The Securities and Exchange Commission (SEC) has kept public companies, audit firms, and their personnel in its crosshairs over the past 18 months, continuing its aggressive pursuit of potential accounting and disclosure fraud, and imposing penalties against offenders reaching into the hundreds of millions of dollars. Holland & Hart closely monitors the SEC’s enforcement activity in this area and has issued its Financial Reporting and Auditing Enforcement Review, covering 2014 and the first half of 2015.

“Financial reporting and auditing enforcement will continue to remain a focus for the SEC for the foreseeable future,” the report concludes. “In light of the trends explored in this review, entities and individuals should carefully scrutinize their own practices and promptly and appropriately address potential concerns that may arise.”

Notably, the report finds that:

• the SEC sued significantly more audit firms in 2014, more than triple the number between 2013 and 2014;
• the number of officers and directors sued during this same time period increased significantly; and
• the SEC has increasingly chosen to file enforcement cases against entities and individuals as administrative proceedings (APs), where it has historically sued in federal courts.

Using infographics and in-depth discussion, the review covers, among other topics:

• Defendant Types
• Case Subject Matters
• Forums and Venues
• Litigate or Settle?
• Severe Sanctions

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