

ORDER

consents to entry of this Order Instituting Disciplinary Proceedings, Making Findings, and Imposing Sanctions ("Order") as set forth below.²

III.

On the basis of Respondent's Offer, the Board finds³ that:

A. Respondent

1. Michael John Morrell, 61, is a retired partner of a Brazilian entity in the Deloitte Touche Tohmatsu Limited network ("Deloitte Brazil Entity"). From June 1, 2012 until May 31, 2016, Morrell served as Chairman of the Policy Committee, the governing body of the Deloitte entities in Brazil, including PCAOB registered firm Deloitte Touche Tohmatsu Auditores Independentes ("Deloitte Brazil" or "Firm"). On June 1, 2016, Morrell rotated out of the chairmanship of the Policy Committee, and on September 21, 2016, he retired from the Deloitte Brazil Entity. At all relevant times, Morrell 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).

B. Respondent Directly and Substantially Contributed to Deloitte Brazil's Failure to Cooperate with a Board Investigation

Applicable PCAOB Rules

2. Section 105(b)(3)(A) of the Act authorizes the Board to sanction a registered public accounting firm for "refus[ing] to...cooperate with the Board in connection with an investigation[.]"⁴ Board rules include procedures for implementing that authority.⁵ Noncooperation with a Board investigation includes: (a) "fail[ing] to comply with an accounting board demand"; (b) "knowingly ma[king] any false material

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 condition set out in Section 105(c)(5)(A) of the Act, which provides that certain sanctions may be imposed in the event of intentional or knowing conduct, including reckless conduct, that results in violation of the applicable statutory, regulatory, or professional standard.

⁴ 15 U.S.C. § 7215(b)(3)(A).

⁵ See PCAOB Rule 5110, *Noncooperation with an Investigation*; PCAOB Rule 5200(a)(3), *Commencement of Disciplinary Proceedings*.



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declaration or ma[king] or us[ing] any other information, including any book, paper, document, record, recording, or other material, knowing the same to contain any false material declaration"; (c) "abus[ing] the Board's processes for the purpose of obstructing an investigation"; and (d) "otherwise [failing] to cooperate in connection with an investigation."⁶

3. PCAOB rules also prohibit associated persons of registered public accounting firms from taking or omitting to take any action "knowing, or recklessly not knowing, that the act or omission would directly and substantially contribute to a violation by that registered public accounting firm of," among other things, the Rules of the Board.⁷

Respondent Violated PCAOB Rules in Connection with a Board Investigation

4. During the relevant time period, the Policy Committee oversaw, among other things, the governance of the Firm and the compliance of its partners with applicable law and with the Firm's policies and procedures. As Chairman of the Policy Committee, therefore, Morrell was one of the partners with the most responsibility for setting an appropriate tone and establishing controls concerning integrity, ethics, and compliance.

5. On October 15, 2013, the PCAOB Division of Enforcement and Investigations (the "Division") issued a document request to Deloitte Brazil as part of an informal inquiry, requesting that the Firm produce, among other things, the work papers from the Firm's audit of Gol Linhas Aéreas Inteligentes S.A., also known as Gol Intelligent Airlines Inc. ("Gol"), for fiscal year 2010 ("2010 Gol Audit"). In response to that request, the Firm produced a set of 2010 Gol Audit work papers that had been improperly altered in connection with a 2012 Board inspection of the audit. At the time the Firm produced the work papers to the Division in 2013, it did not disclose the improper alterations, which it had made to conceal deficiencies in the 2010 Gol Audit.⁸

6. On or about March 7, 2014, Morrell had conversations with two senior Deloitte Brazil partners in which: (a) Morrell, in his capacity as Chairman of the Policy Committee, was informed about the Firm's production of improperly altered work papers to the Division, and was asked to concur in the decision not to disclose the improper

⁶ See PCAOB Rule 5110(a).

⁷ PCAOB Rule 3502, *Responsibility Not to Knowingly or Recklessly Contribute to Violations*.

⁸ See *Deloitte Touche Tohmatsu Auditores Independentes*, PCAOB Rel. No. 105-2016-031 (Dec. 5, 2016).



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alteration to the Division; (b) Morrell was made aware by the senior partners that informing the Division of the improper alterations could have negative consequences for the Firm; and (c) Morrell concurred with the Firm's course of action, thereby directly and substantially contributing to the Firm's obstruction of the Division's inquiry. Morrell subsequently had a conversation with a different senior Firm partner in which Morrell again concurred with the decision not to disclose the improper alterations, despite being made aware that the failure to disclose could have negative consequences for the Firm.

7. After the Board issued an Order of Formal Investigation in June 2014, the Firm continued to provide false documents and information to the Division, including by failing to produce the original work papers from the 2010 Gol Audit. Morrell was aware that the Firm was failing to cooperate with the investigation. Despite his responsibilities as the Chairman of the Policy Committee (including the responsibility to establish a tone of integrity and compliance), however, Morrell failed to take any steps to halt the Firm's noncooperation with the investigation or to rescind his support for the Firm's plan to conceal the improper alterations from the Division.

8. Given Morrell's position as Chairman of the Deloitte Brazil Policy Committee, his actions and omissions directly and substantially contributed to the Firm's failure to cooperate with the Division's investigation. Morrell knew, or was reckless in not knowing, that his actions and omissions played a direct and substantial role in the Firm's noncooperation.

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), Michael John Morrell is censured;
- B. Pursuant to Section 105(c)(4)(B) of the Act and PCAOB Rule 5300(a)(2), Michael John Morrell 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);⁹

⁹ As a consequence of the bar imposed in this Order, the provisions of Section 105(c)(7)(B) of the Act will apply with respect to Morrell. Section 105(c)(7)(B) provides: "It shall be unlawful for any person that is suspended or barred from being

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- C. After five (5) years from the date of this Order, Michael John Morrell may file a petition, pursuant to PCAOB Rule 5302(b), for Board consent to associate with a registered public accounting firm; and
- 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 \$35,000 is imposed upon Michael John Morrell. 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. Morrell shall pay this civil money penalty within ten (10) days of the issuance of this Order by (1) wire transfer in accordance with instructions furnished by Board staff; or (2) United States Postal Service money order, bank money order, certified check, or bank cashier's check (a) made payable to the Public Company Accounting Oversight Board, (b) delivered to the Controller, Public Company Accounting Oversight Board, 1666 K Street, N.W., Washington D.C. 20006, and (c) submitted under a cover letter, which identifies Morrell 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.

ISSUED BY THE BOARD.

/s/ Phoebe W. Brown

Phoebe W. Brown
Secretary

March 29, 2017

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.”