PRESS RELEASE

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SEC Charges Audit Firm BF Borgers and Its Owner with Massive Fraud Affecting More Than 1,500 SEC Filings

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Washington D.C., May 3, 2024 —The Securities and Exchange Commission today charged audit firm BF Borgers CPA PC and its owner, Benjamin F. Borgers (together, "Respondents"), with deliberate and systemic failures to comply with Public Company Accounting Oversight Board (PCAOB) standards in its audits and reviews incorporated in more than 1,500 SEC filings from January 2021 through June 2023. The SEC also charged the Respondents with falsely representing to their clients that the firm's work would comply with PCAOB standards; fabricating audit documentation to make it appear that the firm's work did comply with PCAOB standards; and falsely stating in audit reports included in more than 500 public company SEC filings that the firm's audits complied with PCAOB standards.

To settle the SEC's charges, BF Borgers agreed to pay a $12 million civil penalty, and Benjamin Borgers agreed to pay a $2 million civil penalty. Both Respondents also agreed to permanent suspensions from appearing and practicing before the Commission as accountants, effective immediately.

"Ben Borgers and his audit firm, BF Borgers, were responsible for one of the largest wholesale failures by gatekeepers in our financial markets," said Gurbir S. Grewal, Director of the SEC's Division of Enforcement. "As a result of their fraudulent conduct, they not only put investors and markets at risk by causing public companies to incorporate noncompliant audits and reviews into more than 1,500 filings with the Commission, but also undermined trust and confidence in our markets. Because investors rely on the audited financial statements of public companies when making their investment decisions, the accountants and accounting firms that audit those statements play a critical role in our financial markets. Borgers and his firm completely abandoned that role, but thanks to the painstaking work of the SEC staff, Borgers and his sham audit mill have been permanently shut down."

The SEC's order finds that, among other things, the Respondents failed to adequately supervise and review the work of the team performing the audits and reviews; did not properly prepare and maintain audit documentation, known as "workpapers;" and failed to obtain engagement quality reviews, without which an audit firm may not issue an audit report. According to the SEC's order, of 369 BF Borgers clients whose public filings from January 2021 through June 2023 incorporated BF Borgers's audits and reviews, at least 75 percent of the filings incorporated BF Borgers's audits and reviews that did not comply with PCAOB standards.

The SEC's order further finds that, at Benjamin Borgers's direction, BF Borgers staff copied workpapers from previous engagements for their clients, changing only the relevant dates, and then passed them off as workpapers for the current audit period. As a result, the order finds, BF Borgers's workpapers falsely documented work that had not been performed. Among other things, the workpapers regularly documented purported planning meetings – required to discuss a client's business and consider any potential risk areas – that never occurred and falsely represented that both Benjamin Borgers, as the partner in charge of the engagement, and an engagement quality reviewer had reviewed and approved the work.

The SEC's order finds that the Respondents engaged in improper professional conduct and violated, and caused violations of, the antifraud, recordkeeping, and other provisions of the federal securities laws. Without admitting or denying the SEC's findings as to each of them, BF Borgers and Benjamin Borgers both consented to an order, effective immediately, pursuant to which they are ordered to pay civil penalties and are denied the privilege of appearing or practicing before the Commission as an accountant, as discussed above. In addition, they are censured and must cease and desist from committing or causing violations of the relevant provisions of the federal securities laws.

The SEC's investigation was conducted by Taryn Lewis, Jake Schmidt, and Ann Tushaus of the Chicago Regional Office, and was supervised by Brian Fagel.

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Last Reviewed or Updated: May 3, 2024

RESOURCES

- SEC Order
- SEC Staff Statement on Issuer Disclosure and Reporting Obligations