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deadlines; (3) failing to cooperate with the Board's 2017 inspection of the Firm, by, among other things, making improperly altered work papers from two issuer audits available to PCAOB inspectors; (4) failing to effectively implement policies and procedures to provide it with reasonable assurance that its engagement personnel act with integrity and in compliance with professional standards, including PCAOB audit documentation standards and the obligation to cooperate with PCAOB inspections; and (5) failing to take timely and necessary corrective action, including making improvements to its quality control system, upon becoming aware of violations by engagement personnel. The Firm's violations occurred over a multi-year period, beginning in 2015.

The Board is imposing these sanctions on the Individual Respondents on the basis of its findings that they violated PCAOB rules and standards by (1) failing to timely archive issuer audit documentation and/or making improper alterations to audit documentation after the expiration of archiving deadlines (Gudiño, Michel, Olvera, Rivas, and Soto); (2) failing to cooperate with the Board's 2017 inspection of the Firm (Gudiño, Michel, Olvera, and Soto); (3) directly and substantially contributing to the Firm's violations of PCAOB audit documentation standards and its failure to cooperate with the 2017 inspection (García); and (4) directly and substantially contributing to the Firm's violations of PCAOB quality control standards (Michel).

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 Respondents.

II.

In anticipation of the institution of these proceedings, and pursuant to PCAOB Rule 5205, Respondents have each submitted an Offer of Settlement (collectively, the "Offers") 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 Respondents and the subject matter of these proceedings, which is admitted, Respondents consent to the entry of this Order Instituting Disciplinary Proceedings, Making Findings, and Imposing Sanctions ("Order"), as set forth below.²

² The findings herein are made pursuant to the Offers and are not binding on any other person or entity in this or any other proceeding.

ORDER**III.**

On the basis of Respondents' Offers, the Board finds that:³

A. Respondents

1. **Castillo Miranda y Compañía, S.C.** is a partnership organized under the laws of Mexico and headquartered in Mexico City, Mexico. The Firm is licensed under the laws of Mexico. The Firm is a foreign registered public accounting firm as that term is defined in PCAOB Rule 1001(f)(ii). The Firm registered with the Board on July 30, 2004, pursuant to Section 102 of the Act and PCAOB rules. The Firm is a member of BDO International Limited and forms part of the international BDO network of member firms. During the period relevant to this matter, the Firm performed audits for "Issuer A" and "Issuer B," two issuers within the meaning of Section 2(a)(7) of the Act and PCAOB Rule 1001(i)(iii). According to the most recent Form 2, *Annual Report*, the Firm filed with the Board, the Firm does not currently serve as the auditor for any issuer audit clients and does not currently play a substantial role in any issuer audits.⁴ The Firm has approximately 22 partners and 800 employees.

2. **Ignacio García Pareras**, age 48, of Mexico City, Mexico, is a registered public accountant licensed under the laws of Mexico (license no. 6921020). García performed a review of the work papers for the Firm's 2015 audits of Issuer A and Issuer B in advance of the PCAOB's 2017 inspection of the Firm and also served as the Firm's

³ The Board finds that Respondents' conduct described in this Order meets the conditions set out in Section 105(c)(5) of the Act, 15 U.S.C. § 7215(c)(5), which provides that certain sanctions may be imposed in the event of: (1) intentional or knowing conduct, including reckless conduct, that results in a violation of the applicable statutory, regulatory, or professional standard; or (2) repeated instances of negligent conduct, each resulting in a violation of the applicable statutory, regulatory, or professional standard.

⁴ See PCAOB Rule 1001(p)(ii) (defining "play a substantial role in the preparation or furnishing of an audit report"). All references to PCAOB rules and standards are to the versions of those rules and standards in effect at the time of the relevant audits. 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 Release No. 2015-002 (Mar. 31, 2015); see also *PCAOB Auditing Standards Reorganized and Pre Reorganized Numbering* (Jan. 2017). The reorganization did not impose additional requirements on auditors or change substantively the requirements of PCAOB standards.

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primary contact with the PCAOB during that inspection. García is 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).

3. **Juan Martín Gudiño Casillas**, age 57, of Guadalajara, Mexico, is a registered public accountant licensed under the laws of Mexico (license no. 1479863). Gudiño was the engagement partner on the Firm's audit of Issuer B's 2015 financial statements and signed the audit opinion. He also serves as the partner in charge of the Firm's Guadalajara office. Gudiño is 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).

4. **Luis Raúl Michel Domínguez**, age 63, of Mexico City, Mexico, is a registered public accountant licensed under the laws of Mexico (license no. 1510727). At all relevant times, Michel served as a member of the Firm's Executive Committee. He also served during the relevant time as the Firm's Audit and Assurance Managing Partner. In that role, he was responsible for ensuring that the Firm's U.S. public company audits complied with PCAOB standards. Michel also served as the lead partner on the Firm's 2014 and 2015 audit work for one component of Issuer A.⁵ Michel is 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).

5. **Juan Francisco Olvera Díaz**, age 52, of Mexico City, Mexico, is a registered public accountant licensed under the laws of Mexico (license no. 2368080). Olvera served as the lead partner on the Firm's 2014 and 2015 audit work for two components of Issuer A. During the relevant time period, Olvera also served as a member of the Firm's Quality Control Committee. Olvera is 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).

