PCAOB
PUBLIC COMPANY ACCOUNTING OVERSIGHT BOARD

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Order Instituting Disciplinary Proceedings, Making Findings, and Imposing Sanctions

In the Matter of KPMG Cárdenas Dosal, S.C.,

Respondent.

PCAOB Release No. 105-2025-013

March 11, 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 KPMG Cárdenas Dosal, S.C. ("KPMG Mexico," the "Firm," or "Respondent");

(2) imposing a civil money penalty in the amount of $275,000 upon the Firm; and

(3) requiring the Firm to undertake certain remedial actions as described in Section IV of this Order.

The Board is imposing these sanctions on the basis of its findings that, between 2020 and 2023, the Firm: (a) filed 10 inaccurate Form APs in connection with its audits of five different issuer clients, in violation of PCAOB Rule 3211(a), *Auditor Reporting of Certain Audit Participants*; and (b) violated PCAOB quality control standards.

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 (the "Act"), and PCAOB Rule 5200(a)(1) against Respondent.

II.

In anticipation of the institution of these proceedings, and pursuant to PCAOB Rule 5205, KPMG Mexico has submitted an Offer of Settlement ("Offer") that the Board has determined to accept. Solely for purposes of these proceedings and any other proceedings brought by or on behalf of the Board, or to which the Board is a party, and without admitting or denying the findings herein, except as to the Board's jurisdiction over Respondent and the subject matter of these proceedings, which is admitted, Respondent consents to the entry of this Order as set forth below.[1]

III.

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

A. Respondent

1. **KPMG Cárdenas Dosal, S.C.** is a public accounting firm headquartered in Mexico City, Mexico. It is a member firm of the KPMG International Limited network of firms ("KPMG International"). At all relevant times, KPMG Mexico was registered with the Board pursuant to Section 102 of the Act and PCAOB rules. During the period covered by this Order, the Firm reported that it annually served as the principal auditor for between four and five issuer clients.

B. Issuers

2. **Cemex, S.A.B. de C.V.** ("Cemex") is headquartered in Monterrey, Mexico. Its public filings disclose that it is a producer and distributor of cement, ready-mix concrete, and other construction materials. KPMG Mexico issued audit reports that Cemex included in its Form 20-Fs filed with the U.S. Securities and Exchange Commission ("Commission") for fiscal years ended December 31, 2019 and 2020.

3. **Controladora Vuela Compañía de Aviación, S.A.B. de C.V.** ("Controladora") is headquartered in Mexico City, Mexico. Its public filings disclose that it provides aviation services. KPMG Mexico issued an audit report that Controladora included in its Form 20-F filed with the Commission for the fiscal year ended December 31, 2021 (the "Controladora Audit").

4. **Grupo Aeroportuario del Pacífico, S.A.B. de C.V.** ("Aeroportuario") is headquartered in Guadalajara, Mexico. Its public filings disclose that it operates multiple airports within Mexico and Jamaica. KPMG Mexico issued audit reports that Aeroportuario included in its Form 20-Fs filed with the Commission for fiscal years ended December 31, 2019, 2020, and 2021 (the "Aeroportuario Audits").

5. **Grupo Televisa, S.A.B.** ("Televisa") is headquartered in Mexico City, Mexico. Its public filings disclose that it is a media company and cable, satellite, and broadband operator. KPMG Mexico issued audit reports that Televisa included in its Form 20-Fs filed with the Commission for fiscal years ended December 31, 2019, and 2021 (the "Televisa Audits").

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[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.

6. **Petróleos Mexicanos** ("Petróleos") is headquartered in Mexico City, Mexico. Its public filings disclose that it is a crude oil and natural gas company. KPMG Mexico issued audit reports that Petróleos included in its Form 20-Fs filed with the Commission for fiscal years ended December 31, 2020, and 2021 (the "Petróleos Audits").

7. Each of the entities identified in paragraphs 2 through 6 was, at all relevant times, an "issuer" as that term is defined in Section 2(a)(7) of the Act and PCAOB Rule 1001(i)(iii).

