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Ernst & Young, Megafirm Doing Extensive Business in the USVI, Slapped With \$100 Million Fine by SEC

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Janeke Simon **June 29, 2022**

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Mega accounting firm Ernst & Young has been slapped with the largest fine ever from the U.S. Securities and Exchange Commission — \$100 million — after regulators found that its employees had been cheating on exams for years, with the company’s full knowledge.

In a twist of irony, the cheating, according to an SEC statement issued on Tuesday, occurred on the ethics portion of the Certified Public Accountant Test, as well as other courses required for the staffers to maintain their CPA licenses. Ernst & Young was notified of potential cheating on the ethics exam, the SEC says, but told regulators that it had no “current issues with cheating”.

The SEC called the breaches of trust by the Ernst & Young auditors “outrageous,” with the director of the agency’s Enforcement Division, Gurbir Grewal highlighting that it was the “very professionals responsible for catching cheating by clients” who “cheated on ethics exams of all things.” Equally shocking, Grewal said, was the fact that Ernst & Young hindered the SEC investigation.

Grewal, in his statement, made several attempts to communicate the severity of Ernst & Young’s transgression, saying that the SEC action “involves breaches of trust by gatekeepers within the gatekeeper entrusted to audit many of our nation’s public companies.”

Ernst & Young does extensive work across the Caribbean, including in the U.S. Virgin Islands, where it has received tens of millions of dollars in government contracts for work following the 2017 hurricanes and in the wake of the Covid-19 pandemic.

Despite apparently lying to the SEC about its knowledge of the cheating problem, Ernst & Young responded to the fine with a statement claiming that “nothing is more important than our integrity and our ethics.” The Ernst & Young statement also claims that the firm, which according to the SEC knew that its auditors were cheating on ethics exams and did nothing, has “repeatedly and consistently taken steps to reinforce our culture of compliance, ethics and integrity.”

Ernst & Young says it is complying with the SEC’s order, which, in addition to the \$100 million dollar fine, includes instructions for the accounting firm to hire two independent consultants that will “help remediate its deficiencies.” One consultant will review the company’s ethics procedures, and the other will focus on its disclosure failures.

In 2019, similar allegations of cheating against megafirm KPMG rocked the accounting world, with the SEC handing down a \$50 million dollar fine in that instance.