6. **Carlos Rivas Ramos**, age 60, of Guadalajara, Mexico, is a registered public accountant licensed under the laws of Mexico (license no. 1049864). Rivas was the engagement partner on the Firm's audit of Issuer B's 2014 financial statements and signed the audit opinion. Rivas was also the lead partner on the Firm's 2015 audit work for four Issuer A components. Rivas is 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).

⁵ Issuer A is composed of several components, and the Firm assigned different engagement teams, led by a lead partner, to perform the audit work for those various components. The audit documentation for each component was to be maintained and archived separately.

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7. **Bernardo Soto Peñafiel**, age 58, of Mexico City, Mexico, is a registered public accountant licensed under the laws of Mexico (license no. 1293444). Soto was the engagement partner with overall responsibility for the Firm's audits of Issuer A's 2014 and 2015 financial statements and signed the audit opinions. Soto is 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

8. Beginning in 2015, BDO-Mexico and its personnel routinely violated PCAOB standards, including by failing to timely archive issuer audit documentation; improperly altering numerous work papers in multiple audits after those work papers should have been locked down and archived; changing the dates on their computer clocks, which concealed when they actually performed and documented work; failing to cooperate with a PCAOB inspection; and failing to maintain a system of quality control that would provide reasonable assurance that personnel would act with integrity and in compliance with PCAOB rules and standards. These violations were committed and/or directed by partners at the highest level of the Firm's issuer audit practice and reflect a systematic failure, during those years, to adhere to professional standards.

9. Many of the failures described in this Order can be traced to the Firm's and its personnel's failures to take seriously the requirements set forth in PCAOB audit documentation standards. PCAOB Auditing Standard No. 3, *Audit Documentation* ("Auditing Standard No. 3") at ¶ 15, provides 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*)." In connection with the Firm's audits of the 2014 and 2015 financial statements of Issuer A and Issuer B, the Firm, Gudiño, Rivas, and Soto failed to archive a complete and final set of audit documentation by the relevant documentation completion date, thereby violating Auditing Standard No. 3.

10. Auditing Standard No. 3 also prohibits deleting or making alterations to existing audit documentation after the documentation completion date for an audit.⁶ All of the Respondents, except for García, also violated that provision of Auditing Standard No. 3 by improperly altering audit documentation after the documentation completion dates for the 2015 Issuer A and Issuer B audits, or directing or permitting their subordinates to do so on the portion of those audits for which they bore responsibility.

⁶ See Auditing Standard No. 3 ¶ 16. Documentation may be added after the documentation completion date, but only if the auditor identifies the date the information was added, the name of the person who prepared the additional documentation, and the reason for adding it. Id.

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11. The improper alterations to the 2015 Issuer A and Issuer B audit work papers occurred, in part, as a result of Respondents learning, in September 2016, that the PCAOB would be inspecting the Firm in 2017. After being notified of the inspection, Michel, who was the Firm's Audit and Assurance Managing Partner, asked García to assist him in preparing the Firm for the inspection, including by performing a review of the Issuer A audit work papers. García also reviewed the Issuer B audit work papers to prepare for the inspection. During his review, García noted a number of issues in the audit documentation, which he communicated to the Issuer A and Issuer B audit engagement teams. In response to García's review, and/or internal quality control reviews that were occurring simultaneously, the other Individual Respondents participated in improperly revising the 2015 Issuer A and Issuer B work papers. Further, at or around the same time, members of the engagement teams led by Soto, Olvera, and Michel performed and documented certain additional procedures on the 2015 Issuer A audit and changed their computer clocks, which concealed their misconduct.

12. In connection with the 2017 PCAOB inspection, the Firm made the improperly altered 2015 Issuer A and Issuer B work papers available to the PCAOB's inspectors. In doing so, the Firm disclosed that certain additions had been made to Issuer A and Issuer B work papers after the documentation completion dates for the audits. The Firm's disclosures, however, were neither complete nor accurate. In particular, the Firm failed to describe the reasons for, and nature of, the alterations to the Issuer A work papers, and failed to describe the reasons for alterations to the Issuer B work papers. Even more significantly, it failed to inform the inspectors that additional substantive work had been performed on the Issuer A audit after the Firm had been notified of the inspection. Those failures thwarted the PCAOB inspectors' ability to assess the sufficiency of the work that the Firm and its personnel had performed before releasing the audit opinions on the 2015 Issuer A and Issuer B financial statements. Respondents Gudiño, Michel, Olvera, and Soto participated in providing misleading information to the PCAOB's inspectors in connection with the 2017 inspection. As a result, they and the Firm violated PCAOB Rule 4006, *Duty to Cooperate With Inspectors*. García, in violation of PCAOB Rule 3502, *Responsibility Not to Knowingly or Recklessly Contribute to Violations*, substantially contributed to the Firm's violation of Rule 4006.

13. As a registered firm, BDO-Mexico has a responsibility to have a system of quality control for its accounting and auditing practice.⁷ That system of quality control should include policies and procedures to provide the Firm with reasonable assurance that its personnel act with integrity and in compliance with applicable professional standards, including by appropriately documenting the results of each engagement.⁸

⁷ See QC § 20.01, *System of Quality Control for a CPA Firm's Accounting and Auditing Practice*.

