

Hello. It looks like you're using an ad blocker that may prevent our website from working properly. To receive the best experience possible, please make sure any blockers are switched off and refresh the page.

If you have any questions or need help you can email us

in the improper audits.

Jason Bramwell • Oct. 03, 2022



The Securities and Exchange Commission (SEC) fined RSM US \$3.75 million on Sept. 30 and charged the audit firm with improper professional conduct for failing to properly audit LED lighting solutions provider Revolution Lighting Technologies Inc.'s financial statements over a four-year period when the company was violating accounting principles by inflating revenue with bill and hold sales.

According to the [SEC's order](#), RSM's planning and supervision of the audit, as well as the evaluation of audit results and review of Revolution's disclosures, all failed to

Hello. It looks like you're using an ad blocker that may prevent our website from working properly. To receive the best experience possible, please make sure any blockers are switched off and refresh the page.

If you have any questions or need help you can email us

dates for its bill-and-hold sales, and presumed that this issue also impacted revenue recognition in each of the preceding three years. RSM then concluded that Revolution's revenue misstatements were immaterial and therefore Revolution did not need to restate its financial statements. RSM's conclusion was unreasonable because it was based on faulty estimates, and it rested upon its determination that qualitative factors outweighed the fact that, even under its faulty estimates, Revolution's misstatements of revenue significantly exceeded the quantitative audit materiality level that RSM had identified for several of the periods in question. In reaching the decision that qualitative factors rendered immaterial the fact that revenue figures for multiple years were misstated, RSM effectively abandoned the audit team's own prior determination, in each of the years in question, that reported revenue was a key metric of interest to shareholders of Revolution. During this analysis, RSM violated the applicable PCAOB standards.

Overall, rather than exercise an appropriate level of skepticism in this area—an area requiring heightened scrutiny—RSM made unreasonable determinations in concluding that Revolution's misstatements were immaterial. The lack of due professional care by RSM's personnel had the effect of hiding the RSM engagement team's failure to properly conduct an audit for fiscal years 2014–2017.

The SEC also charged RSM partners Steven Kirn and Richard Condon, as well as senior audit manager Michael Piqueira, for their roles in the improper audits. The

Hello. It looks like you're using an ad blocker that may prevent our website from working properly. To receive the best experience possible, please make sure any blockers are switched off and refresh the page.

If you have any questions or need help you can email us

learned only too late that Revolution was committing a multi-year fraud.”

Without admitting or denying the SEC's findings, RSM agreed to pay the \$3.75 million penalty, be censured, and retain an independent consultant to review and evaluate its audit, review, and quality control policies and procedures.

In a statement regarding the settled order, RSM said: “The SEC did not bring charges of intentional misconduct, and the SEC previously has publicly stated that the former client deliberately ‘misled’ the RSM US audit team.

“The SEC's order requires RSM US to complete undertakings involving the retention of an independent consultant to review and evaluate certain policies and procedures. RSM US also will pay a penalty of \$3.75 million.

“As part of this settlement, RSM US and the individuals neither admitted nor denied the SEC's allegations.

“RSM US continually seeks to enhance its quality controls, policies and procedures. The firm is committed to the highest standards of integrity and audit quality and looks forward to continuing to provide the excellence in auditing that its clients have come to expect of RSM US.”

Kirn and Piqueira, without admitting or denying the commission's findings, agreed to be suspended from appearing and practicing before the SEC as accountants, with the right to apply for reinstatement after three years and one year, respectively. Condon agreed to a censure. RSM, Kirn, and Piqueira also agreed to a cease-and-desist order.

Hello. It looks like you're using an ad blocker that may prevent our website from working properly. To receive the best experience possible, please make sure any blockers are switched off and refresh the page.

If you have any questions or need help you can email us