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ORDER INSTITUTING DISCIPLINARY PROCEEDINGS, MAKING FINDINGS, AND IMPOSING SANCTIONS <i>In the Matter of Grant Thornton Daejoo,</i> <p style="text-align: center;"><i>Respondent.</i></p>)))))))))))))))	PCAOB Release No. 105-2017-011 March 29, 2017
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By this Order, the Public Company Accounting Oversight Board ("Board" or "PCAOB") is censuring Grant Thornton Daejoo ("Firm," "Daejoo," or "Respondent") (formerly BDO Daejoo), a registered public accounting firm, and imposing a civil money penalty in the amount of \$10,000 upon the Firm. The Board is imposing these sanctions on the basis of its findings that the Firm failed to timely disclose certain reportable events to the Board on PCAOB Form 3, *Special Report*, in violation of PCAOB rules.

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 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 are admitted,

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Respondent consents to entry of this Order Instituting Disciplinary Proceedings, Making Findings, and Imposing Sanctions ("Order") as set forth below.¹

III.

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

A. Respondent

1. Grant Thornton Daejoo is a limited liability corporation organized under the laws of the Republic of Korea, and headquartered in Seoul, Republic of Korea. The Firm is a member of the Grant Thornton International Limited network. Daejoo was formerly named BDO Daejoo LLC. On May 29, 2016, BDO Daejoo LLC filed a special report on Form 3 disclosing that it had terminated its member firm agreement with BDO International Limited, initiated a new member firm agreement with Grant Thornton International Limited, and changed its name to Grant Thornton Daejoo. At all relevant times, the Firm has been registered with the Board pursuant to Section 102 of the Act and PCAOB rules. As of its 2016 Annual Report on PCAOB Form 2, the Firm had 331 accountants, did not issue an audit report for an issuer during the reporting period, and did not play a substantial role in the preparation or furnishing of an audit report for an issuer that was issued during the reporting period. The Firm is licensed in the Republic of Korea by the Ministry of Finance and Economy (license no. 87).

B. Summary

2. This matter concerns the Firm's failures to timely disclose seven reportable events to the Board on Form 3 as required by PCAOB rules. PCAOB rules required the Firm to complete and file a PCAOB special report on Form 3 to report any event specified in that form within 30 days of the event's occurrence. Among the events that the Firm needed to report on Form 3 was its becoming a respondent in certain disciplinary proceedings.

3. In 2014 and 2015, the Firm became a respondent in seven separate disciplinary proceedings: three initiated by the Securities and Futures Commission of the Republic of Korea, three initiated by the Trust Supervision Commission of the Republic of Korea, and one initiated by the Korean Institute of Certified Public Accountants. Each of those seven proceedings involved a reportable event under Form 3. The Firm failed to file a Form 3 reporting one of the proceedings for over a year after learning of the initiation of that proceeding, and failed to report the other six proceedings

¹ The findings herein are made pursuant to the Respondent's Offer and are not binding on any other person or entity in this or any other proceeding.

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on Form 3 until months after learning of the initiation of those proceedings, and well after the 30-day reporting deadline.

C. Respondent Failed to Timely Disclose Certain Reportable Events to the Board, in Violation of PCAOB Rules

4. PCAOB Rule 2203 provides that a registered public accounting firm must file a special report on Form 3 to report any event specified in that form within thirty days of the event's occurrence.² One such specified event occurs when a firm "has become aware that, in a matter arising out of the Firm's conduct in the course of providing professional services for a client, the Firm has become a defendant or respondent in a civil or alternative dispute resolution proceeding initiated by a governmental entity or in an administrative or disciplinary proceeding other than a Board disciplinary proceeding."³

The Firm Failed to Timely Disclose the Initiation of Seven Reportable Events

5. During 2014, the Firm became aware that it had become a respondent in four separate disciplinary proceedings. Each of the proceedings arose out of the Firm's audit of one or more Korean companies that were not issuers.⁴ The Firm learned of each of the proceedings on or about the following dates:

- Proceeding 1 June 24, 2014

² See PCAOB Rule 2203, *Special Reports*. As the Board noted when adopting its rules on special reporting, "[R]eportable events will sometimes occur, and the public interest, as well as the ability to consider whether prompt action is warranted by the Board's inspection staff or enforcement staff, will be served by contemporaneous reporting of the event." PCAOB Rel. No. 2008-004, at 17 (June 10, 2008).

³ PCAOB Form 3, at Item 2.7 (italics in the original removed). To be reportable under Item 2.7, the proceeding only has to relate to professional services for a client, and does not necessarily have to involve an audit of an issuer, broker, or dealer as those terms are defined under PCAOB rules.

⁴ The term "issuer" means an issuer (as defined in Section 3 of the Securities and Exchange Act of 1934 (the "Exchange Act")), the securities of which are registered under Section 12 of the Exchange Act, or that is required to file reports under Section 15(d) of the Exchange Act, or that files or has filed a registration statement that has not yet become effective under the Securities Act of 1933, and that it has not withdrawn. See PCAOB Rule 1001(i)(iii).

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- Proceeding 2 November 5, 2014
- Proceeding 3 November 5, 2014
- Proceeding 4 December 18, 2014

6. In violation of Rule 2203, the Firm failed to file a Form 3 with respect to the four proceedings described above until June 22, 2015, nearly a year after learning of the initiation of the first proceeding and several months after learning of the initiation of each of the second, third, and fourth proceedings.

7. During 2015, the Firm became aware that it had become a respondent in three additional disciplinary proceedings. Each of the proceedings arose out of the Firm's audit of one or more Korean companies that were not issuers. The Firm learned of each of the proceedings on or about the following dates:

- Proceeding 5 April 27, 2015
- Proceeding 6 September 23, 2015
- Proceeding 7 November 3, 2015

8. In violation of Rule 2203, the Firm failed to file a Form 3 with respect to Proceeding Six until June 6, 2016, and failed to file a Form 3 with respect to Proceedings Five and Seven until August 8, 2016. The Firm filed those Forms 3 months (and in one case over a year) after learning of the initiation of each of those proceedings.

Failures in the Firm's Internal System of Compliance

9. The Firm's internal compliance and reporting systems failed to identify the initiation of the seven proceedings described above as being reportable to the PCAOB.

IV.

10. The Firm has represented to the Board that, since the events described in this Order, it has established and implemented the following changes to its policies and procedures for the purpose of providing the Firm with reasonable assurance of compliance with PCAOB reporting requirements:

- a. The Firm has revised and supplemented its policies and procedures for the purpose of providing the Firm with reasonable assurance of

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compliance with PCAOB reporting requirements, including policies and procedures providing reasonable assurance that reportable events are identified by Firm personnel who participate in the Firm's PCAOB reporting process and that those events are reported on the applicable PCAOB form in a timely and complete manner;

- b. The Firm has established policies to ensure training concerning PCAOB reporting requirements, at least annually, of any Firm personnel who participate in the Firm's PCAOB reporting process; and
- c. The Firm has assigned the role of compliance with PCAOB reporting matters to an individual within the Firm who possesses adequate knowledge and experience with PCAOB reporting requirements and sufficient authority within the Firm to fulfill those requirements on behalf of the Firm.

V.

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), the Firm is hereby censured; and
- 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 \$10,000 is imposed upon the Firm. 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. The Firm shall pay this civil money penalty within ten (10) days of the issuance of this Order by (1) wire transfer pursuant to instructions provided 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 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,

ORDER

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