⁸ *Id.* at .09, .17 and .18.

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During 2015 and 2016, the Firm violated PCAOB quality control standards by failing to effectively implement policies and procedures to provide it with reasonable assurance that its engagement teams act ethically, comply with PCAOB audit documentation standards, and cooperate with PCAOB inspections.

14. A Firm's system of quality control also should include a monitoring element to provide the Firm with a means of identifying and communicating circumstances that may necessitate changes to or the need to improve compliance with the Firm's policies and procedures.⁹ As a result of its monitoring procedures, the Firm became aware, no later than in 2015, that Firm personnel had regularly failed to comply with PCAOB standards, and the Firm's policies and procedures, regarding timely archiving of audit documentation. Nevertheless, the Firm failed to timely determine corrective actions to be taken and improvements to be made in its quality control system. That failure constituted a further violation of PCAOB quality control standards.¹⁰

15. Michel, as the Firm's Audit and Assurance Managing Partner during the relevant time, was responsible for overseeing the Firm's audit practice and taking steps to provide reasonable assurance that personnel complied with all professional standards. Nevertheless, beginning in 2015, not only did he fail to carry out those responsibilities, he knowingly permitted others to violate PCAOB audit documentation standards and actively participated in the Firm's provision of misleading information to the PCAOB's inspectors. As a result, he personally violated multiple PCAOB rules and standards and directly and substantially contributed to the Firm's violations of PCAOB quality control standards.

C. The Firm and Certain of the Individual Respondents Violated PCAOB Auditing Standard No. 3

16. PCAOB rules require that registered public accounting firms and their associated persons comply with applicable auditing and related professional practice standards.¹¹ PCAOB Auditing Standard No. 3 provides, among other things, that the auditor must prepare audit documentation in connection with each engagement conducted pursuant to the standards of the PCAOB.¹² A complete and final set of audit

⁹ QC § 30.03, *Monitoring a CPA Firm's Accounting and Auditing Practice*.

¹⁰ See id. at .03 and .06.

¹¹ See PCAOB Rule 3100, *Compliance with Auditing and Related Professional Practice Standards*; PCAOB Rule 3200T, *Interim Auditing Standards*.

¹² Auditing Standard No. 3 ¶ 4.

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documentation should be archived by the documentation completion date for the audit.¹³ Information may not be deleted or discarded after the documentation completion date; however, information may be added.¹⁴ Any documentation added must indicate the date the information was added, the name of the person who prepared the additional documentation, and the reason for adding it.¹⁵ The Firm regularly violated these requirements from 2015 to 2016.

17. Specifically, the Firm failed to archive a complete and final set of audit documentation by the documentation completion date for the audits of the financial statements of Issuer A and Issuer B for the years ending December 31, 2014 and December 31, 2015. By late 2015, Firm management was aware that the Issuer A and Issuer B 2014 work papers had not been timely archived, as a result of the findings of an internal inspection of the audits. Nevertheless, the Firm failed to take steps to ensure that the work papers for the 2015 audits of those issuers were timely archived. The Firm's failure to timely archive the Issuer A and Issuer B work papers for two consecutive years violated Auditing Standard No. 3.¹⁶

18. After the documentation completion date for the 2015 Issuer A and Issuer B audits, the Firm committed additional violations of Auditing Standard No. 3. First, engagement team personnel added documents to the unarchived work papers, without noting what documents were added, who added them, or when and why they were added. Second, they improperly made modifications to existing documents in the unarchived work papers.

19. The following Individual Respondents violated Auditing Standard No. 3 during one or more of the 2014 and 2015 Issuer A and Issuer B audits:

- a. Soto, the engagement partner for the 2014 and 2015 Issuer A audits, violated Auditing Standard No. 3 by failing to ensure that the work papers for those audits were timely archived and by directing his engagement team to improperly alter audit documentation for the 2015 Issuer A audit after the documentation completion date;
- b. Gudiño, the engagement partner for the 2015 Issuer B audit, violated Auditing Standard No. 3 by failing to ensure that the work papers for

¹³ Id. ¶ 15.

¹⁴ Id. ¶ 16.

¹⁵ Id.

¹⁶ Id. ¶ 15.

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that audit were timely archived and by knowingly permitting his engagement team to improperly alter audit documentation for that audit after the documentation completion date;

- c. Rivas, the engagement partner for the 2014 Issuer B audit, violated Auditing Standard No. 3 by failing to ensure that the work papers for that audit were timely archived and by knowingly permitting component engagement teams for which he was responsible to improperly alter audit documentation after the documentation completion date for the 2015 Issuer A audit;
- d. Olvera violated Auditing Standard No. 3 by improperly altering audit documentation for the 2015 Issuer A audit after the documentation completion date for that audit and directing others to do so; and
- e. Michel violated Auditing Standard No. 3 by knowingly permitting a component engagement team for which he was responsible to improperly alter audit documentation after the documentation completion date for the 2015 Issuer A audit.

D. The Firm and Certain of the Individual Respondents Failed to Cooperate With a Board Inspection of the Firm

20. PCAOB Rule 4006 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."¹⁷

21. The Firm, Gudiño, Michel, Olvera, and Soto violated Rule 4006 by failing to cooperate with the PCAOB's inspection of the Firm in 2017. García directly and substantially contributed to the Firm's violation of Rule 4006, as well as its violations of PCAOB Auditing Standard No. 3.