C. Summary

8. This matter concerns KPMG Mexico's violations of PCAOB rules and standards in connection with its reporting on the participation of other accounting firms in issuer audits. Specifically, KPMG Mexico filed 10 inaccurate Form APs from 2020 through 2022 in connection with 10 audits of five different issuers, in violation of PCAOB Rule 3211(a).

9. In addition, between 2020 and 2023, KPMG Mexico violated PCAOB quality control standards related to engagement performance by failing to establish appropriate policies and procedures, including monitoring procedures, to provide reasonable assurance that the Firm's audit professionals would accurately identify in required Form AP filings the accounting firms that participated in KPMG Mexico audits and their percentage of participation.

D. KPMG Mexico Filed 10 Inaccurate Form APs in Violation of PCAOB Rule 3211(a)

10. PCAOB Rule 3211 provides that each registered public accounting firm must provide information about engagement partners and other accounting firms that participate in audits of issuers by filing a Form AP, *Auditor Reporting of Certain Audit Participants*, for each audit report issued by the firm for an issuer.[2]

11. PCAOB Rule 3211(a) provides that, "[f]or each audit report it issues for an issuer, a registered public accounting firm must file with the Board a report on Form AP in accordance with the instructions to that form."

12. The instructions to Item 4.1 of Form AP "Part IV - Responsibility for the *Audit* Is Not Divided" require that an auditor who uses an "other accounting firm"[3] that incurs more

[2] Form APs must be filed by the 35th day after the date the audit report is first included in a document filed with Commission, *see* PCAOB Rule 3211(b)(1), subject to a shorter filing deadline that applies when the audit report is first included in a registration statement filed under the Securities Act of 1933, as amended, *see* PCAOB Rule 3211(b)(2).

[3] *See* General Instruction No. 2 of Form AP ("'[O]ther accounting firm' means (i) a *registered public accounting firm* other than the Firm; or (ii) any other *person* or entity that opines on the compliance of any entity's financial statements with an applicable financial reporting framework").

than 5% of the total audit hours "[s]tate the legal name of *other accounting firms* and the extent of participation in the *audit*" in its Form AP.[4]

13. The instructions to Item 4.2 of Form AP "Part IV – Responsibility for the *Audit* Is Not Divided" require that an auditor "[s]tate the number of *other accounting firm(s)* individually representing less than 5% of total *audit* hours" and "[i]ndicate the aggregate percentage of participation" by those other accounting firms.[5]

14. Form AP Item 3.2 notes that an other accounting firm participated in the audit if "the Firm assume[d] responsibility for the work and report of the *other accounting firm* as described in . . . AS 1205, *Part of the Audit Performed by Other Independent Auditors*," or "the *other accounting firm* or any of its principals or professional employees was subject to supervision under AS 1201, *Supervision of the Audit Engagement.*"[6]

15. For 10 audits across five different issuers with fiscal years ending in 2019 through 2021, KPMG Mexico filed Form APs that failed to accurately report information concerning other accounting firm participants in the audits.[7] In particular, the Firm failed to file accurate Form APs in connection with the following:

- the Firm's use of an other accounting firm to review and evaluate the Firm's critical audit matters ("CAMs");
- the Firm's use of an other accounting firm through that firm's professional practice personnel; and
- the Firm's use and reporting of component auditors.

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[4] In the adopting release for PCAOB Rule 3211, the Board explained that information provided on Form AP was "intended to help investors understand how much of the audit was performed by the accounting firm signing the auditor's report and how much was performed by other accounting firms," and allow investors to "research publicly available information about the firms identified in the form, such as whether a participating firm is registered with the PCAOB, whether it has been inspected and, if so, what the results were and whether it has any publicly available disciplinary history." *See Improving the Transparency of Audits: Rules to Require Disclosure of Certain Audit Participants on a New PCAOB Form and Related Amendments to Auditing Standards*, PCAOB Rel. No. 2015-008, at 4 (Dec. 15, 2015).

[5] *See* Item 4.2 and Part IV of Form AP.

[6] *See* Note to Item 3.2 of Form AP.

