CALIFORNIA BOARD OF ACCOUNTANCY

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NEWS RELEASE

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CALIFORNIA BOARD OF ACCOUNTANCY TAKES DISCIPLINE AGAINST ERNST & YOUNG LLP

SACRAMENTO – The California Board of Accountancy (CBA) today announced a stipulated settlement and disciplinary order against global accounting firm Ernst & Young LLP (EY) due to a significant number of its employees engaging in cheating and/or other misconduct on both a prelicensure ethics exam and continuing education (CE) exams. The CBA placed EY on probation for 24 months, assessed a $1,800,000 administrative penalty, and ordered the firm to create, develop, and disseminate outreach media on behalf of the CBA.

The CBA's action arose from the Securities and Exchange Commission's (SEC) administrative order dated June 28, 2022. The SEC found that EY audit professionals cheated, engaged in misconduct, or both on CPA prelicensure ethics exams over multiple years by using answer keys and sharing them with their colleagues. Additionally, hundreds of others cheated, engaged in misconduct, or both on examinations required to complete CE courses, including those addressing a CPAs' ethical obligations. The SEC also alleged that EY withheld this misconduct from SEC staff conducting the investigation.

"The CPA profession stands by its core principles of ethics and integrity," **said CBA President Katrina L. Salazar, CPA**. "Any licensee that violates these principles discredits the accounting profession and compromises public trust. The misconduct found by the SEC demonstrates a serious failure by EY. Today's disciplinary action reinforces the importance of ethics in the accounting profession and underscores the CBA's mission of consumer protection."

EY is one of the accounting firms that routinely audits public companies. These audits protect the United States' economy by ensuring the financial statements produced by publicly traded companies are accurate. In turn, the SEC provides oversight of EY's work to ensure that its work meets applicable accounting professional standards.

EY took steps to cooperate during the early stages of the CBA investigation and provided information to the CBA regarding personnel at the firm involved in the ethics exam-related conduct. As part of the SEC matter, EY developed measures to reduce the risk of a recurrence of the CE and ethics exam-related misconduct and implemented additional remedial measures in compliance with the undertakings set forth in the SEC Order.

The disciplinary order, which is effective today, mandates several terms and conditions of probation for EY, including the following:

- A 30-day license suspension which is stayed during two years of probation;
- An administrative penalty of $1.8 million paid to CBA;
- Development of an outreach campaign, directed by the CBA, with topics focused on the CBA's mandate of consumer protection. A minimum of $300,000 must be spent on a media campaign to disseminate the outreach.

A copy of the stipulated settlement and disciplinary order is available here.

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Created by statute in 1901, the CBA's mandate requires that protection of the public shall be its highest priority in exercising licensing, regulatory, and disciplinary functions. The CBA currently regulates more than 115,000 licensees, the largest group of licensed accounting professionals in the nation, including individuals, partnerships, and corporations.

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