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SEC Enforcement in Financial Reporting and Disclosure—2018 Year-End Update

In 2018, the SEC continued to pursue many of the same initiatives and objectives it articulated in 2017, including emphasizing retail investor protections and keeping pace with technological change. While stand-alone enforcement actions increased in 2018, the number of financial reporting or disclosure cases continued to decline. Consistent with its public statements and despite its resource constraints in 2018, the SEC seems to be prioritizing financial reporting, internal controls, and disclosures cases impacting "Main Street" investors, particularly those involving other programmatic priorities such as crypto technologies and cybersecurity. Regardless, public companies should remain vigilant regarding potential risks, and continue to implement and maintain strong, robust controls.

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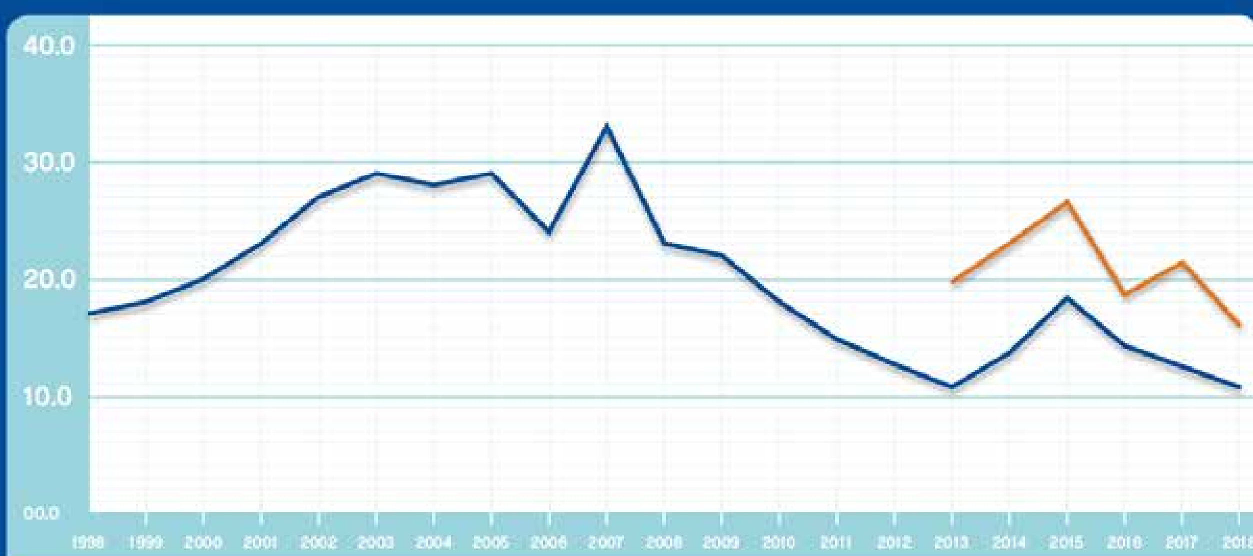
We are pleased to present our semi-annual review of enforcement activity relating to financial reporting and issuer disclosures. Much like prior updates, this paper focuses principally on the Securities and Exchange Commission ("SEC") but also discusses other relevant trends and developments.

In 2018, the SEC continued to pursue many of the same initiatives and objectives it articulated in 2017, including initiatives to: (i) focus on the Main Street investor; (ii) focus on individual accountability; (iii) keep pace with technological change; (iv) impose remedies that the SEC believes most effectively further enforcement goals; and (v) constantly assess the allocation of its resources. According to the Division of Enforcement's ("Division") year-end overview, enforcement activity increased in 2018. Overall, the number of enforcement actions rose from 446 stand-alone actions the year prior to 490, a nearly 10 percent increase.[1]

As noted in our January 2018 update, 2017 was a transition year for the SEC, with the appointment of new SEC chairpersons and a shift in enforcement priorities. In their year-end overview, the Division's Co-Directors pointed out that the increased enforcement activity in 2018 was accomplished despite "significant challenges," including shrinking personnel resources and limitations on disgorgement remedies due to the Supreme Court's ruling in *Kokesh v. SEC*. In light of these challenges, the SEC's senior leaders reiterated on multiple occasions in the latter half of 2018 that the SEC is focused on the "quality" and deterrent effect of cases rather than quantity.[2]

