
ORDER INSTITUTING DISCIPLINARY
PROCEEDINGS, MAKING FINDINGS,
AND IMPOSING SANCTIONS

*In the Matter of Jerome Rosenberg
CPA, P.C. and Jerome Rosenberg,
CPA,*

Respondents.

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) PCAOB Release No. 105-2017-036
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) August 2, 2017
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By this Order, the Public Company Accounting Oversight Board (the "Board" or "PCAOB") is censuring Jerome Rosenberg CPA, P.C. (the "Firm"), revoking the Firm's registration,¹ and imposing a civil money penalty in the amount of \$10,000 upon the Firm; and censuring Jerome Rosenberg, CPA ("Rosenberg") and barring him from being an associated person of a registered public accounting firm.² The Board is imposing these sanctions on the basis of its findings that the Firm and Rosenberg (collectively "Respondents") violated PCAOB rules and standards in connection with the Firm's audits of an issuer audit client.

I.

The Board deems it necessary and appropriate, for the protection of investors and to further the public interest in the preparation of informative, accurate, and independent audit reports, that disciplinary proceedings be, and hereby are, instituted pursuant to Section 105(c) of the Sarbanes-Oxley Act of 2002, as amended (the "Act"), and PCAOB Rule 5200(a)(1) against Respondents.

II.

In anticipation of institution of these proceedings, and pursuant to PCAOB Rule 5205, Respondents have each submitted an Offer of Settlement ("Offers") that the

¹ The Firm may reapply for registration after one (1) year from the date of this Order.

² Rosenberg may file a petition for Board consent to associate with a registered public accounting firm after one (1) year from the date of this Order.

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Board has determined to accept. Respondents admit the facts, findings, and violations set forth below, and consent to entry of this Order Instituting Disciplinary Proceedings, Making Findings, and Imposing Sanctions ("Order").³

III.

On the basis of Respondents' Offers, the Board finds⁴ that:

A. Respondents

1. Jerome Rosenberg CPA, P.C. is, and at all relevant times was, an accounting firm organized under New York law, and headquartered in Melville, New York. The Firm is registered with the Board pursuant to Section 102 of the Act and PCAOB rules, and is licensed by the New York State Board of Accountancy (license no. 026799). At all relevant times, the Firm was the external auditor for the issuer identified below.

2. Jerome Rosenberg, CPA, age 74, is, and at all relevant times was, a certified public accountant licensed by the New York State Board of Accountancy (license no. 027100). At all relevant times, Rosenberg was the managing partner and sole owner of the Firm. Rosenberg is, and at all relevant times was, an associated person of a registered public accounting firm as that term is defined in Section 2(a)(9) of the Act and PCAOB Rule 1001(p)(i).

B. Summary

3. This matter concerns the Respondents' failure to comply with Auditing Standard No. 7, *Engagement Quality Review* ("AS 7"), with respect to one issuer client. In the case of the Firm's audits of the issuer's 2013 through 2016 year-end financial statements, the Firm failed to have an engagement quality review performed with objectivity. As described below, in each of these years, the engagement quality reviewer

³ The findings herein are made pursuant to the Respondents' Offers and are not binding on any other person or entity in this or any other proceeding.

⁴ The Board finds that Respondents' conduct described in this Order meets the conditions set out in Section 105(c)(5) of the Act, 15 U.S.C. § 7215(c)(5), which provides that certain sanctions may be imposed in the event of (1) intentional or knowing conduct, including reckless conduct, that results in a violation of the applicable statutory, regulatory, or professional standard; or (2) repeated instances of negligent conduct, each resulting in a violation of the applicable statutory, regulatory, or professional standard.

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performed some of the audit procedures and thereby assumed part of the responsibilities of the engagement team.

4. This matter also concerns the Firm's violations of PCAOB rules and quality control standards by failing to establish quality control policies and procedures sufficient to provide the Firm with reasonable assurance that its personnel would comply with applicable professional standards and the Firm's standards of quality.

