PCAOB
PUBLIC COMPANY ACCOUNTING OVERSIGHT BOARD

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Order Instituting Disciplinary Proceedings, Making Findings, and Imposing Sanctions

In the Matter of BDO RCS Auditores Independentes Sociedade Simples Ltda.,

Respondent.

PCAOB Release No. 105-2026-009

July 23, 2026

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

(1) censuring BDO RCS Auditores Independentes Sociedade Simples Ltda. ("BDO Brazil," "Firm," or "Respondent");

(2) imposing a civil money penalty of $300,000 on BDO Brazil; and

(3) requiring BDO Brazil to review and certify its quality control policies and procedures concerning audit documentation and journal entry testing.

The Board is imposing these sanctions on the basis of its findings that BDO Brazil violated PCAOB rules and auditing standards in connection with its journal entry testing and audit documentation for the integrated audit of the fiscal year ("FY") 2020 financial statements and internal control over financial reporting of an issuer ("Issuer A"). The Firm also violated PCAOB rules and quality control standards by failing to implement and monitor quality control policies and procedures to obtain reasonable assurance that its personnel complied with professional standards concerning audit documentation. In fact, the Firm's quality control monitoring procedures failed to detect the above-mentioned audit documentation and journal entry testing deficiencies related to the FY 2020 Issuer A audit.

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, Respondent 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. **BDO Brazil** is a public accounting firm headquartered in São Paulo, Brazil. The Firm is a member of BDO International Limited (“BDO Global”) and part of the international BDO network of independent member firms. Member firms perform professional services under the brand name of the BDO network and have access to BDO Global’s audit methodology, tools, and guidance. The Firm registered with the Board on July 12, 2011, pursuant to Section 102 of the Act and PCAOB rules. The Firm 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. Issuer

2. **Issuer A** was, at all relevant times, a Brazilian telecommunications company headquartered in Rio de Janeiro, Brazil. Issuer A’s public filings described it as a telecommunications services provider. Issuer A filed with the U.S. Securities and Exchange Commission a notice of withdrawal of its American Depositary Shares from the New York Stock Exchange on October 18, 2021, and filed a certification of termination of its duty to file reports under the Securities Exchange Act of 1934 on November 16, 2021. Issuer A is no longer a United States issuer. The Firm performed the FY 2019 integrated audit of Issuer A, issuing the related

[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.

audit reports on April 30, 2020, which expressed unqualified opinions on the company's consolidated financial statements and the effectiveness of Issuer A's internal control over financial reporting as of December 31, 2019. The Firm also performed the FY 2020 integrated audit of Issuer A, issuing the related audit reports on May 11, 2021, which expressed an unqualified opinion on the company's consolidated financial statements, and an adverse opinion on the effectiveness of Issuer A's internal control over financial reporting as of December 31, 2020. At all relevant times, Issuer A was an "issuer," as that term is defined by Section 2(a)(7) of the Act and PCAOB Rule 1001(i)(iii).

C. Summary

3. This matter concerns BDO Brazil's failure to comply with PCAOB auditing standards in connection with the FY 2020 integrated audit of Issuer A. Specifically, the Firm failed to perform planned testing of manual journal entries that presented a heightened risk of fraud. Additionally, the Firm failed to archive over 40 work papers relating to its testing of Issuer A's Information Technology General Controls ("ITGC"), which are aimed at, among other things, preventing fraud by ensuring a company's IT systems are secure, are reliable, and maintain data integrity. As a result, the Firm has an insufficiently reliable record of when these unarchived work papers were prepared, or whether they were reviewed by an audit engagement team member.

4. This matter also concerns the Firm's violation of PCAOB quality control standards from 2020 through 2022 relating to audit documentation. During that time, the Firm became aware that audit documentation for multiple Firm audits was deficient, yet the Firm failed to implement and monitor appropriate quality control policies and procedures to provide reasonable assurance that its system of quality control concerning audit documentation was effective.

5. The Firm's quality control monitoring program also failed to detect the above-mentioned journal entry testing deficiencies in the FY 2020 Issuer A audit.