Though stand-alone enforcement actions increased in 2018, the number of financial reporting or disclosure cases continued to decline. Only 79 of the 490 stand-alone actions in 2018 were focused on issuer reporting and disclosure, as opposed to 95 of the 446 enforcement actions in 2017.[3] Taking a longer historical perspective, financial reporting and disclosure matters as a percent of *all* enforcement matters (10.6%) or as a percent of *independent* enforcement matters[4] (16%) were at their lowest level since 1998, and well below their averages of 20 percent and 21 percent, respectively.[5] As noted in prior updates, this decrease may be attributable, in part, to the SEC's channeling of "enforcement resources to cases that may involve smaller penalty numbers, but really affect Main Street investors' lives."[6] In other words, financial reporting and disclosure matters may just not be a priority right now, especially in the resource-constrained environment in which the SEC currently operates.



Issuer Reporting and Disclosure Actions as a Percent of Enforcement Actions

Importantly, however, even as the SEC takes a more circumspect approach to the allocation of its resources, changes in the number or types of enforcement actions should not be interpreted as signals that the SEC lacks the will or means to pursue its enforcement mandate. Public companies and their directors should continue to approach investigative risks in financial reporting and internal control effectiveness with the same caution as always. The robust control environments that companies have designed and implemented in the past continue to be as important as ever.

ENFORCEMENT ACTIONS IN FINANCIAL REPORTING AND DISCLOSURES

Whatever the numbers tell us, the Division still managed to secure significant settlements for internal controls failures, improper revenue recognition, overstatement of assets, and Regulation S-X violations. Additionally, according to one report, the SEC brought 71 actions against public companies in FY 2018, higher than the annual average number of cases against public companies from 2010-2017.[7]

The most notable actions brought by the SEC in the latter half of 2018 included the following:

- The SEC brought a settled action in which it alleged that a global financial services holding company failed to maintain a system of internal controls regarding its wholly owned Mexican subsidiary. The subsidiary had loaned billions of dollars to an oil field services company on the basis of invoices and work estimates, some of which later proved to be fraudulent. The SEC charged that the subsidiary's internal controls failed to require sufficient diligence and were insufficient to identify and evaluate red flags. The SEC similarly alleged that the parent company failed to maintain proper internal controls to ensure the subsidiary's accounts were properly stated. The parent company agreed to pay a civil money penalty.[8]

- The SEC brought a settled action against a state-owned-and-controlled oil and gas company for overstating the value of its property, plant, and equipment ("PP&E") in its financial statements. The company had allegedly engaged in a wide-scale bid-rigging and kickback scheme and then buried the kickbacks in its PP&E. As part of the settlement, the company agreed to disgorge $711 million plus prejudgment interest of approximately $222 million, as well as pay a civil fine of approximately $853 million. Notably, all of the disgorgement and prejudgment interest was deemed satisfied by restitution payments in a parallel securities class action, and all but approximately $85 million was deemed satisfied by earlier payments to the Department of Justice and Brazilian authorities.[9]

- The SEC brought a settled action against a tobacco company for allegedly including materially false and misleading statements in its periodic financial statements. The company discovered that its Kenyan subsidiary recorded fictitious sales, improperly recognized revenue, overstated inventory, and understated costs, which in turn impacted the parent company's financial statements. In response, the company took prompt remedial action, including conducting an investigation, informing the SEC throughout its internal investigation, restating its financial statements, and implementing new internal accounting control procedures and policies. Because of the company's cooperation, the SEC did not impose a monetary penalty.[10]

- The SEC brought a settled action against a consumer finance company for reporting, books and records, and internal accounting violations, alleging that the company failed to segregate its impaired loans from its loan assets for at least eight reporting periods when calculating its incurred credit loss allowance. The company also used an incorrect discount rate and made errors calculating the accretion of the discount. The company agreed to pay a $1.5 million penalty as part of its settlement.[11]

- The SEC brought a settled action against a food company for alleged books and records and internal controls violations. The company purportedly offered its two largest distributors sales incentives in exchange for purchasing specific amounts of inventory before the end of each quarter so that the company could meet quarterly internal sales targets. After discovering these practices, the company conducted an internal investigation and self-reported to the SEC. In recognition of the company's extensive cooperation, the SEC did not impose a monetary penalty.