[7] Each of the other accounting firm participants in the Order meets the definition of an "other accounting firm" requiring reporting on Form AP in accordance with the instructions of Form AP. *See* Rule 3211(a) and *supra* note 3.

i. Audits Using a "CAM Hub"

16. In connection with preparing an audit report, "[t]he auditor must determine whether there are any [CAMs] in the audit of the current period's financial statements."[8] A CAM is "any matter arising from the audit of the financial statements that was communicated or required to be communicated to the audit committee and that: (1) relates to accounts or disclosures that are material to the financial statements and (2) involved especially challenging, subjective, or complex auditor judgment."[9]

17. During the relevant audits, guidance followed by KPMG Mexico required that another, specifically-designated KPMG International member firm review and evaluate certain CAMs that would be communicated in the auditor's report prior to the issuance of the report. KPMG Mexico referred to that designated member firm as a "CAM Hub."

18. During the relevant audits, another KPMG International member firm in Brazil (the "Brazil Firm") served as the CAM Hub for KPMG Mexico, and KPMG Mexico used that firm to review and evaluate the CAM determinations that KPMG Mexico would communicate in its auditor's reports. As a result, the Brazil Firm participated in the following five audits ("CAM Hub Reviews"):

Issuer	**Fiscal Year(s)**
Aeroportuario	2020
Cemex	2020
Controladora	2021
Petróleos	2020, 2021

19. Following each of the CAM Hub Reviews, KPMG Mexico filed a Form AP. Despite utilizing the work of the Brazil Firm in each of the CAM Hub Reviews, KPMG Mexico failed to report the participation of the Brazil Firm in its Form AP filings.

20. Accordingly, KPMG Mexico violated PCAOB Rule 3211(a) in connection with Form APs filed for the CAM Hub Reviews.

21. On January 25, 2024, KPMG Mexico filed amended Form APs—one for each of the CAM Hub Reviews —to report the Brazil Firm's participation as an other accounting firm representing less than 5% of total audit hours.

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8 AS 3101.11, *The Auditor's Report on an Audit of Financial Statements When the Auditor Expresses an Unqualified Opinion*.

9 *Id.*

ii. Audits Using Department of Professional Practice

22. KPMG Mexico utilized the work of an other accounting firm through its Department of Professional Practice (the "DPP Firm") in connection with the Aeroportuario Audits, the Controladora Audit, and the Televisa Audits (collectively, the "Audits Using DPP"). In particular, KPMG Mexico, during the Audits Using DPP, consulted with the DPP Firm on technical accounting and audit topics, including, but not limited to, foreign currency translation, consolidation, and ICFR-related matters. The DPP Firm thereby participated in the Audits Using DPP.

23. Following each of the Audits Using DPP, KPMG Mexico filed a Form AP. Despite utilizing the work of the DPP Firm in each of the Audits Using DPP, KPMG Mexico failed to report the participation of the DPP Firm in those audits in its Form AP filings.

24. Accordingly, KPMG Mexico violated PCAOB Rule 3211(a) in connection with each of the Audits Using DPP.

25. On January 25, 2024, KPMG Mexico filed amended Form APs—one for each of the Audits Using DPP —to report the participation of the DPP Firm as an other accounting firm representing less than 5% of total audit hours.

iii. Audit Using Component Auditors

26. In connection with KPMG Mexico's audit of Cemex's 2019 financial statements (the "2019 Cemex Audit"), KPMG Mexico utilized audit work performed by other KPMG International member firms (generally, "Component Auditors").

27. In particular, KPMG Mexico engaged multiple other KPMG International member firms as Component Auditors to perform various audit procedures. KPMG Mexico was aware that one of those Component Auditors, in turn, utilized the professional staff of another accounting firm to perform certain audit procedures requested by KPMG Mexico. By performing the requested procedures, the Component Auditors and other accounting firm participated in the 2019 Cemex Audit.

28. Following the 2019 Cemex Audit, KPMG Mexico filed a Form AP but failed to report the participation of the other accounting firms in the 2019 Cemex Audit in its Form AP.