D. BDO Brazil Violated PCAOB Auditing Standards

6. In connection with the preparation or issuance of an audit report, PCAOB rules require that registered public accounting firms and their associated persons comply with the Board's auditing and related professional practice standards.[2] An auditor is in a position to

[2] *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

express an unqualified opinion on the financial statements when the auditor conducted an audit in accordance with the standards of the PCAOB and concludes that the financial statements, taken as a whole, are presented fairly, in all material respects, in conformity with the applicable financial reporting framework.[3]

7. Auditors are required to plan and perform audit procedures to obtain sufficient appropriate audit evidence to provide a reasonable basis for the opinion expressed in the auditor's report, including obtaining reasonable assurance about whether the financial statements are free of material misstatement, whether caused by error or fraud.[4]

8. PCAOB standards also require that an auditor exercise due professional care in planning and performing an audit.[5] Due professional care requires that the auditor exercise professional skepticism, which is an attitude that includes a questioning mind and a critical assessment of audit evidence.[6] "[P]rofessional skepticism requires an ongoing questioning of whether the information and evidence obtained suggests that a material misstatement due to fraud has occurred."[7]

9. PCAOB standards require that the auditor "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."[8] "[T]he auditor should perform

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the versions of those rules and standards, and to their organization and numbering, in effect at the time of the audits.

[3] AS 3101.02, *The Auditor's Report on an Audit of Financial Statements When the Auditor Expresses an Unqualified Opinion*; *see also* AS 2810.30-.31, *Evaluating Audit Results* (requiring auditors to evaluate whether the financial statements are presented fairly, in all material respects, in conformity with the applicable financial reporting framework, including whether the financial statements contain the information essential for a fair presentation).

[4] *See* AS 1101.03, *Audit Risk*; AS 1105.04, *Audit Evidence*.

[5] AS 1015.01, *Due Professional Care in the Performance of Work*.

[6] *Id.* at .07; AS 2301.07, *The Auditor's Responses to the Risks of Material Misstatement*; AS 2401.13, *Consideration of Fraud in a Financial Statement Audit*.

[7] AS 2401.13.

[8] AS 2301.08.

substantive procedures, including tests of details, that are specifically responsive to the assessed fraud risks."[9]

10. As described below, the Firm failed to comply with these and other PCAOB rules and standards in connection with the FY 2020 Issuer A audit.

i. The Firm Violated PCAOB Auditing Standards Concerning Journal Entry Testing During the FY 2020 Issuer A Audit

11. PCAOB auditing standards specify that "[m]aterial misstatements of financial statements due to fraud often involve the manipulation of the financial reporting process by (*a*) recording inappropriate or unauthorized journal entries throughout the year or at period end, or (*b*) making adjustments to amounts reported in the financial statements that are not reflected in formal journal entries."[10] Accordingly, auditors are instructed to "[i]dentify and select journal entries and other adjustments for testing."[11] Among other things, "even though controls [over the preparation and posting of journal entries and adjustments] might be implemented and operating effectively, the auditor's substantive procedures for testing journal entries and other adjustments should include the identification and substantive testing of specific items."[12] "[T]he auditor's procedures should include selecting from the general ledger journal entries to be tested and examining support for those items."[13]

12. PCAOB auditing standards also specify that "management is in a unique position to perpetrate fraud because of its ability to directly or indirectly manipulate accounting records and prepare fraudulent financial statements by overriding established controls."[14] Accordingly, auditors should perform procedures to specifically address the risk of management override of controls.[15]

13. During the FY 2020 Issuer A audit, Firm personnel identified management override of controls as a significant risk of material misstatement and a fraud risk. To address

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[9] *Id*. at .13.

[10] AS 2401.58.

[11] *Id*.

[12] *Id*. at .61.

[13] *Id*.

[14] *Id*. at .57.

[15] *Id*.

those risks, the Firm planned to test manual journal entries meeting certain defined fraud characteristics, including entries (a) related to revenue, (b) related to capitalization of costs, (c) made on Sundays, and (d) containing certain key words potentially indicative of fraud. The Firm planned to test each journal entry that met one or more of the defined fraud characteristics, including by matching the journal entries to supporting documents.