- The SEC brought a settled action against an agricultural company and its executive chairman for allegedly concealing divestiture losses from investors through fraudulent accounting and manipulation of the company's share price. According to the SEC, the company overstated the value of stock and land it received in exchange for its Chinese operating company. The executive chairman also allegedly engaged in manipulative trading of the company's shares to inflate the price above $1 and prevent the company's securities from being delisted. As part of the settlement, the company agreed to pay a $3 million penalty and to cooperate with the SEC in future investigations. The executive chairman agreed to pay a $400,000 penalty and received a five-year officer-and-director bar.[12]

- The SEC brought a settled action against a business development company alleging books and records and internal accounting control violations, as well as violations of the payment and distribution provisions of the Investment Company Act ("ICA"). The SEC alleged that, contrary to GAAP, the company recorded its quarterly distributions from wholly owned asset manager affiliates as dividends, when most of the distributions were a return of capital. Similarly, due partly to advice from counsel, the company's quarterly distributions were not accompanied by a statement disclosing the source of the funds distributed, in violation of the ICA. As part of the settlement, the company agreed to cease and desist committing violations of the Exchange Act and the Investment Company Act. No penalty was imposed.[13]

- The SEC settled an action against a construction and engineering holding company for failing to maintain effective controls over accounting for contingencies. The company discovered in 2015 that one of its segments had failed to reduce contingent cost expectations and to recognize revenue and profits in the appropriate quarters. The SEC alleged that, despite knowing of these control deficiencies in its contingency accounting practices, the company did not assess whether related accounting errors would be material to the financial statements, or whether the company maintained controls that could identify related errors. As part of its settlement with the SEC, the company agreed to take remedial actions and pay a civil money penalty of $200,000.[14]

- The SEC charged a holding company, its former CEO, and its former CFO with misleading investors and making false statements about the increased risk that the company would miss an adjusted operating income projection it had announced during a merger. According to the SEC, after completing the first step of the merger, the company's internal forecasts showed a significantly increased risk that it would not meet its projection, yet the company continued to publicly reaffirm its original projection. The company subsequently decreased the combined adjusted operating income projection by 20 percent. As part of the settlement, the company agreed to pay a $34.5 million penalty. The former CEO and CFO each paid $160,000.[15]

- The SEC brought a settled cease-and-desist action against a home and business security company for alleged non-GAAP accounting violations in two earnings releases. According to the SEC, the company included non-GAAP financial measures in SEC filings but failed to include a presentation, of equal or greater prominence, of the most directly comparable GAAP financial measures. Importantly, the SEC did not allege that the company's non-GAAP measures were misleading or used inconsistently. As part of the settlement, the company agreed to pay a $100,000 penalty.[16]

- The SEC brought cease-and-desist proceedings against multiple companies in 2018 for failing to have an independent public accounting firm review the companies' interim financial statements prior to filing, as required by Regulation S-X. The reporting periods ranged from as early as 2012 through 2017. The companies included a Chinese organic refining business[17]; an oilfield fluids disposal company[18]; a pharmaceutical products developer[19]; a housing technology financing company[20]; a real estate developer[21]; a telecommunications equipment manufacturer[22]; a heat dispersion technology company[23]; an electrical infrastructure company[24]; and an investment holding company.[25] Each organization's shares were traded on OTC Link (formerly known as the Pink Sheets), and the companies defined themselves as "smaller reporting companies" in their most recent filings. The SEC did not impose penalties in several cases because the companies provided sufficient proof of inability to pay. In the remaining cases, the penalties ranged from $25,000 for a single occasion to $75,000 for three occasions. The penalties were imposed regardless of whether the filings were amended later to comply with Regulation S-X.