C. Respondents violated PCAOB Rules and Standards

5. In connection with the preparation or issuance of an audit report, PCAOB rules require that a registered public accounting firm and its associated persons comply with the Board's auditing and related professional practice standards.⁵

6. AS 7 requires an engagement quality review and concurring approval of issuance for each audit engagement.⁶ In addition, AS 7 requires that the engagement quality reviewer perform the review with integrity, and maintain objectivity in performing the review.⁷ To maintain objectivity, the engagement quality reviewer should not make decisions on behalf of the engagement team or assume any of the responsibilities of the engagement team.⁸ The engagement partner remains responsible for the engagement and its performance, notwithstanding the involvement of the engagement quality reviewer.⁹

⁵ PCAOB Rule 3100, *Compliance with Auditing and Related Professional Practice Standards*; PCAOB Rule 3200T, *Interim Auditing Standards*. All references to PCAOB standards are to the versions of those standards in effect at the time of the relevant audits. As of December 31, 2016, the PCAOB reorganized its auditing standards using a topical structure and a single, integrated numbering system. See Reorganization of PCAOB Auditing Standards and Related Amendments to PCAOB Standards and Rules, PCAOB Release No. 2015-002 (Mar. 31, 2015); see also PCAOB Auditing Standards Reorganized and Pre-Reorganized Numbering (January 2016), <https://pcaobus.org/Standards/Auditing/Documents/PrintableReferenceTable.pdf>.

⁶ See AS 7 ¶ 1.

⁷ Id. at ¶ 6.

⁸ Id. at ¶ 7.

⁹ Id.

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7. As described below, Respondents failed to comply with PCAOB rules and standards.

Audits of IEH's Financial Statements

8. At all relevant times, IEH Corp. ("IEH") was a New York State corporation headquartered in Brooklyn, New York. The company's public filings disclose that it designs, develops and manufactures printed circuit connectors for high performance applications. At all relevant times, IEH was an "issuer" as defined in Section 2(a)(7) of the Act and PCAOB Rule 1001(i)(iii).

9. The Firm was engaged to audit the financial statements of IEH for the years ended March 29, 2013, March 28, 2014, March 27, 2015 and March 26, 2016 (collectively the "IEH Audits"). The Firm issued audit reports for each of the IEH Audits, which were included in IEH's Forms 10-K filed with the Securities and Exchange Commission ("Commission" or "SEC").

10. Throughout the IEH Audits, the engagement quality reviewer assumed responsibilities of the engagement team by performing audit procedures on revenue recognition, assets and inventory in IEH's financial statements. As a result, the Firm failed to obtain concurring approvals of issuance from an engagement quality reviewer who maintained objectivity while performing the review of IEH Audits.¹⁰

11. Rosenberg served as the head of the assurance practice at the Firm at all relevant times, and he also served as the engagement quality reviewer on the 2013, 2014 and 2016 IEH Audits. While serving as the engagement quality reviewer for those years, Rosenberg assumed responsibilities of the engagement team by performing audit procedures on revenue recognition, assets and inventory in IEH's financial statements. As a result, Rosenberg failed to maintain objectivity in his role as engagement quality reviewer, and thus violated AS 7.¹¹

12. In addition, Rosenberg served as the engagement partner on the Firm's 2015 audit of IEH's financial statements. Rosenberg was aware that another member of the Firm, who was serving as the engagement quality reviewer for the 2015 audit, performed audit procedures on revenue recognition, assets and inventory in IEH's 2015 financial statements. As a result, Rosenberg, as the engagement partner on the 2015 audit, improperly permitted the engagement quality reviewer to assume responsibilities

¹⁰ See AS 7 ¶ 6.

¹¹ Id. at ¶ ¶ 6 and 7.

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of the engagement team, and thus Rosenberg violated Auditing Standard No. 10, *Supervision of the Audit Engagement*.¹²

D. Respondents violated PCAOB Rules and Standards Related to Quality Control

13. PCAOB rules require that a registered public accounting firm and their associated persons comply with the Board's quality control standards.¹³ PCAOB quality control standards require that a registered public accounting firm establish policies and procedures to provide the firm with reasonable assurance that the work performed by engagement personnel meets applicable professional standards, regulatory requirements, and the firm's standards of quality.¹⁴

14. Throughout the relevant time period, the Firm failed to implement and maintain a system of quality control that would provide it with reasonable assurance that the work performed by the engagement personnel would comply with applicable professional standards. As described above, the Firm failed to establish and implement quality control policies and procedures to provide reasonable assurance that engagement quality reviews were obtained by reviewers who maintained objectivity in performing the review.