14. During the audit, the Firm extracted the population of journal entries for testing, tested the data for completeness, and identified multiple entries that met the defined fraud characteristics. However, the Firm failed to perform any procedures, even the planned ones, over the population of journal entries that had been extracted because they met the defined fraud characteristics.

15. Accordingly, the Firm failed to adequately test Issuer A's FY 2020 journal entries, in violation of PCAOB auditing standards.[16]

ii. The Firm Violated PCAOB Auditing Standards Concerning Audit Documentation During the FY 2020 Issuer A Audit

16. "*Audit documentation* is the written record of the basis for the auditor's conclusions that provides the support for the auditor's representations"; it also "facilitates the planning, performance, and supervision of the engagement, and is the basis for the review of the quality of the work."[17] Audit documentation should be prepared in sufficient detail to provide a clear understanding of its purpose, source, and the conclusions reached, and organized to provide a clear link to the significant findings or issues in the audit.[18]

17. The auditor must document the actions taken to address significant risks of material misstatement, the results of the procedures performed in response to those risks, and the basis for the conclusions reached in connection with the engagement.[19]

18. Audit documentation also must contain sufficient information to enable an experienced auditor, having no previous connection with the engagement, to understand the nature, timing, extent, and results of the procedures performed, as well as who performed the

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16 *See*, *e.g.*, AS 1015.01, .07; AS 2301.08, .13; AS 2401.57-.58, .61.

17 AS 1215.02 (emphasis in original).

18 *See id.* at .04.

19 *See id.* at .12f-1.

work, the date such work was completed, and who reviewed the work and the date of such review.[20]

19. PCAOB standards also provide that an auditor should assemble a complete and final set of audit documentation "for retention as of a date not more than 45 days after the report release date (*documentation completion date*)."[21]

20. BDO Brazil failed to satisfy these PCAOB standards during the FY 2020 Issuer A audit. In particular, the Firm failed to archive over 40 work papers related to work assigned to the Firm's Information Technology group to assist the Firm's audit engagement team with testing of Issuer A's ITGCs (the "Unarchived ITGC Work Papers"). These work papers included audit evidence to be used to support the Firm's opinions on Issuer A's financial statements and system of internal control over financial reporting. These work papers also were designed to document ITGC walkthroughs and testing related to, among other things, IT systems supporting processes such as revenue recognition, which the Firm's audit engagement team identified as a significant risk of material misstatement and fraud risk.

21. The Firm permitted its IT group to prepare the Unarchived ITGC Work Papers outside of the APT Next Gen system, BDO's audit document management system for recording and securing the content and review of audit work papers. However, this approach resulted in violations of the Firm's audit methodology and accompanying guidance, which required that all audits performed under PCAOB standards be executed and documented using APT Next Gen. The Firm issued a limited number of APT Next Gen user licenses to the Issuer A audit team, but not to the IT group, with the expectation that the IT group would do its work outside of APT Next Gen and then the audit team would transfer the ITGC work papers over to APT Next Gen for review and archiving before issuance of the Firm's audit opinion.

22. On May 11, 2021, the Firm authorized the release of its audit report, including the opinions for the FY 2020 Issuer A integrated audit, resulting in an audit documentation completion date of approximately June 25, 2021. However, when the Firm assembled and archived the final set of audit documentation for the FY 2020 Issuer A audit file, the Firm failed to include the Unarchived ITGC Work Papers in that file. As a result, the Firm did not have sufficient evidence in its work papers assembled for retention that the Unarchived ITGC Work Papers had been reviewed and signed off as complete by the audit engagement team for the FY 2020 Issuer A audit.

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[20] *See id*. at .06.

[21] *Id.* at .15 (emphasis in original).

23. As a result, the Firm violated PCAOB audit documentation standards by failing to ensure that the FY 2020 Issuer A audit documentation assembled for retention clearly demonstrates the procedures performed, who performed and reviewed the work and when, the evidence obtained, and the basis for the conclusions reached relating to Issuer A's ITGCs.

