

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. Humayoun G. Khan, 39, of West New York, New Jersey, is a certified public accountant licensed by the New York State Board of Accountancy (License No. 099755) and the Colorado State Board of Accountancy (License No. 0026498). Khan was employed by PricewaterhouseCoopers LLP ("PwC") between October 2005 and March 2018. Khan was an audit manager on PwC's audit of the financial statements of issuer A for the fiscal year-ended October 31, 2015 ("Issuer A Audit").⁴ At all relevant times, Khan 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 Khan's failure to cooperate with a Board inspection and his improper alteration of audit documentation. After PwC released its audit report for the Issuer A Audit, Khan participated in the process of assembling a complete and final set of audit documentation for retention for the audit. Shortly after completing that process, which is commonly referred to as archiving the work papers, Khan became aware that the Board's inspection staff had selected the Issuer A Audit for review as part of the Board's annual inspection of PwC.

3. In anticipation of the Board's inspection, Khan improperly altered a previously archived work paper for the Issuer A Audit. Then, during the inspection, Khan provided a copy of the improperly altered work paper to the Board's inspection team and failed to disclose the alterations during discussions with the inspection team about the document. Through his actions, Khan violated his obligation to cooperate with the Board's inspection and violated PCAOB audit documentation standards.

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 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).

ORDER**C. Respondent Violated PCAOB Rules and Standards***Applicable PCAOB Rules and Standards*

4. In connection with the preparation or issuance of an audit report, PCAOB rules require that associated persons of registered public accounting firms comply with applicable auditing and related professional practice standards.⁵ Auditing Standard No. 3, *Audit Documentation* ("AS3"), 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 from the date on which the auditor grants permission to use its report.⁶ After the documentation completion date, audit documentation must not be deleted or discarded from the audit file, but may be added as long as the auditor documents the date the information was added, the name of the person who prepared the additional documentation, and the reason for adding the documentation.⁷

5. PCAOB Rule 4006, *Duty to Cooperate with Inspectors*, requires registered firms and their associated persons to cooperate with inspections conducted by the Board. "Implicit in" the cooperation requirement of Rule 4006 "is that auditors provide accurate and truthful information."⁸

⁵ See PCAOB Rule 3100, *Compliance with Auditing and Related Professional Practice Standards*; PCAOB Rule 3200T, *Interim Auditing 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).

⁶ AS3 ¶ 15.

⁷ See *id.* ¶ 16.

⁸ *Kabani & Company, Inc.*, SEC Release No. 34-80201, at 13-14 (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"), petition for review denied, 733 Fed. Appx. 918 (9th Cir. 2018); see also *DRT Bagimsiz Denetim ve Serbest Muhasebeci Mali Musavirlik A.Ş.*, PCAOB Rel. No. 105-2017-050 (Dec. 19, 2017).

ORDER*Khan Improperly Altered Audit Documentation in Connection with the Issuer A Audit and the 2016 Board Inspection*

6. On March 2, 2016, Khan learned that the Board's Division of Registration and Inspections ("Inspections") would review the Issuer A Audit as part of its annual inspection of PwC. By that time, the documentation completion date for the Issuer A audit had already passed,⁹ and PwC's engagement team had archived the work papers for the audit. In his role as the audit manager on the Issuer A audit, Khan participated in the archiving process. The archived work papers consisted of two types of documents: electronic documents retained in "read-only" form in PwC's electronic work paper archive system and hard-copy documents that the engagement team assembled in a binder and checked into PwC's Records Center.

7. In advance of the inspection, Khan reviewed a memorandum that the engagement team had prepared during the audit to describe certain work the team had performed to evaluate Issuer A's disclosure of liquidity risk ("Liquidity Risk Memo"). The engagement team had previously archived the Liquidity Risk Memo as part of the hard-copy work papers.

8. After reviewing the Liquidity Risk Memo in advance of the inspection, Khan asked a junior member of the engagement team to make changes to an electronic version of the Liquidity Risk Memo that the junior member had maintained on his computer.

9. After the junior member of the engagement team made certain changes, he provided the revised version of the Liquidity Risk Memo to Khan in electronic form on March 12, 2016. Thereafter, on or before March 14, 2016, Khan made further changes to the Liquidity Risk Memo. Through their changes, Khan and the junior member of the engagement team substantially revised the description of the work the engagement team performed in connection with Issuer A's liquidity risk disclosure. Khan thereafter arranged to replace the originally archived version of the Liquidity Risk Memo with the revised version in the hard-copy work paper binder, which the engagement team had checked out of PwC's Records Center.

10. During field work for the inspection, Inspections staff asked the engagement team about the work it had performed concerning Issuer A's liquidity risk. In response, on March 21, 2016, Khan provided the improperly altered version of the Liquidity Risk Memo to Inspections. During the inspection, Khan had discussions with the PCAOB inspectors but did not inform them of the improper alterations that he had made to the Liquidity Risk Memo.

⁹ PwC released its audit report for the Issuer A Audit on December 24, 2015. Thus, the document completion date for the audit was no later than February 7, 2016.

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11. Khan's actions violated PCAOB audit documentation standards and his duty to cooperate with Inspections.¹⁰

Khan Signed a Misleading Engagement Profile

12. Prior to beginning field work for the inspection, Inspections staff sent PwC an "Engagement Profile" for the Issuer A Audit, a document containing various information requests that the engagement team was expected to complete. One of the questions in the Engagement Profile asked: "Have there been any changes made to the audit documentation subsequent to the documentation completion date?" In response to this question, the engagement team stated "No."

13. Khan helped to complete the Engagement Profile and reviewed the final document, including the question and answer concerning whether any changes had been made to audit documentation subsequent to the documentation completion date. Despite having made the improper alterations to the Liquidity Risk Memo described above, Khan did not revise the statement that no changes to the audit documentation had been made after the documentation completion date. Instead, on March 14, 2016, he signed the misleading Engagement Profile, which was then provided to Inspections. Through these actions as well, Khan failed to cooperate with the PCAOB's inspection.

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), Humayoun G. Khan is censured;
- B. Pursuant to Section 105(c)(4)(B) of the Act and PCAOB Rule 5300(a)(2), Humayoun G. Khan 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);¹¹

¹⁰ See AS3 ¶ 16; PCAOB Rule 4006.

¹¹ As a consequence of the bar, the provisions of Section 105(c)(7)(B) of the Act will apply with respect to Khan. Section 105(c)(7)(B) provides: "It 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

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- C. After one (1) year from the date of this Order, Humayoun G. Khan may file a petition, pursuant to PCAOB Rule 5302(b), for Board consent to associate with a registered public accounting firm.

ISSUED BY THE BOARD.

/s/ Phoebe W. Brown

Phoebe W. Brown
Secretary

June 4, 2019

reasonable care should have known, of such suspension or bar, to permit such an association, without the consent of the Board or the Commission."