
ORDER INSTITUTING DISCIPLINARY)	
PROCEEDINGS, MAKING FINDINGS,)	
AND IMPOSING SANCTIONS)	PCAOB Release No. 105-2017-022
)	
<i>In the Matter of Paul L. Ford, Jr., CPA,</i>)	March 29, 2017
)	
<i>Respondent.</i>)	
)	
)	

By this Order, the Public Company Accounting Oversight Board ("Board" or "PCAOB") is censuring Paul L. Ford, Jr., CPA ("Ford" or "Respondent"), barring him from being an associated person of a registered public accounting firm,¹ and imposing on him a civil money penalty in the amount of \$30,000. The Board is imposing these sanctions on the basis of its findings that Ford made and directed additions and alterations to work papers in 15 broker-dealer audits after the documentation completion dates for those audits and after learning of an upcoming PCAOB broker-dealer inspection, as well as in his firm's only issuer audit after the documentation completion date and after learning of a separate PCAOB issuer inspection. Ford made improperly modified work papers in one of the broker-dealer audits and in the issuer audit available to PCAOB inspectors without disclosing the modifications. Ford thereby violated Auditing Standard No. 3, *Audit Documentation* ("AS 3"), and PCAOB Rule 4006, *Duty to Cooperate with Inspectors* ("Rule 4006").

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 Ford.

¹ Ford may file a petition for Board consent to associate with a registered public accounting firm after five (5) years from the date of this Order.

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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. Respondent admits the facts, findings, and violations set forth below, admits the Board's jurisdiction over him and the subject matter of this proceeding, and consents to the entry of this Order Instituting Disciplinary Proceedings, Making Findings, and Imposing Sanctions ("Order").²

III.

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

A. Respondent

1. Paul L. Ford, Jr., CPA, age 54, of Medway, Massachusetts, is a certified public accountant licensed by the Massachusetts Board of Public Accountancy (license no. 14677). At all relevant times, Ford was a partner at registered public accounting firm Samet & Company PC ("Samet" or "Firm"), 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), and Samet's Accounting and Audit Partner as well as its Quality Control Partner. Ford was the engagement partner responsible for Samet's audit of the December 31, 2014 financial statements of its sole issuer client ("Issuer Audit"). Ford was also the engagement partner responsible for each of Samet's 2014 year-end audits of its broker-dealer audit clients.

² 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.

³ The sanctions that the Board is imposing on Respondent in this Order may be imposed only if a respondent's conduct meets one of the conditions set out in Section 105(c)(5) of the Act, 15 U.S.C. § 7215(c)(5). The Board finds that Respondent's conduct described in this Order meets the conditions set out in Section 105(c)(5), which provides that such sanctions may be imposed in the event of (A) intentional or knowing conduct, including reckless conduct, that results in violation of the applicable statutory, regulatory, or professional standard; or (B) repeated instances of negligent conduct, each resulting in a violation of the applicable statutory, regulatory, or professional standard.

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B. Summary

2. This matter concerns improper modifications to audit documentation made and directed by Ford after applicable documentation completion dates and while aware that staff of the PCAOB's Division of Registration and Inspections ("Inspections") intended to inspect audits for which he had been responsible. In April 2015, after learning that the PCAOB intended to inspect one or more of Samet's 2014 year-end audits of its broker-dealer clients, Ford—who was the engagement partner responsible for each of those audits—made and directed additions and alterations to work papers in the audit files for 15 of those audits ("Broker-Dealer Audits") following the applicable documentation completion dates. Ford and other personnel under his direction concealed the modifications by setting back the clocks on their computers to dates before the documentation completion dates while making the modifications. That computer backdating caused document metadata and the audit file index to indicate falsely that the added and altered work papers were last modified on those earlier dates. After PCAOB Inspections staff in April 2015 selected one of those audits for inspection ("Inspected Broker-Dealer Audit"), Ford continued to make and direct modifications to work papers for the Inspected Broker-Dealer Audit and made available those work papers to Inspections staff in advance of their fieldwork in July 2015. At no time did Ford make PCAOB inspectors aware that the audit documentation for the Inspected Broker-Dealer Audit contained modifications made after the documentation completion date.

3. In addition, after the Firm was notified in September 2015 that Inspections staff intended to inspect the Issuer Audit, Ford—who was the engagement partner responsible for that audit—made or directed additions and alterations to audit documentation for the Issuer Audit. Those modifications were made after the documentation completion date for the Issuer Audit and on backdated computers. Ford made available the improperly modified audit documentation to Inspections staff in advance of their fieldwork in November-December 2015. At no time did Ford make PCAOB inspectors aware that the audit documentation for the Issuer Audit contained modifications made after the documentation completion date.