24. Accordingly, BDO Brazil violated AS 1215.

E. BDO Brazil Violated PCAOB Quality Control Standards

i. BDO Brazil's Quality Control Policies and Procedures Failed to Provide the Firm with Reasonable Assurance that Audit Documentation by Engagement Personnel Met Professional Standards and Regulatory Requirements

25. PCAOB rules require registered public accounting firms to comply with the Board's quality control standards.[22] PCAOB quality control standards, in turn, require each registered firm to effectively design, implement, and maintain a system of quality control in the firm's accounting and auditing practice.[23] A firm's system of quality control should, among other things, include policies and procedures for engagement performance. A firm should establish policies and procedures 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.[24] Quality control policies and procedures for engagement performance should encompass all phases of the design and execution of an engagement.[25] To the extent appropriate and as required by applicable professional standards, these policies and procedures should also cover, among other things, planning, performing, and documenting the results of each engagement.[26]

26. The Firm failed to implement adequate quality control policies and procedures to obtain reasonable assurance that its personnel complied with Firm policies and PCAOB standards concerning audit documentation. For example, as described above, although the Firm's quality control policies required the FY 2020 Issuer A audit to be executed and documented using APT Next Gen, the Firm did not effectively apply that policy because it permitted personnel working on the audit to prepare work papers outside of that platform,

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[22] PCAOB Rule 3100; PCAOB Rule 3400T, *Interim Quality Control Standards*.

[23] Quality Control Standard 20, *System of Quality Control for a CPA Firm's Accounting and Auditing Practice* ("QC § 20"), .01-.02.

[24] QC § 20.17.

[25] QC § 20.18.

[26] *Id*.

resulting in an archiving failure and a violation of PCAOB audit documentation standards. The Firm's failure to implement adequate quality control policies and procedures concerning audit documentation existed from 2020 through 2022, as further explained below.

27. Accordingly, BDO Brazil violated QC § 20.

ii. BDO Brazil's Monitoring Procedures Failed to Provide the Firm with Reasonable Assurance That Part of Its System of Quality Control Was Operating Effectively

28. A firm should establish policies and procedures to provide it with reasonable assurance that its quality control policies and procedures are suitably designed and are being effectively applied.[27] Monitoring involves an ongoing consideration and evaluation of the (a) relevance and adequacy of the firm's policies and procedures; (b) appropriateness of the firm's guidance materials and any practice aids; (c) effectiveness of professional development activities; and (d) compliance with the firm's policies and procedures.[28]

29. "Monitoring procedures taken as a whole should enable the firm to obtain reasonable assurance that its system of quality control is effective."[29] "Procedures that provide the firm with a means of identifying and communicating circumstances that may necessitate changes to or the need to improve compliance with the firm's policies and procedures contribute to the monitoring element."[30] Among other things, a firm's monitoring procedures may include inspection procedures, preissuance or postissuance review of selected engagements, determination of any corrective actions to be taken and improvements to be made in the quality control system, communication to appropriate firm personnel of any weaknesses identified, and follow-up to ensure that any necessary modifications are made to the quality control policies and procedures on a timely basis.[31]

30. As part of BDO Brazil's quality control monitoring, the Firm operated an Internal Inspection Program ("IIP"), which conducted periodic inspections of Firm audits to assess engagement performance and the effectiveness of the Firm's quality control policies and procedures.

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27 *See id*. at .02; *see also* Quality Control Standard 30, *Monitoring a CPA Firm's Accounting and Auditing Practice* ("QC § 30"), .02.

28 QC § 30.02.

29 QC § 30.03.

30 *Id.*

31 *Id.*; *see also* QC §§ 30.04-.08.

31. Separate from the Firm's IIP inspections, BDO Global periodically conducted Quality Assurance Reviews ("QARs") of the quality control policies and procedures in effect for the Firm's audit and assurance practice. As part of determining whether the Firm's audit and assurance practice complied with professional standards and the BDO Audit Methodology and related guidance, the QAR program conducted reviews of selected BDO Brazil audits and reviews of the effectiveness of the Firm's IIP.