¹⁷ *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 *Deloitte Touche Tohmatsu Auditores Independientes*, PCAOB Rel. No. 105-2016-031, ¶ 62 (December 5, 2016); *José Domingos do Prado*, PCAOB Rel. No. 105-2016-032, ¶ 55 (December 5, 2016).

ORDER*Notification of the PCAOB Inspection*

22. The PCAOB's Division of Registration and Inspections ("Inspections") notified the Firm on September 22, 2016 that it would be inspecting the Firm in January 2017. On that same day, the Firm notified all audit and assurance professionals of the upcoming inspection. During the time period covered by the 2017 inspection, the Firm had a limited number of audit engagements involving issuer clients. Thus, in September 2016, Respondents had reason to believe that there was a strong likelihood that one or both of the 2015 Issuer A and Issuer B audits would be selected for inspection.

23. At the time the PCAOB notified the Firm of the upcoming inspection, none of the work papers for the 2015 Issuer A audit, including the work papers for the audit work on its various components, had been archived, despite the fact that the documentation completion date for the audit had long since passed. For Issuer B, the Firm had issued its audit opinion on the 2015 financial statements, but the documentation completion date had not yet passed. Between the time the PCAOB notified the Firm of the inspection and the beginning of the inspectors' fieldwork, the documentation completion date for the Issuer B audit passed. As noted above, the 2015 Issuer B work papers were not archived by the documentation completion date, and engagement team members continued to make alterations to the 2015 Issuer B work papers after the documentation completion date in anticipation of the inspection.

Improper Alterations – Issuer A

24. In mid-October 2016, the Firm's Quality Control Committee officially commenced the Firm's 2015-2016 internal inspection cycle, which included a review of the 2015 Issuer A audit. As part of that review, Firm quality control professionals accessed and reviewed the unarchived work papers for the various Issuer A components. The quality control professionals discussed observations from their reviews with the engagement teams assigned to the various components. Those observations were later documented by the quality control professionals.

25. At or around the same time, Michel asked García to conduct an additional review of the 2015 Issuer A work papers to assess the state of the audit documentation in anticipation of the 2017 PCAOB inspection. García thereafter conducted a review of the work papers for the significant components of Issuer A, as Michel instructed. At the time he conducted his review, García was aware that the 2015 Issuer A work papers had not been archived.

26. García discussed the results of his reviews with the lead partners for the audit work on the Issuer A components. He also sent the lead partners lists of comments, observations, and/or findings based on his review (the "Review Lists"). The Review Lists contained multiple comments advising the engagement teams to include, modify, or change audit documentation.

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27. In response to the comments from the internal quality control review and García's review, the engagement teams for the various Issuer A components uploaded to the Firm's electronic work paper system certain work papers that had been completed prior to issuance of the audit opinion but not previously uploaded. No one on the engagement teams, however, documented the dates on which those work papers were uploaded, who added them, and why they were added late. To the contrary, as described in more detail below, individuals changed the date on their computers, concealing the fact that the documents had been added to the work papers after the documentation completion date for the Issuer A audit.

28. Individuals on the Issuer A audit also made improper alterations to existing documentation in response to comments from the internal quality control review and García's review.¹⁸ They did so at the direction of Soto, the engagement partner on the 2015 Issuer A audit, and Olvera, the lead partner for the audit work on two significant Issuer A components. Michel, who not only was the Firm's Audit and Assurance Managing Partner, but also was the lead partner for the audit work on another significant component of Issuer A, was aware that his engagement team was making changes to the audit documentation in response to the review comments. García also received an email communication showing that engagement team personnel were making changes to the audit documentation in response to his comments.

29. In some instances, the changes made to the unarchived audit documentation were non-substantive—e.g., adding cross-references, updating tie-outs, or correcting typographical or formatting errors. In other instances, however, the changes made were substantive in nature, including the documentation of new audit procedures performed after the audit opinion dates. Indeed, additional procedures were performed and documented by the Issuer A engagement teams in the areas of inventory valuation, fixed assets, unrecorded liabilities, and legal reserves, among others. New procedures were performed and documented after the audit opinion date in the component audit work led by Soto, Michel, and Olvera.

30. Soto, Michel, and Olvera were also aware that members of the 2015 Issuer A engagement teams "backdated" certain work papers by changing the system dates on their computers, which altered the "created" and "modified" dates for work papers in the audit software.¹⁹ The backdating occurred in two different circumstances. First,

¹⁸ A review of metadata for the work papers for the 2015 Issuer A audit indicates that Firm personnel made modifications to over 300 documents after the documentation completion date and prior to archiving the work papers.

¹⁹ The Firm's audit software automatically recorded the dates and times for certain events for each audit work paper, e.g., when the document was "created" or

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engagement team members altered the system dates when work papers completed prior to issuance of the audit report were not uploaded to the audit software until a later time. Second, engagement team members altered the system dates when they performed substantive procedures after the issuance of the audit report in response to the comments from the internal quality control review and García's review. In the latter instances, the backdating concealed that certain work had not been performed prior to the release of the Firm's audit opinion on Issuer A's 2015 financial statements. This improper backdating occurred on the engagement teams led by Soto, Olvera, and Michel.

