

ORDER

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

III.

On the basis of Respondent's Offer, the Board finds that:³

A. Respondent

1. Elliot D. Kim, CPA, age 29, of Cypress, California, is a certified public accountant licensed under the laws of California (License No. 134403). Kim was employed by KPMG LLP ("KPMG" or "Firm") between October 2013 and December 2017. He was a senior associate on KPMG's audit of the 2016 year-end financial statements and internal control over financial reporting of an issuer ("Issuer A"). At all relevant times, Kim 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. Summary

2. This matter concerns Kim's failure to cooperate in a Board inspection and to adhere to the Board's standards concerning audit documentation. During the Board's inspection of KPMG's audit of Issuer A, and after the documentation completion date, Respondent (1) added information to a control testing document without indicating the date the information was added, the person who prepared the additional documentation, or the reason for the additional documentation, (2) provided a screenshot of metadata that inaccurately indicated that the control testing document had last been modified during the audit, and (3) failed to disclose the alterations during a discussion with the Board's inspection staff concerning the control testing document.

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 a violation of the applicable statutory, regulatory, or professional standard.

ORDER

C. Respondent Violated PCAOB Rules and Standards

3. At all relevant times, Issuer A was an "issuer" as that term is defined in Section 2(a)(7) of the Act and PCAOB Rule 1001(i)(iii). In July and August 2017, the Board's Division of Registration and Inspections ("Inspections") inspected the Firm's audit of Issuer A's financial statements for the year ended December 31, 2016 ("Issuer A audit").

4. PCAOB rules require that registered public accounting firms and their associated persons comply with the Board's auditing and related professional practice standards.⁴ AS 1215, *Audit Documentation* (formerly, Auditing Standard No. 3), requires that "[a] complete and final set of audit documentation should be assembled for retention as of a date not more than 45 days after the report release date (*documentation completion date*)."⁵ After the documentation completion date, audit documentation must not be deleted or discarded from the audit file, but additional documentation may be added as long as the auditor documents the date the information was added, the name of the person who prepared the information, and the reason for adding it.⁶

5. PCAOB rules require that registered public accounting firms and their associated persons "shall cooperate with the Board in the performance of any Board inspection."⁷ This cooperation obligation includes an obligation not to provide

⁴ PCAOB Rule 3100, *Compliance with Auditing and Related Professional Practice Standards*. 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 auditing 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 Rel. No. 2015-002 (Mar. 31, 2015); see also *PCAOB Auditing Standards: Reorganized and Pre-Reorganized Numbering* (Jan. 2017).

⁵ AS 1215.15. The "report release date" is "the date the auditor grants permission to use the auditor's report in connection with the issuance of the company's financial statements." AS 1215.14.

⁶ AS 1215.16.

⁷ PCAOB Rule 4006, *Duty to Cooperate With Inspectors*.

ORDER

misleading documents or information in connection with, or otherwise to interfere in, the Board's inspection processes.⁸

6. Kim served as a senior associate on the Issuer A audit. KPMG's audit report release date was February 27, 2017. The Firm was required to assemble a complete and final set of audit documentation within 45 days of the audit report release date—*i.e.*, by April 13, 2017.⁹

7. Kim first learned of the Board's inspection in July 2017, when a senior manager ("Senior Manager A") on the Issuer A audit asked him to compile certain audit documentation that had not been included in the Firm's final, archived audit file. Among the documentation that Kim compiled was a control testing document that did not include documentation of certain procedures that Kim performed at the time of the audit.

8. On July 15, 2017, Kim added language to the control testing document concerning the procedures he had performed and sent the altered document to a second senior manager ("Senior Manager B") on the Issuer A audit. Kim knew that the altered document could be provided to the Board's Inspections staff, but did not tell Senior Manager B or anyone else about the alterations. Nor did Kim prepare any documentation identifying the information added to the control testing document, the date the information was added, the person who prepared the additional documentation, or the reason for the additional documentation.

9. On July 20, 2017, Kim sent Senior Manager A a screenshot of metadata for the control testing document that misleadingly appeared to show that the document had last been modified on January 16, 2017. Kim knew that the screenshot could be provided to the Board's Inspections staff, but did not tell Senior Manager A or anyone else that the last modified date indicated by the screenshot was inaccurate or that he had actually modified the document only five days earlier.

⁸ See, *e.g.*, *Kabani & Company, Inc.*, SEC Release No. 34-80201, at 14 (Mar. 10, 2017) (sustaining Board finding that respondents failed to cooperate with inspection where improper work paper alterations "interfered with the PCAOB's ability to fulfill its regulatory function of ensuring that auditors comply with their professional responsibilities"); *Dale Arnold Hotz, CPA, Jyothi Nuthulaganti Manohar, CPA, and Michael Jared Fadner, CPA*, PCAOB Release No. 105-2012-008, ¶ 7 (Nov. 13, 2012); see also *Gately & Associates, LLC*, SEC Release No. 34-62656, at 22-23 (Aug. 5, 2010) (sustaining Board finding that respondents failed to cooperate with inspection).

⁹ See AS 1215.15.

ORDER

10. On July 25, 2017, the Firm provided the Board's Inspections staff with a set of eleven documents that it represented had inadvertently not been included in the final, archived audit file. The eleven documents included the control testing document that Kim had altered. The other ten documents had not been altered.

11. On August 2, 2017, Kim, Senior Manager B, and certain other Firm personnel participated in a meeting with the Board's Inspections staff. The Inspections staff was shown the altered control testing document, and Kim walked them through the procedures that he had added to the document on July 15. When the Inspections staff asked if the control testing document they had been shown was the original document from the time of the audit, Senior Manager B responded affirmatively and the Inspections staff was shown the screenshot from Kim that inaccurately indicated the document had not been modified since January 2017. Kim did not correct Senior Manager B or otherwise disclose that the screenshot was inaccurate, that the control testing document he had just discussed was not the original document, or that he had altered the document approximately two weeks previously.

12. The Firm subsequently discovered that Kim had improperly altered the control testing document. Upon making this discovery, the Firm terminated Kim and reported the issue to the Board's staff.

13. As a result of the conduct described above, Kim violated PCAOB Rule 4006 and AS 1215.

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), Elliot D. Kim, CPA is hereby censured;
- B. Pursuant to Section 105(c)(4)(B) of the Act and PCAOB Rule 5300(a)(2), Elliot D. Kim, CPA is barred from being an associated person of a

ORDER

registered public accounting firm, as that term is defined in Section 2(a)(9) of the Act and PCAOB Rule 1001(p)(i);¹⁰

- C. After one (1) year from the date of this Order, Elliot D. Kim, CPA 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)(F) of the Act and PCAOB Rule 5300(a)(6), Elliot D. Kim, CPA is required to complete, before filing any petition for Board consent to associate with a registered public accounting firm, forty (40) hours of continuing education, at least twenty (20) hours of which shall be in the subject of ethics and the remainder of which shall be in subjects that are directly related to the audits of issuer financial statements under PCAOB standards (such hours shall be in addition to, and shall not be counted in, the continuing professional education he is required to obtain in connection with any professional license).

ISSUED BY THE BOARD.

/s/ Phoebe W. Brown

Phoebe W. Brown
Secretary

May 23, 2018

¹⁰ As a consequence of the bar, the provisions of Section 105(c)(7)(B) of the Act will apply with respect to Kim. 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 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."