32. In mid-2020, the Firm's IIP conducted a postissuance internal inspection of the FY 2019 Issuer A audit, and gave the audit file a grade of "Satisfactory." However, in November 2020, BDO Global conducted a QAR of the Firm's IIP inspection of the FY 2019 Issuer A audit and identified several deficiencies that the Firm's IIP had not detected. For example, BDO Global's QAR of the FY 2019 Issuer A audit noted work paper sign-off anomalies and a lack of documentation supporting that the audit manager and lead engagement partner had reviewed walkthroughs of certain internal controls. The QAR also highlighted the importance of appropriately performing journal entry testing. BDO Global's QAR issued a grade of "Unsatisfactory" to both the FY 2019 Issuer A audit file, and the Firm's IIP inspection of that file.

33. Based on its review of the FY 2019 audit files of Issuer A and other companies, as well as the related IIP inspections, the QAR recommended, among other things, that the Firm "[s]everely monitor compliance with sign-offs and archiving rules ('zero tolerance' with appropriate sanctions)," and "[d]evelop a culture of use of APT all through the engagement." These recommendations were similar to prior recommendations that the Firm had received from BDO Global. The 2020 QAR noted that the Firm had failed to fulfill portions of the action plan recommended in 2018 by the prior QAR for BDO Brazil, which called for the Firm to "ensure all audits follow proper archiving procedures," and for the Firm's audit teams to timely sign off on work performed.

34. In May 2021, six months after being notified of the November 2020 QAR findings and recommendations, the Firm authorized release of its audit report, including the opinions for the FY 2020 integrated audit of Issuer A. As noted above, that audit contained deficiencies in both journal entry testing and audit documentation relating to the Unarchived ITGC Work Papers.

35. Nevertheless, when BDO Brazil conducted a postissuance IIP inspection of that FY 2020 Issuer A audit in June 2021, the Firm's IIP identified only one deficiency, which involved the failure to archive one work paper relating to direct taxes.

36. More than a year passed before the deficiencies relating to journal entry testing and documentation of the Unarchived ITGC Work Papers in the FY 2020 Issuer A audit finally

came to light. By December 2022, a PCAOB inspection of the Firm reviewed the FY 2020 Issuer A audit and identified these audit deficiencies.

37. Despite receiving warnings of significant deficiencies in both its audit documentation policies and its quality control monitoring program, the Firm failed to take appropriate corrective action to remediate those deficiencies by the end of 2022.

38. Accordingly, BDO Brazil violated QC § 30 from 2020 through 2022.

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), BDO Brazil 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 $300,000 is imposed upon BDO Brazil.

1. All funds collected by the PCAOB 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. BDO Brazil shall pay this civil money penalty within ten (10) days of the issuance of this Order by: (a) wire transfer pursuant to instructions provided by PCAOB 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 the Firm 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. BDO Brazil understands that its failure to pay the civil money penalty described above may result in summary suspension of the Firm's registration, pursuant to PCAOB Rule 5304(a), following written notice to it 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. Review by BDO Brazil. Within 90 days of the date of this Order, BDO Brazil shall review and evaluate its quality control policies and procedures intended to provide the Firm with reasonable assurance that its personnel comply with professional standards and regulatory requirements for journal entry testing and audit documentation applicable to audits and reviews conducted pursuant to PCAOB standards.

2. Reporting. Within 120 days of the date of this Order, BDO Brazil 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 BDO Brazil or, if BDO Brazil 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, BDO Brazil shall submit any additional information and evidence concerning the Report, the information in the Report, and BDO Brazil's compliance with this Order as the staff of the Division of Enforcement and Investigations may reasonably request.

3. Certificate of Implementation. Within 150 days of the date of this Order, BDO Brazil's head of quality assurance shall certify in writing ("Certificate of Implementation") to the Director of the Division of Enforcement and Investigations that BDO Brazil 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 BDO Brazil's adoptions 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. BDO Brazil 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. BDO Brazil understands that a failure to satisfy these 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

July 23, 2026