4. By making and directing improper modifications of audit documentation in broker-dealer and issuer audits, Ford violated AS 3.⁴ By making improperly modified

⁴ All references to PCAOB rules and standards are to the versions of those rules and standards in effect at the time of the relevant conduct. As of December 31, 2016, the PCAOB reorganized its rules and standards using a topical structure and a single, integrated numbering system. See *Reorganization of PCAOB Auditing Standards and Related Amendments to PCAOB Standards and Rules*, PCAOB Release

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audit documentation in two of those audits available to PCAOB inspectors without disclosing the modifications, Ford violated Rule 4006.

C. Ford Violated PCAOB Rules and Auditing Standards

5. PCAOB rules require that registered public accounting firms and their associated persons comply with applicable auditing and related professional practice standards.⁵

6. AS 3 requires that a complete and final set of documentation for an audit be assembled for retention by the documentation completion date, a date no later than 45 days after the date on which the auditor grants permission to use its audit report.⁶ After the documentation completion date, audit documentation must not be deleted or discarded from the audit file, but it may be added as long as the auditor documents the date it was added, the name of the person who prepared it, and the reason for adding it.⁷ AS 3 also requires that audit documentation contain sufficient information to enable an experienced auditor, having no previous connection with an engagement, to determine who performed the work that has been documented, the date the work was completed, who reviewed that work, and the date of the review.⁸

7. Rule 4006 requires registered firms and their associated persons to "cooperate with the Board in the performance of any Board inspection." This cooperation requirement includes an "obligation not to provide misleading documents or information in connection with the Board's inspection processes."⁹

No. 2015-002 (Mar. 31, 2015); see also *PCAOB Auditing Standards Reorganized and Pre-Reorganized Numbering* (January 2016), <https://pcaobus.org/Standards/Auditing/Documents/PrintableReferenceTable.pdf>.

⁵ See PCAOB Rule 3100, *Compliance with Auditing and Related Professional Practice Standards*.

⁶ See AS 3 ¶ 15.

⁷ See id. ¶ 16.

⁸ See id. ¶ 6.b.

⁹ *Nathan M. Suddeth, CPA*, PCAOB Rel. No. 105-2013-007 (Sept. 10, 2013).

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Background Regarding the Audits

8. Each of the 15 Broker-Dealers was, at all relevant times, a broker and dealer as defined in Section 110(3) and (4) of the Act and PCAOB Rule 1001(b)(iii) and 1001(d)(iii). Samet's audit report in connection with each of the Broker-Dealer Audits stated that the audit was conducted in accordance with PCAOB standards.

9. The report release dates for the Broker-Dealer Audits were between February 13, 2015 and February 28, 2015.¹⁰ The documentation completion dates for the Broker-Dealer Audits, therefore, were between March 30, 2015 through April 14, 2015.¹¹

10. The Firm's sole issuer client 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).

11. The report release date for the Issuer Audit was June 23, 2015. The documentation completion date for the Issuer Audit, therefore, was no later than August 7, 2015.

Ford Violated AS 3 and Rule 4006 in Connection with Broker-Dealer Audits

12. On March 24, 2015, Inspections staff notified the Firm that it was due for an inspection pursuant to the Board's interim broker-dealer inspection program, and that one or more of Samet's audits of broker-dealer clients would be reviewed in connection with that inspection. That notification came during the 45-day documentation period for each of the Broker-Dealer Audits, for which Samet had signed and released audit reports between February 13, 2015 and February 28, 2015.

13. Ford led Samet's efforts in preparing for, providing information to, and otherwise communicating with PCAOB inspectors in connection with their broker-dealer inspection of the Firm.

14. Ford and other personnel, who had made permissible changes to the work papers for the 15 Broker-Dealer Audits before and after the March 24, 2015 notification,

¹⁰ See AS 3 ¶ 14 (defining report release date as the "date the auditor grants permission to use the auditor's report in connection with the issuance of the company's financial statements").

¹¹ See *id.* ¶ 15 (defining documentation completion date as "a date not more than 45 days after the report release date").

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continued to make changes even after the documentation completion dates for those audits, which were between March 30, 2015 and April 14, 2015.

15. Specifically, in April through early June 2015, Ford made changes after applicable documentation completion dates to the audit files for nine of the 15 Broker-Dealer Audits, including the Inspected Broker-Dealer Audit. During the same time period, Ford directed junior personnel to make changes after applicable documentation completion dates to audit files for 10 of the 15 Broker-Dealer Audits, including some of the same audit files to which Ford made changes directly. The changes consisted of additions of work papers to, and alterations of text in existing work papers contained in, the 15 audit files.

16. Ford and other personnel under his direction concealed the modifications by backdating their computers while making them. The backdated computers caused the "Last Modified" date field in the metadata for each added or altered work paper, as well as the "Modified" date entry for that work paper in the audit file index, to reflect a date preceding the documentation completion date rather than the date on which the work paper was actually added or altered.

17. On June 11, 2015, Inspections staff notified the Firm that it had selected the Inspected Broker-Dealer Audit for inspection. Later that month, Ford made and directed additional changes to the audit documentation for the Inspected Broker-Dealer Audit. Those changes included the revision of planning documentation to include an explanation concerning internal controls, the revision of a work paper reflecting confirmation testing to add tick marks and cross-references to other work papers, and the addition of work papers documenting procedures concerning related parties and investment-related testing. Those changes were all made after the April 11, 2015 documentation completion date for that audit.