Improper Alterations – Issuer B

31. Firm quality control professionals also reviewed the 2015 Issuer B audit as part of the Firm's 2015-2016 internal inspection cycle. As part of that internal review, quality control professionals made a number of observations after review of the Issuer B audit work papers, which they documented and conveyed to the engagement team.

32. At or around the same time, García, in preparation for the PCAOB inspection, also conducted a review of the Issuer B audit documentation. His review resulted in a number of comments, which, as with the Issuer A audit, were documented on "Review Lists" and conveyed to the Issuer B engagement team. The Review Lists for the Issuer B audit also contained multiple comments advising the engagement team to include, modify or change audit documentation.

33. In response to the internal quality control review and García's review, the engagement team on the Issuer B audit uploaded to the electronic work paper system certain work papers that had been completed prior to issuance of the audit opinion but not previously uploaded. Again, however, no one on the Issuer B engagement team documented the dates on which those work papers were uploaded, who added them, and why they were added late. Members of the Issuer B engagement team also made improper alterations to existing documentation in response to comments from the internal quality control review and García's review.²⁰

34. When his team uploaded documents and made changes to the audit documentation, Gudiño, the engagement partner for the 2015 Issuer B audit, was aware that the documentation completion date for the audit had passed but the audit work

"modified." The dates reflected in the audit software were based on the dates on the employee's computer clock. Thus, if the dates on an employee's computer clock were not accurate, it would affect the reliability of the dates reflected in the audit software.

²⁰ A review of metadata for the work papers for the 2015 Issuer B audit indicates that Firm personnel made modifications to over 400 documents after the documentation completion date and prior to archiving the work papers.

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papers had not yet been archived. He was also aware of the upcoming PCAOB inspection.

35. Gudiño was also aware that members of his engagement team modified the dates on their computer clocks to alter the "created" and "modified" dates in the audit software. As a result, it is impossible to determine when any particular Issuer B work paper was prepared, reviewed, or modified, or whether additional work was performed and documented after the Firm issued its audit report on Issuer B's 2015 financial statements.

Misleading Engagement Profile

36. Before the Board's inspection fieldwork began, the Firm produced to the Board completed work sheets concerning the 2015 Issuer A and Issuer B audits in documents entitled Public Company Accounting Oversight Board 2016 Inspection Period Engagement Profile ("Engagement Profile"). Firm representatives, including the engagement partners for the 2015 Issuer A and Issuer B audits (Soto and Gudiño, respectively) signed the work sheets in the Engagement Profile.

37. One of the questions in the Engagement Profile work sheets asked: "Have there been any changes made to audit documentation subsequent to the documentation completion date?" A second question asked: "If yes, please explain . . . the nature of the changes and provide a summary log of when changes were made, or attach a summary memo of any such alterations."

38. In the Engagement Profile work sheets for both issuers, the Firm answered "Yes" to the first question. In response to the second, the Firm stated: "Derived from internal inspection some changes were performed in some working papers. None of the changes performed affected the essence of the audit evidence nor audit conclusions. All changes were related to better explanations of bases of selection, procedures performed and wording of the conclusions." The response related to the Issuer B audit also stated: "we have a list of the change documents." The engagement team for the Issuer B audit subsequently provided Inspections a spreadsheet that purported to identify, by work paper number, document description, and last modified date, the documents that were altered after the document completion date for the Issuer B audit. That spreadsheet, however, does not indicate the nature of the modifications.²¹

²¹ The Issuer B engagement team created that list by searching work paper metadata for all documents with a "last modified date" after the documentation completion date. However, because Issuer B engagement team members had modified the dates on their computer clocks in advance of the inspection, there was no way to determine

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39. The Firm's responses to the questions in the Engagement Profile work sheets for both issuers were misleading in several respects. First, the Firm failed to disclose that certain of the changes to the audit documentation were not made only in response to an "internal inspection," but also were in response to a review of the audit documentation performed specifically to prepare for the PCAOB's 2017 inspection. Second, the Firm's response in the Engagement Profile work sheet for Issuer A was misleading because the engagement team members made substantive changes to certain work papers, including, in some instances, documenting new procedures that were not performed until after the Firm had issued its audit opinion on Issuer A's 2015 financial statements.

PCAOB Inspection Fieldwork

40. During the PCAOB inspection, Firm personnel, including Gudiño, Michel, Olvera, and Soto, had discussions with the PCAOB inspectors, but none of them ever informed the inspectors that changes were made to the audit documentation in response to García's review, or that, with regard to Issuer A, certain of the changes made were substantive in nature.

41. Further, during the PCAOB inspection, the Firm provided the PCAOB inspectors with laptops with the audit software and work papers from the Issuer A and Issuer B audits loaded onto them. However, Firm personnel, including Michel, Olvera, and Soto, failed to disclose to the inspectors that the dates reflected in the audit software did not necessarily reflect when procedures were performed because engagement team members altered those dates for certain work papers by changing the dates on their computer clocks before modifying the work papers and executing their sign-offs.