15. Rosenberg, as head of the Firm's assurance practice, had responsibility for the development, maintenance, communication, and monitoring of the Firm's quality control policies and procedures. In connection with that role, Rosenberg took, or omitted to take, actions that he knew, or was reckless in not knowing, would directly and substantially contribute to the Firm's violation of PCAOB quality control standards, in contravention of PCAOB Rule 3502, *Responsibility Not to Knowingly or Recklessly Contribute to Violations*.

IV.

In view of the foregoing, and to protect the interests of investors and further the public interest in the preparation of informative, accurate, and independent audit

¹² See AS 10 ¶ 3.

¹³ PCAOB Rule 3100; PCAOB Rule 3400T, *Interim Quality Control Standards*.

¹⁴ QC § 20.17.

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reports, the Board determines it appropriate to impose the sanctions agreed to in Respondents' Offers.

Accordingly, it is hereby ORDERED that:

- A. Pursuant to Section 105(c)(4)(E) of the Act and PCAOB Rule 5300(a)(5), Jerome Rosenberg CPA, P.C., and Jerome Rosenberg, CPA are hereby censured;
- B. Pursuant to Section 105(c)(4)(B) of the Act and PCAOB Rule 5300(a)(2), Jerome Rosenberg, CPA is barred from being an associated person of a registered public accounting firm, as that term is defined in Section 2(a)(9) of the Act and PCAOB Rule 1001(p)(i);¹⁵
- C. After one (1) year from the date of this Order, Jerome Rosenberg, CPA may file a petition, pursuant to PCAOB Rule 5302(b), for Board consent to associate with a registered public accounting firm;
- D. Pursuant to Section 105(c)(4)(A) of the Act and PCAOB Rule 5300(a)(1), the registration of Jerome Rosenberg CPA, P.C. is revoked;
- E. After one (1) year from the date of the Order, Jerome Rosenberg CPA, P.C. may reapply for registration by filing an application pursuant to PCAOB Rule 2101; and
- F. Pursuant to Section 105(c)(4)(D) of the Act and PCAOB Rule 5300(a)(4), a civil money penalty in the amount of \$10,000 is imposed upon Jerome Rosenberg CPA, P.C. All funds collected by the Board as a result of the assessment of this civil money penalty will be used in accordance with Section 109(c)(2) of the Act. Jerome Rosenberg CPA, P.C. shall pay this civil money penalty within ten (10) days of the issuance of this Order by (1) wire transfer pursuant to instructions provided by Board staff; or (2) United States Postal Service money order, bank money order, certified

¹⁵ As a consequence of the bar, the provisions of Section 105(c)(7)(B) of the Act will apply with respect to Rosenberg. Section 105(c)(7)(B) provides: "It shall be unlawful for any person that is suspended or barred from being associated with a registered public accounting firm under this subsection willfully to become or remain associated with any issuer, broker, or dealer in an accountancy or a financial management capacity, and for any issuer, broker, or dealer that knew, or in the exercise of reasonable care should have known, of such suspension or bar, to permit such an association, without the consent of the Board or the Commission."

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check, or bank cashier's check (a) made payable to the Public Company Accounting Oversight Board, (b) delivered to the Controller, Public Company Accounting Oversight Board, 1666 K Street, N.W., Washington, D.C. 20006, and (c) submitted under a cover letter which identifies Jerome Rosenberg CPA, P.C. as a Respondent in these proceedings, sets forth the title and PCAOB release number of these proceedings, and states that payment is made pursuant to this Order, a copy of which cover letter and money order or check shall be sent to the Office of the Secretary, Attention: Phoebe W. Brown, Secretary, Public Company Accounting Oversight Board, 1666 K Street, N.W., Washington, D.C. 20006.

ISSUED BY THE BOARD.

/s/ Phoebe W. Brown

Phoebe W. Brown
Secretary

August 2, 2017