CONTINUING FOCUS ON THE MAIN STREET INVESTOR

Consistent with its stated objectives, the SEC continued to focus its efforts on misconduct affecting retail investors in 2018. Co-Director Stephanie Avakian acknowledged that a "substantial portion of the Commission's recent cases involved wrongdoing directed at retail investors" and, in particular, centered on "misconduct that occurs at the intersection of investment professionals and retail investors."[26] On a separate occasion, Chairman Jay Clayton reaffirmed that "furthering the interests of our long term retail investors" was at the core of the SEC's mission.[27]

The SEC's focus on Main Street investors was manifest in various recent initiatives. For instance, the Share Class Selection Disclosure Initiative, which closed June 12, 2018, aimed at addressing disclosure failures relating to 12b-1 fees, commonly referred to as marketing and distribution fees, paid by advisory clients.[28] Similarly, the Retail Strategy Task Force, formed in 2018, collaborated with data analytic groups within the SEC to develop leads on issues impacting retail investors, including "disclosures concerning fees and expenses and conflicts of interest for managed accounts; market manipulations; and fraud involving unregistered offerings."[29] Similar initiatives focused on companies purporting to be working in "cryptocurrency and distributed ledger technology."[30]

KEEPING PACE WITH TECHNOLOGICAL CHANGE

In line with its goal to "keep pace with technological change," the Division enhanced its focus on cyber-related issues in 2018. In its year-end overview, the Division reported 20 standalone cyber-related actions and 225 ongoing cyber-related investigations. Apart from formal enforcement actions, the SEC has also continued to investigate and provide guidance on cyber-related issues.

Spoofed or Compromised Emails

On October 3, the Division issued a Report of Investigation ("Report") regarding cyber-related frauds.[31] The underlying investigation focused on whether a group of nine public issuers failed to maintain sufficient internal controls to avoid falling victim to cyber-related frauds involving spoofed or compromised emails. Although the Division determined that it would not pursue an enforcement action against the issuers, it issued the Report to make market participants aware of the threat of spoofed and compromised emails, and to encourage participants to consider such emails when devising and maintaining internal controls systems. The Report suggested steps to counter cyber-related threats, including enhanced payment authorization procedures, verification requirements for vendor information changes, enhanced training, increased account reconciliation procedures, and outgoing payment notification procedures.

Initial Coin Offerings

In 2018, the SEC adopted a more proactive approach toward initial coin offerings ("ICOs") and digital assets. With the expressed intent of striking a balance between regulation and innovation,[32] the SEC issued a number of statements and guidance over the course of the year regarding investments and offerings on online trading platforms.[33] Most notably, the Director of the Division of Corporation Finance affirmed that the longstanding *SEC v. Howey* "investment contract" test could be applied to assess whether a digital token sale was a securities offering.[34] His remarks echoed statements by Chairman Clayton that determining whether an offering falls within the purview of U.S. securities laws would be a "facts-and-circumstances analysis" and would rely on "a principles-based framework that has served American companies and American investors well through periods of significant innovation and change for over 80 years."[35]

HOLDING INDIVIDUALS ACCOUNTABLE

The SEC continued to hold individuals accountable in a high percentage of its enforcement actions in 2018. According to the Division's year-end overview, 72 percent of the SEC's standalone actions involved charges against one or more individuals, as compared to 73 percent in 2017.[36] Many of these individuals held significant "gatekeeper" roles as corporate executives, accountants, controllers, and auditors. According to one report, 23 percent of all actions brought against public companies or their subsidiaries in 2018 included a named individual defendant, and more than half of such actions involved issuer reporting and disclosure allegations.[37] As a result, the

SEC obtained disgorgement from over 500 individuals, a nine percent increase over 2017, and secured 550 bars and suspensions of wrongdoers, a 12 percent decrease from the year prior.[38]

The following are some of the key actions brought against individual respondents in the latter half of 2018:

