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Order Instituting Disciplinary Proceedings, Making Findings, and Imposing Sanctions

In the Matter of Kesselman & Kesselman C.P.A.s,

Respondent.

PCAOB Release No. 105-2025-005

February 25, 2025

By this Order Instituting Disciplinary Proceedings, Making Findings, and Imposing Sanctions (“Order”), the Public Company Accounting Oversight Board (“Board” or “PCAOB”) is:

- (1) censuring Kesselman & Kesselman C.P.A.s (“PwC Israel,” the “Firm,” or “Respondent”);
- (2) imposing a civil money penalty in the amount of \$2,750,000 on PwC Israel; and
- (3) requiring PwC Israel 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 PwC Israel 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:

A. Respondent

1. **PwC Israel** is a public accounting firm headquartered in Tel Aviv, Israel. PwC Israel is a member of the PricewaterhouseCoopers International Limited (“PwC Global”) network. The Firm registered with the Board on July 13, 2004, pursuant to Section 102 of the Act and PCAOB rules. PwC Israel 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 2017 to 2022, PwC Israel 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. Those quality control failures prevented the Firm from identifying that, during the relevant period, hundreds of Firm personnel were involved in improper answer sharing—either by providing access to test questions or answers, or by receiving such access without reporting it—in connection with online tests for mandatory internal training courses.

C. PwC Israel 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,² which provide that a registered firm “shall have a system of quality control for its accounting and auditing practice.”³

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

³ QC § 20.01, *System of Quality Control for a CPA Firm’s Accounting and Auditing Practice*.

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.”⁴ 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.”⁵ 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”⁶

5. PCAOB quality control standards recognize that “[t]he elements of quality control are interrelated,”⁷ 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.”⁸ Under PCAOB standards, monitoring involves an ongoing consideration and evaluation of, among other things, the effectiveness of professional development activities and compliance with the firm’s policies and procedures.⁹

ii. Training Requirements

6. As part of PwC Israel’s personnel management system, the Firm utilizes internal training programs for its personnel. The training programs the Firm uses are designed to serve multiple purposes, including to provide personnel with technical instruction, and to further their professional development. PwC Israel’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. However, the training requirements can vary by a professional’s position, role, and industry practice area.

⁴ QC § 20.09.

⁵ 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*.

⁶ QC § 20.13.c; QC § 40.02.c.

⁷ QC § 20.08.

⁸ *Id.*; QC § 30.02, *Monitoring a CPA Firm’s Accounting and Auditing Practice*; see also QC § 20.20.

⁹ See QC § 20.20.c-d; QC § 30.02.c-d.

7. The internal trainings utilized by PwC Israel 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.

8. PwC Global plays a significant role in the development and deployment of the training programs PwC Israel uses. PwC Global has issued several Global Assurance Quality – Learning & Education standards that PwC Israel, as a member firm of the PwC Global network, is expected to comply with as part of PwC Israel’s system of quality control. To comply with these standards, PwC Israel has elected to use training material provided by PwC Global. With respect to training tests PwC Global provides, PwC Global designs the tests, administers the platform that records test attempts and completions, and maintains certain exam-integrity measures like rotating banks of questions and randomizing the order of answer options.

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

9. From 2017 to 2022, PwC Israel had in place certain quality control policies and procedures intended to address integrity and personnel management. The Firm’s Code of Conduct required that Firm personnel act with integrity generally, but had no specific prohibition against answer sharing on training tests. The Firm separately communicated specific warnings against improper answer sharing on training tests, but those communications were either limited in distribution or quite recent. For example, in June 2019, the Firm sent a communication only to all of the Firm’s assurance partners, bringing to their attention a recent fine imposed on a U.S. accounting firm due, in part, to answer sharing on internal training exams, and warning against such activity. Nearly three years later, in April 2022, the Firm sent a communication to all Firm personnel, bringing to their attention another fine imposed on another PwC Global network firm due to answer sharing on internal training exams.

10. As described below, these policies and procedures were inadequate to prevent or detect the extensive improper answer sharing on training tests that occurred among PwC Israel personnel over multiple years.

iv. Widespread Sharing of Answers to Internal Training Tests at PwC Israel

11. From at least 2017 to 2022, hundreds of PwC Israel personnel provided or obtained access to questions and answers for training tests in an unauthorized manner. Firm personnel did so primarily through email with PwC Israel colleagues. Firm personnel engaged in improper answer sharing in connection with tests for an array of trainings concerning, among other subjects, professional independence, PCAOB audit requirements, and professional ethics and compliance. During this time period, no one reported this misconduct to appropriate parties within the Firm until one employee spoke up in October 2022—three months after PCAOB investigators had sent the Firm an information request inquiring about, among other

things, any occurrences of improper answer sharing at the Firm. Shortly after this whistleblower's report, the Firm disclosed it to the PCAOB investigators and began investigating.

12. As illustrated by the misconduct described above, from 2017 to 2022, PwC Israel failed to establish and implement policies and procedures, including monitoring procedures, to provide the Firm with reasonable assurance that (1) PwC Israel personnel performed all professional responsibilities with integrity; (2) PwC Israel personnel to whom work was assigned had the degree of technical training and proficiency required in the circumstances; and (3) PwC Israel personnel participated in general and industry-specific continuing professional education that enabled them to fulfill responsibilities assigned. Accordingly, the Firm violated PCAOB quality control standards related to integrity and personnel management.¹⁰

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 its response to the discovery of improper answer sharing on internal trainings. Specifically, the Firm provided substantial assistance to the PCAOB's investigation by conducting, and providing to the PCAOB the results of, its internal investigation, including information relating to the Firm's interviews of personnel whom 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 transitioned to classroom assessments with proctors rather than online assessments; implemented an annual confirmation for personnel to certify that they have complied with the Firm's policies, which now include a ban on improper answer sharing; began issuing warnings to new employees that answer sharing is prohibited; and disciplined Firm personnel who engaged 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:

¹⁰ See QC §§ 20.09, .13.b-.c, .20; QC § 30.02; and QC § 40.02.b-.c.

- A. Pursuant to Section 105(c)(4)(E) of the Act and PCAOB Rule 5300(a)(5), Kesselman & Kesselman C.P.A.s 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 \$2,750,000 is imposed on Kesselman & Kesselman C.P.A.s.
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. Kesselman & Kesselman C.P.A.s shall pay this civil money penalty within fifteen (15) 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 Kesselman & Kesselman C.P.A.s 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. 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. Kesselman & Kesselman C.P.A.s 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), Kesselman & Kesselman C.P.A.s 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 (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. Kesselman & Kesselman C.P.A.s 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

February 25, 2025