Violations of PCAOB Rule 4006

42. The Firm violated Rule 4006 by (1) making available to PCAOB inspectors improperly altered work papers from the 2015 Issuer A and Issuer B audits, without disclosing the specific alterations; and (2) making false or misleading statements to Inspections about the reasons for, and nature of, changes made to audit documentation after the documentation completion date for those audits.

43. Certain of the Individual Respondents violated Rule 4006, as follows:

- a. Soto violated Rule 4006 by (1) making improperly altered Issuer A audit documentation available to the PCAOB inspectors without disclosing the specific alterations; and (2) making false or misleading statements to

whether the spreadsheet provided to the PCAOB's inspectors was complete and accurate.

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PCAOB inspectors about the reasons for, and nature of, changes made to Issuer A audit documentation after the documentation completion date;

- b. Gudiño violated Rule 4006 by (1) making improperly altered Issuer B audit documentation available to the PCAOB inspectors without disclosing the specific alterations; and (2) making false or misleading statements to PCAOB inspectors about the reasons for changes made to Issuer B audit documentation after the documentation completion date; and
- c. Michel and Olvera provided misleading information to Inspections, in violation of Rule 4006, by participating in discussions with PCAOB inspectors based on documents that they knew had been improperly altered.

García Directly and Substantially Contributed to the Firm's Violations of Auditing Standard No. 3 and PCAOB Rule 4006

44. PCAOB Rule 3502 prohibits 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 accounting firm of," among other things, PCAOB rules or standards.

45. García, in violation of Rule 3502, directly and substantially contributed to the Firm's violations of Auditing Standard No. 3 and Rule 4006 because he (1) performed a review of the Issuer A and Issuer B audit files to prepare for the PCAOB inspection and provided Review Lists to engagement team members that contained comments advising the teams to include, modify, or change audit documentation; (2) with respect to Issuer A, failed to take actions when he knew or should have known that Firm personnel were, in fact, making changes to unarchived audit documentation in response to his comments; and (3) took or omitted to take the foregoing actions knowing, or recklessly not knowing, that Firm personnel would improperly alter work papers and make those work papers available to the PCAOB's inspectors in violation of PCAOB Rule 4006.

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E. The Firm Violated PCAOB Quality Control Standards and Michel Substantially Contributed to the Firm's Violations of Those Standards

The Firm Failed to Establish and Implement Policies and Procedures to Provide Reasonable Assurance that Personnel Would Act With Integrity and in Compliance with PCAOB Standards

46. PCAOB rules require that a registered public accounting firm comply with the Board's quality control standards.²² Pursuant to PCAOB quality control standards, firms should establish policies and procedures to provide reasonable assurance that, among other things: (a) "personnel . . . perform all professional responsibilities with integrity;"²³ and (b) "the work performed by engagement personnel meets applicable professional standards, regulatory requirements, and the firm's standards of quality,"²⁴ including with respect to "planning, performing, supervising, reviewing, documenting, and communicating the results of each engagement."²⁵

47. For at least two years, the Firm failed to timely archive audit work papers for audits performed under PCAOB standards. Firm personnel also blatantly disregarded PCAOB audit documentation requirements on multiple audits by making widespread, improper alterations to audit work papers after the expiration of archiving deadlines. In part, those improper alterations were made in anticipation of an upcoming PCAOB inspection of the Firm. Finally, Firm personnel backdated audit documentation and misled PCAOB inspectors by misrepresenting the nature and extent of changes made to audit documentation in advance of the PCAOB's 2017 inspection.

48. Certain members of Firm leadership, including the head of the Firm's audit practice, were aware that Firm personnel were engaging in this improper conduct, yet did not take appropriate action. In fact, the Individual Respondents – some of whom were among the most senior members of the Firm's issuer audit practice – not only condoned this improper conduct, but in many cases participated in it themselves. As a result, the Firm violated PCAOB quality control standards by failing to effectively implement policies and procedures to provide it with reasonable assurance that its engagement teams act

²² PCAOB Rule 3400T, *Interim Quality Control Standards*.

²³ QC § 20.09.

²⁴ Id. at .17.

²⁵ Id. at .18.

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with integrity, comply with PCAOB audit documentation standards, and comply with regulatory requirements, including the obligation to cooperate with PCAOB inspections.²⁶

*The Firm Failed to Take Timely and Necessary Corrective
Action upon Becoming Aware of Late Archiving*

49. PCAOB quality control standards provide that another required element of a quality control system is monitoring.²⁷ Monitoring involves an ongoing consideration and evaluation of the: (a) relevance and adequacy of the firm's policies and procedures; (b) appropriateness of the firm's guidance materials and any practice aids; (c) effectiveness of professional development activities; and (d) compliance with the firm's policies and procedures.²⁸ Monitoring procedures taken as a whole should enable the firm to obtain reasonable assurance that its system of quality control is effective.²⁹

50. A firm's monitoring procedures may include internal inspection procedures.³⁰ Internal inspection procedures contribute to the monitoring function because findings are evaluated and changes in or clarifications of quality control policies and procedures are considered.³¹ When conducting internal inspections, the adequacy of and compliance with a firm's quality control system are evaluated by performing such procedures as: (a) summarization of the findings from the inspection procedures, at least annually, and consideration of the systemic causes of findings that indicate improvements are needed, and (b) consideration of inspection findings by appropriate firm management personnel who should also determine that any actions necessary, including necessary modifications to the quality control system, are taken on a timely basis.³²

51. In 2015 and 2016, the Firm's quality control personnel performed annual internal quality control reviews of all audits performed by the Firm under PCAOB standards, including the 2014 and 2015 Issuer A and Issuer B audits. These reviews were

²⁶ See id. at .09, .17 and .18.