- The SEC brought an action against a former CFO of a business services company, alleging that he engaged in a years-long scheme to manipulate the company's accounting records and materially misstate expenses, liabilities, and revenue. The SEC specifically alleged that the CFO masked negative trends in the company's workers' compensation exposure by misclassifying expenses, improperly recognizing unemployment tax expenses over multiple periods rather than a single period, and concealing an actuarial report that supported increasing the workers' compensation liability by $80 million. In its complaint filed in federal court, the SEC charged the former CFO with securities fraud, as well as books and records and internal controls violations.[39]

- In a related action, the SEC settled with the business services company and the controller. In addition to the allegations leveled against the former CFO, the SEC also alleged that the controller approved a journal entry prepared by the former CFO that improperly spread out unemployment tax expenses over multiple periods. The company and the controller were required to pay $1.5 million and $20,000 civil penalties respectively, and the controller agreed to a one-year public accounting bar.[40]

- The SEC brought a settled action against a payment processing services company and its former CEO for overstating the significance of an operating metric as a meaningful indicator of future revenue growth. The SEC alleged that the metric, which estimated the profit that each new merchant was expected to generate during its first year of processing payments, was materially overstated over a three-year period. As part of the settlement, the company agreed to pay a civil penalty of $2,160,000, and the former CEO agreed to pay a penalty of $120,000.[41]

- The SEC brought a settled action against a chain of theme parks, its former CEO, and its former vice-president of communications for misleading investors about the impact a documentary film had on its reputation and business. According to the SEC, the company and its former CEO made false and misleading statements in SEC filings, press statements, earnings releases, and calls that downplayed the documentary's impact. When the company acknowledged that its declining attendance resulted partially from the documentary's negative publicity, its stock price fell, causing significant shareholder losses. As part of the settlement, the company agreed to pay $4 million and its former CEO to pay $1 million in civil penalties. The former vice president of communications paid disgorgement and prejudgment interest of approximately $100,000 but was not assessed a penalty because of his substantial assistance to the SEC.[42]

- In a settled action, the SEC charged the former president and CEO and the former CFO of an airline entertainment and communication services company with internal controls and books and records violations.[43] The SEC alleged the former CEO approved payments to multiple consultants who either provided no services or provided the company with non-public, confidential information. The former CFO allegedly backdated a contract with a client in order to recognize revenue in an earlier quarter. The SEC likewise claimed that both individuals misled auditors by providing false sub-certifications and management representation letters. Under the settlement, the former CEO and CFO agreed to pay civil penalties of $75,000 and $50,000 respectively, and the former CFO received a five-year public accounting bar.[44]

- The SEC brought a settled action against a consumer products company and its CEO for filing inaccurate financial statements with the SEC in connection with the proposed sale of its securities in a planned IPO in 2017. The SEC alleged that the company and its CEO provided inaccurate sales information to the auditing firm that was reviewing its financial statements in advance of the company's filing of a Form S-1 registration statement. As part of the settlement, the CEO agreed to pay a $10,000 civil penalty, and the company agreed to withdraw its registration statement.[45]

SIGNIFICANT CHALLENGES AND A FOCUS ON "QUALITY"

As noted above, the SEC faced significant challenges impacting its enforcement activities throughout 2018, including particularly limited personnel resources. The number of enforcement staff and contractors has decreased by approximately 10 percent since a hiring freeze began in 2016.[46] Continuing turnover within the SEC's enforcement and leadership ranks will only further constrain the breadth and types of cases the SEC can bring. Furthermore, many of the SEC's enforcement activities were delayed during the recent government shutdown, during which the SEC operated with only a very limited number of staff members.

The Supreme Court's rulings in *Kokesh* and *Lucia* earlier this year will likely also encumber the SEC's enforcement activities. As discussed in our July 2018 update, in *Kokesh*, the Court ruled that the SEC's claims for disgorgement are subject to a five-year statute of limitations.[47] This ruling limits the SEC's enforcement arsenal most especially in cases involving long-running and well-concealed frauds. Although it is difficult to fully account for the impact of this ruling, the Division estimated in its year-end overview that the decision has already caused the SEC to forego approximately $900 million in disgorgement.[48] In *Lucia*, the Supreme Court held that administrative law judges ("ALJs") are inferior officers subject to the Appointments Clause.[49] This ruling imposed additional strictures on the appointment of ALJs but did not address other constitutional concerns surrounding the SEC ALJs or prior ALJ adjudications. In the face of this uncertainty, and in light of its limited resources, the SEC will feel pressured to settle cases on better terms in order to avoid a large number of administrative proceedings.

