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55% from the previous fiscal year.

**Jason Bramwell** • May. 15, 2023



The Securities and Exchange Commission's enforcement division cracked down on accounting and auditing rules violators in fiscal year 2022, as actions within that sector made up 15% of the 462 new or stand-alone cases initiated by the regulator last year, according to a [new report](#) from Cornerstone Research.

The analysis found that in FY 2022 the SEC publicly disclosed 68 accounting and auditing enforcement actions, a 55% increase from the prior fiscal year, but still

below pre-pandemic levels. Half of those actions occurred in the fourth quarter, with

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relation to total monetary settlements in the past few years, but also in relation to the SEC's record \$6.4 billion in total penalties and disgorgement in FY 2022," Elaine Harwood, a report co-author, senior vice president, and head of the accounting practice at Cornerstone Research, said in a press release.

The civil penalties imposed in FY 2022 represented 67% of total monetary settlements, up from 56% in FY 2021. The high proportions of civil penalties to total monetary settlements in both FY 2021 and FY 2022 represented a shift from the period of FY 2017 through FY 2020, when civil penalties averaged around 35% of total monetary settlements.

Of the 68 accounting and auditing enforcement actions, 41 were tied to announced restatements and/or material weaknesses in internal control over financial reporting (ICFR)—the highest level in recent years. The percentage of initiated actions referring to these areas (60%) was 1.5 times the FY 2017-FY 2021 average, according to the report. The SEC's most common allegations in FY 2022 involved revenue recognition and ICFR—one or both violations were alleged in more than 63% of FY 2022 actions.

"In FY 2022, there was a substantial increase in actions alleging violations of Section 304 of Sarbanes-Oxley," said Simona Mola, a report co-author and principal at Cornerstone Research. "The SEC initiated nine actions alleging violations of the so-called 'clawback' provision, compared to just three such actions in FY 2021 and a total of 18 actions initiated in the five-year period between FY 2017 and FY 2021."

There were 103 respondents named in accounting and auditing-related SEC actions in FY 2022, an increase of nearly 50% from the 70 respondents in FY 2021, but slightly lower than the average number of 111 respondents from FY 2017 through FY 2021, Cornerstone Research said. More than half of all actions involved individual respondents only, a sharp increase from the FY 2017-FY 2021 average of 37%. From

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Other key findings from the report include:

- Of the 68 accounting and auditing actions initiated during FY 2022, 51 were administrative proceedings and 17 were civil actions.
- The SEC acknowledged that 24% (17 firms and five individuals) of the 90 respondents who settled in FY 2022 offered cooperation and/or undertook remedial efforts, up from 20% in FY 2021.
- In FY 2022, actions initiated in the first quarter (nine) were at the lowest level in recent years.
- For the fourth year in a row, enforcement activity in the second quarter of SEC's fiscal year (the first quarter of the calendar year) was lower than in other quarters.
- The SEC initiated five actions in FY 2022 alleging violations of auditor independence, compared to four such actions initiated in FY 2021.
- The SEC initiated five actions against non-U.S. respondents, lower than the average of 10 actions per year from FY 2017 through FY 2021.

This is the first Cornerstone Research report that separately examined trends in accounting and auditing enforcement actions that were publicly disclosed by the SEC. Previous reports have jointly analyzed data from the SEC and the Public Company Accounting Oversight Board.

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