²⁷ See id. at .07.

²⁸ QC § 30.02; see also QC § 20.20.

²⁹ QC § 30.03.

³⁰ Id.

³¹ Id. at .04.

³² Id. at .06.

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intended to provide reasonable assurance that the Firm's policies and procedures were relevant, adequate, operating effectively and being complied with in practice.

52. During its internal quality control reviews in 2015, the Firm identified that the engagement teams for the audits of the 2014 financial statements of Issuer A and Issuer B did not archive the work papers for those audits by the documentation completion dates. That finding was included in a report that the quality control professionals provided to Firm leadership, including Michel. Yet Firm leadership failed to respond appropriately, and the Firm's archiving problems continued into 2016.

53. Despite identifying late archiving of audit work papers as a significant problem at least beginning in 2015, the Firm failed to timely implement necessary corrective actions to address this problem. As a result, the Firm failed to adequately monitor compliance with its quality control policies and procedures regarding archiving of audit work papers and timely determine corrective actions to be taken and improvements to be made to its quality control system.³³

*Michel Directly and Substantially Contributed to the Firm's
Violations of Quality Control Standards*

54. Michel, who was responsible for overseeing the Firm's audit practice during the relevant time period, was aware from at least the findings of the 2015 internal quality control reviews that audit personnel were not timely archiving audit files on audits performed under PCAOB standards. He was also aware at least by 2016 that Firm personnel were making improper alterations to audit work papers and backdating audit work papers by changing dates on their computer clocks. Despite being aware of these problems, Michel failed to take the necessary corrective actions to address them.

55. Michel also undermined the Firm's system of quality control by engaging in violations of PCAOB standards himself. For example, he directed García to perform a review of the Issuer A work papers to prepare for the PCAOB inspection, and then knowingly allowed personnel working on the Issuer A component for which he was responsible to improperly alter work papers in response to García's comments. He also provided misleading information to Inspections by participating in discussions with PCAOB inspectors based on documents that he knew had been improperly altered.

56. Through the conduct described above, Michel took or omitted to take actions knowing, or recklessly not knowing, that his acts and/or omissions would directly and substantially contribute to the Firm's violations of PCAOB quality control standards.

³³ See QC § 20.20; QC § 30.02, .03 and .06.

ORDER**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 Respondents' Offers. In ordering sanctions, including the amount of the civil money penalty imposed upon the Firm, the Board took into account that the Firm provided extraordinary cooperation during the Board's investigation in this matter. Specifically, the Firm provided substantial assistance to the PCAOB's investigation, including by conducting its own internal investigation and sharing the factual results of that internal investigation with Board staff. Absent that extraordinary cooperation, the monetary penalty imposed on the Firm would have been significantly larger and the Board may have imposed additional sanctions. Accordingly, it is hereby ORDERED that:

- A. Pursuant to Section 105(c)(4)(E) of the Act and PCAOB Rule 5300(a)(5), Castillo Miranda y Compañía, S.C., Ignacio García Pareras, Juan Martín Gudiño Casillas, Luis Raúl Michel Domínguez, Juan Francisco Olvera Díaz, Carlos Rivas Ramos, and Bernardo Soto Peñafiel are censured.
- B. Pursuant to Section 105(c)(4)(B) of the Act and PCAOB Rule 5300(a)(2), Juan Martín Gudiño Casillas, Luis Raúl Michel Domínguez, Juan Francisco Olvera Díaz, and Bernardo Soto Peñafiel are each 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).³⁴
- C. Pursuant to PCAOB Rule 5302(b), Juan Martín Gudiño Casillas, Luis Raúl Michel Domínguez, Juan Francisco Olvera Díaz, and Bernardo Soto Peñafiel may file petitions for Board consent to associate with a registered public accounting firm after the expiration of the following time periods from the date of this Order: Juan Martín Gudiño Casillas (one year), Luis Raúl

³⁴ As a consequence of the bars, the provisions of Section 105(c)(7)(B) of the Act will apply with respect to Gudiño, Michel, Olvera, and Soto. 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 reasonable care should have known, of such suspension or bar, to permit such an association, without the consent of the Board or the Commission."

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Michel Domínguez (three years), Juan Francisco Olvera Díaz (two years), and Bernardo Soto Peñafiel (two years).