18. Ford and personnel directed by Ford made the above additions without documenting the date the documentation was added, the name of the person who prepared it, or the reason for adding it. Moreover, Ford and personnel directed by Ford again concealed the additions and alterations by backdating their computers while making the changes to the audit work papers.

19. Ford made available the improperly modified work papers for the Inspected Broker-Dealer Audit to Inspections staff in advance of the staff's July 2015 inspection fieldwork. Those work papers included an audit file index with false, computer-backdated "Modified" date entries. At no time did Ford make PCAOB inspectors aware that the audit documentation for the Inspected Broker-Dealer Audit had been altered after the documentation completion date. As a result of the above conduct, Ford violated AS 3 and Rule 4006.

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Ford Violated AS 3 and Rule 4006 in Connection with the Issuer Audit

20. In May 2015, as it had done in previous years, Samet arranged for the performance of an annual quality review of several of its completed audits by an accountant from outside of the Firm. In September 2015, Samet transmitted to the outside accountant performing the 2015 review ("Outside Accountant") the audit files for certain of its most recently completed audits, including the Issuer Audit.

21. On September 11, 2015, Inspections staff notified the Firm that it was due for an inspection pursuant to the Board's issuer inspection program, and that they would review the Issuer Audit in connection with that inspection. Ford led Samet's efforts in preparing for, providing information to, and otherwise communicating with PCAOB inspectors in connection with their issuer inspection of the Firm.

22. On September 30, 2015, the Outside Accountant emailed Samet comments based on his review of the work papers for the Issuer Audit. Those comments identified several items for the Firm's consideration, including instances of apparently absent or incomplete documentation.

23. On October 23, 2015, Ford and others at Samet had a call with the Outside Accountant during which they discussed his review of the Issuer Audit work papers and certain of the comments he had emailed on September 30, including those concerning documentation.

24. In October and November 2015, after the documentation completion date, Ford made and directed changes to the audit file for the Issuer Audit. Those changes included the additions of work papers to, and alterations of text in existing work papers contained in, the audit file for the Issuer Audit.

25. For example, on November 13, 2015, Ford emailed a manager and asked him to send the "open list of items" for the Issuer Audit. The manager emailed Ford an eight-item list referencing various aspects of the audit file for the Issuer Audit, including items corresponding to the Outside Accountant's documentation-related comments. With respect to one of these, the manager noted: "I sent you the work paper yesterday that I came up with." Ford supplemented the eight-item list with his own instructions and comments; inserted below it a separate 21-item list based on his own review of the audit file that identified missing or incomplete audit documentation or ways in which existing documentation could be improved; and included with many of these 21 items specific instructions on how to address the deficiencies. Ford emailed these lists to the manager with a message referencing preparations for the upcoming Board inspection: "We should plan on cleaning up on Monday—with the goal of copying the completed binder onto a laptop on Tuesday."

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26. The work paper additions included not only additional documentation for procedures performed during the audit but also documentation of audit procedures that were performed in October 2015 by Samet personnel as directed by Ford.

27. Ford made and directed the above changes in the audit file before its review by Inspections staff. The changes were made after the August 7, 2015 documentation completion date for the Issuer Audit. Ford and those working under his direction failed to document the date documentation was added, the name of the person who prepared it, or the reason for adding it. Moreover, Ford was aware that personnel under his direction concealed the additions and alterations by backdating the clocks on their computers while making the changes to the audit work papers.

28. Ford made available the improperly modified work papers for the Issuer Audit to Inspections staff in advance of the staff's inspection fieldwork in November and December 2015. Those work papers included an audit file index with false, computer-backdated "Modified" date entries. At no time did Ford make PCAOB inspectors aware that the audit documentation for the Issuer Audit had been altered after the documentation completion date. As a result of the above conduct, Ford violated AS 3 and PCAOB Rule 4006.

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 the 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), Paul L. Ford, Jr., CPA is hereby censured;
- B. Pursuant to Section 105(c)(4)(B) of the Act and PCAOB Rule 5300(a)(2), Paul L. Ford, Jr., CPA 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);¹²

¹² As a consequence of the bar, the provisions of Section 105(c)(7)(B) of the Act will apply with respect to Ford. Section 105(c)(7)(B) of the Act provides that "[i]t shall be unlawful for any person that is suspended or barred from being 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

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- C. After five (5) years from the date of this Order, Paul L. Ford, Jr., CPA may file a petition, pursuant to PCAOB Rule 5302(b), for Board consent to associate with a registered public accounting firm.
- 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 \$30,000 is imposed upon Paul L. Ford, Jr., CPA. 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. Paul L. Ford, Jr., CPA shall pay the 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 Paul L. Ford, Jr., CPA 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

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."