Pursuant to AS 2201, an auditor must design the test of controls to obtain sufficient evidence to support both the auditor's opinion on ICFR as of year-end, and the auditor's control risk assessments for purposes of the audit of financial statements.[40] As part of this control testing, an auditor must test both the design effectiveness and operating effectiveness of a control.[41] Further, where an auditor has assessed control risk for specific financial statement assertions at less than the maximum during an integrated audit, the auditor is required to obtain evidence that the relevant controls operated effectively during the entire period upon which the auditor plans to place reliance on those controls.[42]

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35 *See* AS 1105.04; AS 2301.08; and AS 2810.33-.35.

36 *See* AS 2201.06.

37 *See id.* at .03.

38 *See id.*

39 *See id.*

40 *See id.* at .07.

41 *See id.* at .42, .44.-.45.

42 *See id.* at .B4; *see also* AS 2301.16 (requiring that, if an auditor plans to assess control risk at less than the maximum by relying on controls, and the nature, timing, and extent of planned substantive procedures are based on that lower assessment, the auditor must obtain evidence that the controls selected for testing are designed effectively and operated effectively during the entire period of reliance); *id.* at .A3 (defining "period of reliance" as the period being covered by the company's financial

62. PCAOB standards also require that an auditor evaluate the severity of each control deficiency that comes to his or her attention to determine whether the deficiencies, individually or in combination, are material weaknesses as of the date of management's assessment.[43] When conducting the evaluation of severity, the auditor also should determine the level of detail and degree of assurance that would satisfy prudent officials in the conduct of their own affairs that they have reasonable assurance that transactions are recorded as necessary to permit the preparation of financial statements in conformity with the applicable financial reporting framework.[44]

63. In violation of PCAOB standards, López and the engagement team failed to test certain controls during the period of reliance and failed to properly evaluate certain control deficiencies prior to issuance of the 2016 Audit Reports.

1. López failed to ensure that the engagement team tested certain controls during the period of reliance.

64. Although DT Colombia was conducting a first-year audit of Bancolombia in 2016, López assessed control risk for most of Bancolombia's financial statement assertions at less than the maximum. As a result, he was required to obtain evidence that the relevant controls were designed effectively and operated effectively during the entire period of reliance being covered by Bancolombia's 2016 financial statements.[45] To support his unqualified ICFR opinion, López also was required to obtain evidence that Bancolombia's controls were effective as of December 31, 2016.[46]

65. To assess whether the relevant controls were designed and operating effectively, López and the engagement team planned to test those controls during calendar year 2016. For many of the relevant controls, however, López failed to perform the planned testing, or cause his engagement team to do so, until well after year-end 2016. These failures encompassed at least six revenue-related controls addressing whether the Bank appropriately controlled access to, and segregated duties with respect to, systems used for loans, interest rates, and creation of credit cards.

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statements, or the portion of that period, for which the auditor plans to rely on controls in order to modify the nature, timing, and extent of planned substantive procedures).

43 *See* AS 2201.62.

44 *See id.* at .70.

45 *See id.* at .B4; AS 2301.16, .A3.

46 *See* AS 2201.B1, .B2.

66. Further, although the engagement team tested the relevant controls after year-end 2016, they also failed to perform procedures to ensure there had been no changes to the controls or the data used in the performance of the controls between December 31, 2016, and when testing occurred. Indeed, after this issue was raised by ACOE, the engagement team deleted the actual dates of testing in some work papers to conceal that the testing had occurred after year-end 2016.

67. As a result, López failed to obtain sufficient evidence that these controls were effective during the period of reliance and as of December 31, 2016, and failed to obtain sufficient evidence to support his assessment of control risk for purposes of the 2016 financial statement audit and DT Colombia's opinion on Bancolombia's ICFR.[47]

2. López failed to adequately evaluate certain control deficiencies prior to issuance.

68. López and the engagement team also failed to adequately evaluate certain control deficiencies identified during the 2016 Audit. For example, the engagement team determined that two revenue-related controls were not operating effectively during 2016. Despite this conclusion, López did not include these deficiencies in the Firm's work paper for aggregating deficiencies because he and the engagement team concluded that the balances of the accounts covered by the controls at year-end were individually below the threshold for clearly trivial errors. PCAOB standards, however, required López to consider the effect of these deficiencies, not only individually, but also in the aggregate with other deficiencies.[48]

iv. López Failed to Comply with PCAOB Audit Documentation Standards During the 2016 Audit

69. PCAOB standards require that an auditor prepare audit documentation in connection with each engagement conducted pursuant to the standards of the PCAOB.[49] This audit documentation should be prepared in sufficient detail to provide a clear understanding of its purpose, source, and the conclusions reached.[50] Audit documentation must also contain sufficient information to enable an experienced auditor, having no previous connection with the engagement, to determine who performed the work and the date such work was completed, as well as who reviewed the work and the date of such review.[51]

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47 AS 1105.10; AS 2201.B1, .B2, and .B4; AS 2301.16.