- D. Pursuant to Section 105(c)(4)(B) of the Act and PCAOB Rule 5300(a)(2), Ignacio García Pareras and Carlos Rivas Ramos are suspended, for one year from the date of this Order, from being an associated person of a registered public accounting firm, as that term is defined in Section 2(a)(9) of the Act;³⁵
- E. Pursuant to Section 105(c)(4)(D) of the Act and PCAOB Rule 5300(a)(4), civil money penalties are imposed on the Firm and the following individuals in the following amounts: Castillo Miranda y Compañía, S.C. (\$500,000); Luis Raúl Michel Domínguez (\$10,000); Bernardo Soto Peñafiel (\$10,000); Juan Martín Gudiño Casillas (\$5,000); and Juan Francisco Olvera Díaz (\$5,000). All funds collected by the Board as a result of the assessment of these civil money penalties will be used in accordance with Section 109(c)(2) of the Act. Respondents shall pay these civil money penalties 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 the entity or person 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.
- F. Pursuant to Section 105(c)(4)(F) of the Act and PCAOB Rule 5300(a)(6), Juan Martín Gudiño Casillas, Luis Raúl Michel Domínguez, Juan Francisco Olvera Díaz and Bernardo Soto Peñafiel are required to complete, before filing any petition for Board consent to associate with a registered public accounting firm, forty hours of continuing professional education in subjects that are directly related to the audits of issuer financial statements under

³⁵ As a consequence of the suspensions, the provisions of Section 105(c)(7)(B) of the Act, discussed *supra*, at n.34, will apply with respect to García and Rivas.

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PCAOB standards, including audit documentation (such hours shall be in addition to, and shall not be counted in, the continuing professional education they are required to obtain in connection with any professional license). Ignacio García Pareras and Carlos Rivas Ramos are also required, before the expiration of their suspensions, to complete forty hours of continuing professional education in subjects that are directly related to the audits of issuer financial statements under PCAOB standards, including audit documentation (such hours shall be in addition to, and shall not be counted in, the continuing professional education they are required to obtain in connection with any professional license).

- G. Pursuant to Sections 105(c)(4)(F) and (G) of the Act and PCAOB Rules 5300(a)(6) and (9), Castillo Miranda y Compañía, S.C. shall carry out the following Undertakings:

Initial Undertakings and Certification

(1) Within ninety days of the entry of this Order, the Firm shall establish, revise or supplement, as necessary, policies and procedures, and controls, including monitoring procedures, to provide the Firm with reasonable assurance that, for any audit, review, or specific procedures conducted pursuant to PCAOB rules and standards ("PCAOB Audits"): (a) a complete and final set of audit documentation is archived by the documentation completion date for that audit or review; (b) it will detect any improper alterations of previously archived work papers; (c) any additions to documentation after the documentation completion date are made only in accordance with PCAOB rules and standards; and (d) Firm personnel perform all professional responsibilities with integrity;

(2) Within ninety days of the entry of this Order, the Firm shall provide to all audit professionals involved in the performance of any PCAOB Audits at least four hours of additional training concerning compliance with AS 1215, *Audit Documentation*, and PCAOB Rule 4006;

(3) Within ninety days of the entry of this Order, the Firm shall, to the extent not already in place, adopt enhanced reporting procedures for the reporting and investigation of suspected wrongdoing by Firm personnel. The enhanced reporting procedures shall include processes for Firm personnel to report misconduct anonymously, and to report misconduct via telephone, email, website, or mail. The enhanced reporting procedures shall include a prohibition on retaliation against Firm personnel making good faith reports of suspected wrongdoing, to the same extent as the protections established by Section 806(a), (d), and (e) of the Act;

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(4) Within thirty days of the entry of this Order, the Firm shall provide an electronic or paper copy of this Order to all of its associated persons who are audit professionals in the Firm; and

(5) Within 120 days of the entry of this Order, the Firm shall provide a certification, signed by its Managing Partner, to the Director of the PCAOB's Division of Enforcement and Investigations ("Director"), stating that the Firm has complied with paragraphs G(1) through G(4) above. The certification shall identify the actions undertaken to satisfy the conditions specified above (including any remedial actions taken prior to the date of this Order), provide written evidence of compliance in the form of a narrative, and be supported by exhibits sufficient to demonstrate compliance. The Firm shall also submit such additional evidence of, and information concerning, compliance as the staff of the Division of Enforcement and Investigations may reasonably request.

Additional Certification

No less than quarterly for two years after the date of this Order, the Firm shall provide to the Director a certification, signed by its Managing Partner, stating that: (i) the Firm has examined whether, with respect to all PCAOB Audits conducted by the Firm for which the documentation completion date has occurred within the prior three months, a complete and final set of audit documentation has been timely archived in accordance with PCAOB standards and in accordance with the Firm's audit policies and procedures; and (ii) with respect to those PCAOB Audits, the Firm is not aware of, or has reported to the PCAOB's staff, any noncompliance with PCAOB rules and standards and/or the Firm's audit policies regarding the timely archiving of work papers.

Additional Undertakings

(1) For two years from the date of this Order, the Firm shall promptly report to the Director (a) any allegations of improper document alterations in connection with any PCAOB Audits in which the Firm plays a role; and (b) any ethics or integrity violations the Firm becomes aware of in connection with any PCAOB Audits in which the Firm plays a role; and

(2) For two years from the date of this Order, within one week after being notified that the Firm will be inspected, the Firm will (i) notify all professionals involved in any audit, as that term is defined in Section 110(1) of the Act, of the inspection, and (ii) specifically instruct such professionals and all other personnel involved in any way in the inspection or inspection-related activity of their obligation to cooperate with Board inspections, including by not

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preparing or making available to the Board's inspectors documents containing misleading information.

ISSUED BY THE BOARD.

/s/ Phoebe W. Brown

Phoebe W. Brown
Secretary

October 31, 2019