29. Accordingly, KPMG Mexico violated PCAOB Rule 3211(a) in connection with its Form AP for the 2019 Cemex Audit.

30. Following reevaluation of its Form AP reporting for the 2019 Cemex Audit, on January 25, 2024, KPMG Mexico filed an amended Form AP for the 2019 Cemex Audit to report the participation of three other accounting firms—each as an other accounting firm

representing less than 5% of total audit hours—thereby increasing the reported number of firms individually representing less than 5% of total audit hours from eight to 11.

E. KPMG Mexico Violated PCAOB Quality Control Standards

31. PCAOB rules require that a registered firm comply with PCAOB quality control standards.[10] Those standards require a firm to "have a system of quality control for its accounting and auditing practice."[11] As part of this requirement, "[p]olicies and procedures should be established to provide the firm with reasonable assurance that the work performed by engagement personnel meets applicable professional standards, regulatory requirements, and the firm's standards of quality."[12]

32. PCAOB quality control standards also recognize that monitoring procedures are necessary "to provide the firm with reasonable assurance that the policies and procedures relating to each of the other elements of quality control are suitably designed and are being effectively applied."[13] Under PCAOB standards, monitoring involves an ongoing consideration and evaluation of, among other things, compliance with the firm's policies and procedures.[14]

33. From 2020 through 2023, KPMG Mexico failed to establish and implement adequate policies and procedures, including monitoring procedures, to provide the Firm with reasonable assurance that the work performed by engagement personnel met applicable regulatory requirements related to accurately reporting on Form AP the participation, including the percentage of participation, of other accounting firms in issuer audits.

34. Although KPMG Mexico had certain quality control policies and procedures relating to Form AP reporting in connection with the use of other accounting firms, the Firm failed to implement and monitor them in an adequate manner. As a result, the Firm filed inaccurate Form APs between 2020 and 2022.

35. Accordingly, the Firm failed to comply with QC § 20 and QC § 30.

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

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

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

12 QC § 20.17.

13 QC § 30.02, *Monitoring a CPA Firm's Accounting and Auditing Practice*; *see also* QC § 20.20.

14 *See* QC § 20.20(d); QC § 30.02(d).

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), KPMG Mexico 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 $275,000 is imposed on KPMG Mexico.

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. The Firm 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 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 KPMG Mexico 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 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), the Board orders that:

1. <u>Review by KPMG Mexico.</u> Within three months of the date of this Order, KPMG Mexico shall review and evaluate its quality control policies and procedures to assess whether those policies and procedures provide the

firm with reasonable assurance that its personnel and other associated persons comply with PCAOB Rule 3211.

2. Reporting. Within three months of the date of this Order, KPMG Mexico shall submit a written report to the Director of the Division of Enforcement and Investigations summarizing the review and evaluation of the areas specified in paragraph C.1 above ("Report"). The Report shall describe any modified or additional policies or procedures adopted or to be adopted by KPMG Mexico or, if KPMG Mexico concludes no such modifications or additions should be adopted, a detailed and satisfactory explanation of why the Firm believes changes are not warranted. In addition, KPMG Mexico shall submit any additional information and evidence concerning the Report, the information in the Report, and KPMG Mexico's compliance with this Order as the staff of the Division of Enforcement and Investigations may reasonably request.

3. Certificate of Implementation. Within six months of the date of this Order, the individual designated as KPMG Mexico's Senior Partner shall certify in writing ("Certificate of Implementation") to the Director of the Division of Enforcement and Investigations that KPMG Mexico has implemented all of the modifications and additions to its policies and procedures, if any, that were described in the Report. The Certificate of Implementation shall provide written evidence of KPMG Mexico's adoption of such modifications and additions in narrative form, identify the actions taken to implement such modifications and additions, and be supported by exhibits sufficient to demonstrate implementation. KPMG Mexico shall also submit such additional evidence of, and information concerning, implementation as the staff of the Division of Enforcement and Investigations may reasonably request.

4. Noncompliance. KPMG Mexico understands that a failure to satisfy all applicable undertakings may constitute a violation of PCAOB Rule 5000 and could provide a basis for the imposition of additional sanctions in a subsequent disciplinary proceeding.

ISSUED BY THE BOARD.

/s/ Phoebe W. Brown

Phoebe W. Brown
Secretary

March 11, 2025