These limitations on resources and remedies explain, to some degree, SEC leadership's recent emphasis on "quality and not quantity of cases."[50] Senior leaders and Commissioners alike insist that statistics provide only a partial picture of the effectiveness of the Division's efforts.[51] At the same time, these limitations may also drive the SEC to look for cases in which it will find the most "bang for its buck." Two highly publicized cases from the last six months have been repeatedly cited by SEC leaders as examples of the kind of high-impact cases that it is pursuing.[52]

- In the first case, the SEC brought a settled action against an automotive and energy company and its CEO for tweeting false statements and failing to have adequate disclosure controls and procedures relating to the CEO's tweets. The CEO tweeted that he could take the company private at well above its current trading price, that he had secured funding for the transaction, and that only a shareholder vote remained before the action could be taken. The SEC alleged, however, that the CEO knew when he tweeted that the potential transaction was uncertain and that he had not discussed any specifics with potential financing partners. The SEC further alleged that, even though the company had notified the market that it intended to use the CEO's twitter account to announce material information, it did not create any disclosure controls or procedures to guarantee that the information in the tweets was accurate or complete. As part of the settlement, the CEO agreed to step down as chairman and to remain ineligible for the position for three years. The company appointed two new independent directors to its board, established a new committee of independent directors, and placed additional controls and procedures for overseeing the CEO's communications. Both the company and the CEO will respectively pay a $20 million penalty.[53]

- In the second case, the SEC brought a settled action against a privately held health technology company, its founder and CEO, and its former president for allegedly raising money from investors by exaggerating and making false statements about the company's technology, business, and financial performance. The SEC alleged that the company made various false claims, including claims about government agencies' use of its product as well as the company's projected revenue. Under the settlement agreement, the CEO agreed to a ten-year officer-and-director bar and a $500,000 penalty. She also agreed to return the 18.9 million shares she obtained during the fraud and to relinquish voting control by converting her shares. The SEC will litigate its claims against the company's former president in federal district court.[54]

NOTABLE SUPREME COURT CASE

On December 3, the Supreme Court heard oral arguments in *Lorenzo v. SEC*. The issue under consideration is whether an individual who distributed a material misstatement or omission, but who did not make the statement, can be liable under Rule 10b-5(a) and (c)'s "fraudulent scheme" provisions. Circuit courts are split on this issue: the Second, Eighth, and Ninth Circuits have held that such an individual cannot be liable, while the D.C. Circuit and Eleventh Circuit have held that such an individual can be liable. Justice Kavanaugh recused himself from this case as he participated in the D.C. Circuit's original decision. With Justice Kavanaugh recused, it is possible that the Supreme Court will split 4-4 and no new law will be created, leaving the circuit split in place.[55]

SUSTAINABILITY REPORTING REQUIREMENTS ON PUBLIC COMPANIES

As forecast in our July 2018 update, sustainability disclosures received increased attention in the latter half of 2018.[56] Although virtually every public company has embraced sustainable corporate development, calls to create a mandatory sustainability disclosure framework have increased. Recently, Senator Elizabeth Warren introduced a bill requiring the SEC to create specific disclosure requirements for climate-related risks.[57]

In the face of this increased public scrutiny, SEC leaders appear to be taking inconsistent positions on sustainability disclosures. Chairman Clayton cautioned against the idea of mandatory sustainability disclosure frameworks, emphasizing that each company is unique and may not fit within a standardized framework.[58] He also noted that companies do not have to comply with third party sustainability frameworks in order to comply with SEC rules. Commissioner Peirce similarly expressed concern that expanding a corporation's duty beyond its shareholders to a broader group of stakeholders could cause directors to breach their fiduciary duty to shareholders to maximize the value of a corporation.[59] She cautioned on a separate occasion that the ambiguity and subjectivity inherent in such sustainability standards makes companies ill-equipped to define and apply them, and that tracking these standards would be costly for shareholders.[60] By contrast, Commissioner Stein supported increasing uniformity in disclosures, including disclosures related to sustainability, as a means of providing more information and transparency to markets.[61]

