

SEC and PCAOB Enforcement Actions Involving Accountants Decline Steeply in 2018

Article By:

Cornerstone Research

Monetary settlements totaled less than \$3.3 million

Final actions by the U.S. Securities and Exchange Commission and the Public Company Accounting Oversight Board involving accountants fell sharply in 2018, according to a new Cornerstone Research report released today. There were 45 enforcement actions against accountants—defined as certified public accountants employed by SEC registrants, auditors, and audit firms in the United States—finalized in 2018, compared to 75 in 2017.

The report, [Regulatory Actions Involving Accountants](#), found that the 13 PCAOB enforcement actions in 2018 were 63% lower than the 35 actions in 2017, when the PCAOB experienced its most active enforcement year. The number of finalized PCAOB actions was the lowest since 2013 and only about 40% of the 2015–2017 average of 32 actions. Audits of brokers and dealers represented 46% of PCAOB actions in 2018.

The dramatic decline in the number of final enforcement actions corresponds with significant changes in PCAOB leadership. At the same time, a marked increase in the number of actions finalized by the SEC in the second half of the year may suggest increased enforcement activity involving accountants in the future.

SEC enforcement actions also declined, with the 32 actions marking a 20% drop from the 40 actions finalized in 2017. This decrease can be attributed to fewer SEC enforcement actions in the first half of the year, as there was a significant uptick in the number of actions finalized in the second half of 2018.

“The dramatic decline in the number of final enforcement actions corresponds with significant changes in PCAOB leadership,” said [Elaine Harwood](#), a Cornerstone Research vice president and head of the firm’s accounting practice. “At the same time, a marked increase in the number of actions finalized by the SEC in the second half of the year may suggest increased enforcement activity involving accountants in the future.”

In addition to bars, suspensions, and other nonmonetary sanctions, monetary settlements in final SEC and PCAOB actions were imposed against 32 of the 67 individual and audit firm respondents

(48%) but totaled less than \$3.3 million.

Additionally, the majority of SEC and PCAOB actions finalized in 2013–2017 have resulted in a state follow-on action against at least one individual or firm respondent. While the majority of state follow-on actions are completed within two years of a final SEC or PCAOB action, one in four take longer than two years to complete.

Read the report, [Regulatory Actions Involving Accountants](#).

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