48 *See* AS 2201.62.

49 *See* AS 1215.04.

50 *See id.*

51 *See id.* at .06.

70. Although an auditor has up to 45 days from the report release date to assemble for retention a complete and final set of audit documentation, PCAOB standards require the auditor to complete all necessary auditing procedures and obtain sufficient evidence to support the representations in the auditor's report prior to the report release date.[52]

71. As discussed above, López and the engagement team performed significant work after issuance of the 2016 Audit Reports, including performing certain audit procedures and obtaining evidence from the client related to, among other areas, revenue, interest expenses, derivatives, fair value testing, and control testing. Other than for the limited procedures identified in the final Bitácora, López and the engagement team failed to document in the 2016 Audit file who performed the post-issuance work and the date such work was completed, as well as who reviewed the work and the date of such review.

72. Additionally, López was informed of an upcoming internal inspection the day after issuing the 2016 Audit Reports. He then shared this information with engagement team members, which resulted in some team members making certain changes to the work papers prior to the internal inspection. These changes included an engagement team member adding new audit evidence to a work paper about understanding the client after learning that the failure to include such information would likely result in an inspection comment. No updates were made to signoffs in the Firm's audit documentation software to reflect when this work was performed.

73. During the audit documentation period, López and the engagement team maintained the Bitácora outside of the 2016 Audit file to track changes made after issuance of the 2016 Audit Report and the table reached over 1,000 entries as of May 30, 2017. A substantial number of entries as of that date reflected significant changes to the descriptions of procedures performed, evidence obtained, or conclusions reached in a particular work paper, including changes reflecting necessary work that should have been completed prior to issuance.

74. The day before archiving the 2016 Audit file, López and his senior manager informed members of ACOE that they were "considering only uploading the Log with the topics considered omitted procedures" and leaving the rest outside of the 2016 Audit file. In response, a member of ACOE responded to the senior manager while copying López, saying "[t]he log must include the changes (more than minor) to the audit file,"[53] and highlighting the relevant portions of Deloitte Global guidance.

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52 *See id.* at .15.

53 Deloitte Global's guidance for its affiliate firms instructed that engagement teams classify changes made during the audit documentation period as either: "minor," "more than minor," or "omitted procedures." According to Deloitte Global's guidance, teams are supposed to document "more than minor changes" that "affect our descriptions of procedures performed, evidence obtained, or

75. Notwithstanding being told to include "more than minor" changes, López and the senior manager deleted over a thousand entries, many of which reflected changes to the descriptions of procedures performed, evidence obtained, or conclusions reached, and only uploaded the entries that were designated as "omitted procedures." No evidence of these other changes was maintained elsewhere in the 2016 Audit file.

76. As a result of the above conduct, López violated PCAOB standards by failing to include in the audit documentation, or causing the engagement team not to include, information sufficient to enable an experienced auditor having no prior connection with the engagement to determine who performed significant portions of the work for the 2016 Audit and the date such work was completed, as well as the person who reviewed the work and the date of such review.[54]

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), Gabriel Jaime López Díez is hereby censured;

B. Pursuant to Section 105(c)(4)(B) of the Act and PCAOB Rule 5300(a)(2), Gabriel Jaime López Díez 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);[55]

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conclusions reached as of the report," and "omitted procedures" that reflect changes that "add documentation for procedures that were not completed or performed at the report release date and that result in our obtaining evidence after the report release date or reaching or modifying conclusions after the report release date."

[54] AS 1215.06.

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

C. Pursuant to PCAOB Rule 5302(b), Gabriel Jaime López Díez may file a petition for Board consent to associate with a registered public accounting firm after two years from the date of this Order;

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 $75,000 is imposed on Gabriel Jaime López Díez.

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 the civil money penalty within ten 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 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 Gabriel Jaime López Díez as a respondent in these proceedings, sets forth the title and PCAOB release number of these proceedings, and states that payment is made pursuant to this Order, a copy of which cover letter and money order or check shall be sent to Office of the Secretary, Attention: Phoebe W. Brown, Secretary, Public Company Accounting Oversight Board, 1666 K Street, N.W., Washington, D.C. 20006.

3. If timely payment is not made, 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. Respondent understands that failure to pay the civil money penalty described above may alone be grounds to deny any petition, pursuant to PCAOB Rule 5302(b), for Board consent to associate with a registered public accounting firm.

ISSUED BY THE BOARD.

/s/ Phoebe W. Brown

Phoebe W. Brown
Secretary

February 11, 2025