EMPHASIZING INTERNAL CONTROLS

In light of the adoption of new accounting standards and increasing cybersecurity threats, the SEC reemphasized the importance of internal controls in 2018. At a recent conference of certified public accountants, the SEC's Chief Accountant cautioned that auditors must consider relevant internal controls and communicate deficiencies to the company's audit committee even if the auditor is not providing an attestation on internal controls over financial reporting ("ICFR").[62] He reiterated the importance of evaluating the severity of internal control deficiencies, especially in light of a recent enforcement action by the SEC alleging that a company failed to adequately evaluate the effectiveness of its ICFR.

Two of the SEC's professional accounting fellows made important additional observations about ICFR at the same conference. The first observed that there is still a tendency for companies to focus solely on actual misstatements caused by deficient internal controls.[63] He urged companies to broaden their focus and to consider other potential misstatements that could have been caused by the deficiency. The second fellow highlighted the importance of ICFR assessments in light of the adoption of new accounting standards and noted that companies should work to make material weakness disclosures more informative to investors.[64]

QUARTERLY REPORTING

The SEC issued a press release on December 18, 2018, soliciting public comment on the current system of mandated quarterly reporting.[65] Chairman Clayton acknowledged the "ongoing debate regarding the effects of mandated quarterly reports and the prevalence of optional quarterly guidance." The request for comment included input on how the SEC can reduce the burdens of quarterly reporting while maintaining or enhancing protection for investors.

CROSS-BORDER COOPERATION FOR REGULATORY OVERSIGHT

In light of the SEC's duty to regulate issues and entities that often transcend borders, Chairman Clayton, SEC Chief Accountant Wes Bricker, and Public Company Accounting Oversight Board ("PCAOB") Chairman William Duhnke III issued a joint statement addressing SEC and PCAOB access to audit and other information in other jurisdictions.[66] Of the numerous information access issues that the SEC and the PCAOB face, the statement specifically addressed issues regarding inspecting the work of PCAOB-registered firms that audit U.S.-listed companies with operations in China. According to the statement, Chinese laws restrict books and records and audit work papers from being transferred out of the country, and occasionally state secrets and national security concerns limit foreign access to information. The statement observed that regulators across the world needed to "work together" to provide effective oversight of financial reporting and auditing, and noted foreign privacy and data protection laws as significant obstacles to this cooperation. The statement expressed frustration at the lack of progress in improving information access and audit inspections with Chinese regulators, and concluded by noting that if significant information barriers continue, remedial measures may be taken.

CORPORATE CULTURE

In a June 18, 2018 speech, Chairman Clayton emphasized the importance of developing and maintaining a positive culture in financial institutions.[67] Referencing a recent study released by the United Kingdom's Financial Conduct Authority ("FCA"), he noted that financial institutions' management should take efforts to know their companies' cultures. He defined culture as the collective daily actions of an organization's people, and he maintained that articulating a clear and constant mission will enhance culture and help to "fill gaps" when an organization encounters a situation not contemplated by its policies and procedures. He warned that any disconnect between management's and the regulator's perceptions of an institution's culture may lead to tension and discord. He concluded that every organization's culture should reflect three realities: "First, it is a privilege to work as a professional in the financial sector. Second, firms have systemic responsibilities with widespread significance. Finally, firms and their professionals have important, individual responsibilities to real people that make up the investing public." We recommend anyone involved or interested in ethics or compliance review the FCA study.

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39 "Business Services Company and Former CFO Charged with Accounting Fraud" (Sept. 21, 2018).

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42 "SeaWorld and Former CEO to Pay More Than $5 Million to Settle Fraud Charges" (Sept. 18, 2018).

43 Exchange Act Release No. 83128 (Apr. 30, 2018). The related parent company settled allegations of FCPA violations and accounting fraud earlier in the year.

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