



# CORNERSTONE RESEARCH

Economic and Financial Consulting and Expert Testimony

## SEC Accounting and Auditing Enforcement Activity

Year in Review: FY 2022

### ANALYSIS AND TRENDS

By Year and Quarter Initiated

Non-U.S. Respondents

Announced Restatements and/or

Material Weaknesses in Internal Control

Allegations

Number and Type of Respondents

Monetary Settlements

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# Executive Summary

The number of actions involving accounting and auditing enforcement initiated by the SEC in FY 2022 increased by 55% from FY 2021, but remained below pre-pandemic levels. Actions referring to announced restatements and/or material weaknesses in internal control climbed to the highest level in recent years, and actions involving alleged violations of Section 304 of the Sarbanes-Oxley Act of 2002 (the so-called “clawback” provision) increased sharply.

Total monetary settlements dropped substantially in FY 2022 due, in part, to the absence of any very large settlements (i.e., those over \$1 billion). The SEC acknowledged that 24% of the 90 respondents who settled in FY 2022 offered cooperation and/or undertook remedial efforts, up from 20% in FY 2021.

- The Securities and Exchange Commission (SEC) initiated 68 accounting and auditing enforcement actions (“SEC actions” or “actions”) in fiscal year (FY) 2022 against 66 individuals and 37 firms.<sup>1</sup> (pages 2 and 7)
- Half of all actions initiated in FY 2022 (34) were brought in the fourth quarter of the SEC’s fiscal year. The SEC initiated 28% of all actions in FY 2022 in September alone. (page 3)
- The number of actions in FY 2022 referring to announced restatements and/or material weaknesses in internal control climbed to 41—the highest level in recent years. (page 5)
- In FY 2022, nine actions alleged violation of the “clawback” provision. This was a sharp increase from only three actions initiated in FY 2021 and the yearly average of 3.6 actions initiated in FY 2017–FY 2021. (page 6)
- The most common allegations in actions initiated in FY 2022 related to a company’s revenue recognition and internal control over financial reporting. One or both violations were alleged in 63% of FY 2022 actions. (page 6)
- At \$625 million, the FY 2022 monetary settlements were down more than 60% from FY 2021 and were 44% lower than the average of total monetary settlements in the prior five fiscal years. (pages 9 and 10)
- For the second year in a row, civil penalties comprised more than half of total monetary settlements in FY 2022. (page 9)
- For 22 of the 90 respondents who settled actions in FY 2022, the SEC reported that it took into account the respondent’s self-reporting, cooperation, and/or remedial efforts as it set penalties and other remedies. (page 10)

Figure 1: SEC Accounting and Auditing Actions and Settlements Summary Statistics

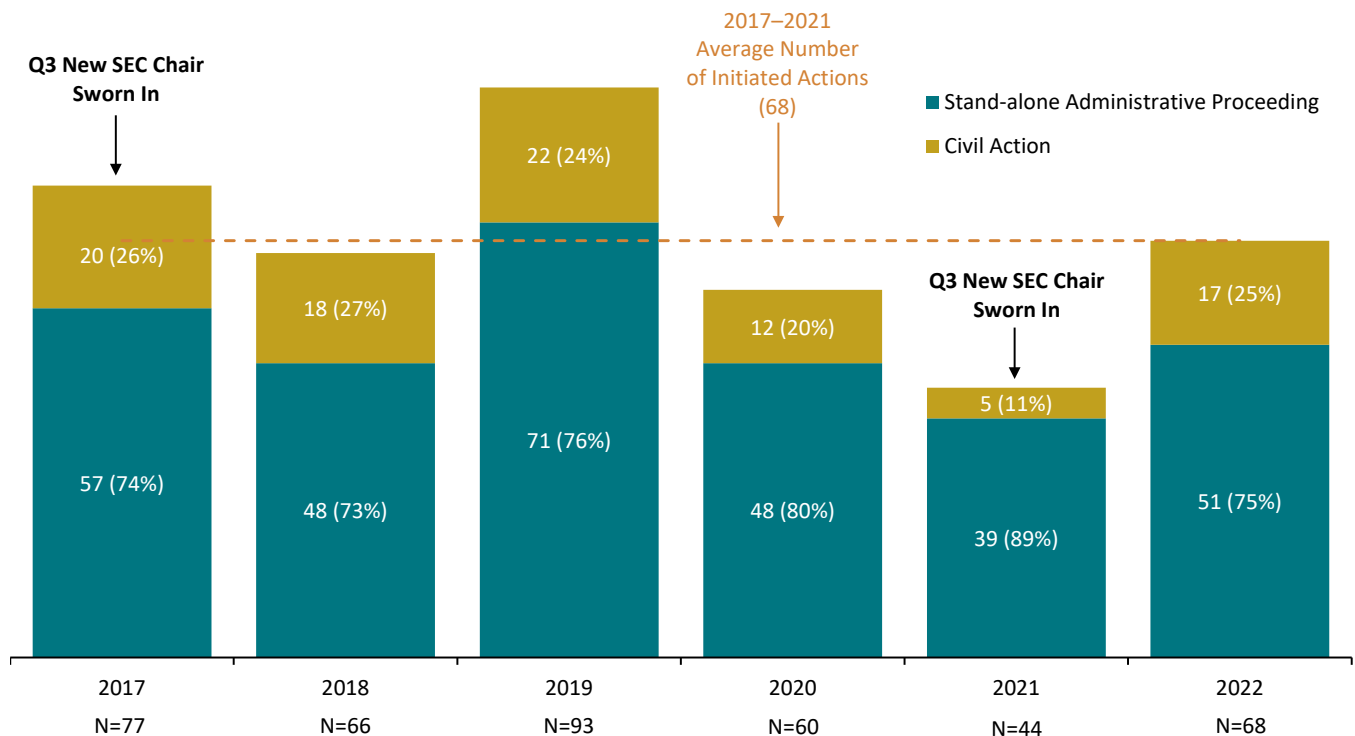
	FY 2017–FY 2021 Average	FY 2021	FY 2022
<b>New Actions</b>			
Number of Actions	68	44	68
Number of Individual Respondents	65	38	66
Number of Firm Respondents	47	32	37
<b>Settled Actions</b>			
Number of Respondents	97	84	90
Number of Respondents Fined	78	74	65
Percentage of Respondents Fined	80%	88%	72%
Total Settlements (\$ thousands)	\$1,121,247	\$1,627,016	\$624,695

# Actions by Year Initiated

- In FY 2022, the SEC initiated 68 accounting and auditing enforcement actions, 55% higher than the number of actions initiated in FY 2021 (44) and the highest number of actions initiated since FY 2019.
- In FY 2022—the first full fiscal year of Chair Gary Gensler’s administration—the total number of initiated actions (68) was slightly higher than the number of initiated actions in FY 2018 (66)—the first full fiscal year of his predecessor, then-Chair Jay Clayton. The highest number of enforcement actions of the Clayton administration was initiated in the second full fiscal year of that administration.<sup>2</sup>
- Of the 68 actions initiated during FY 2022, 51 were administrative proceedings, with all but two announcing a concurrent settlement on the same day.
- The SEC also brought 17 civil actions against 34 respondents in FY 2022, the highest number of such actions since FY 2019. By the end of the fiscal year, civil actions against 12 respondents were resolved.<sup>3</sup>

*SEC enforcement actions increased sharply in FY 2022 but remained below pre-pandemic levels.*

Figure 2: SEC Accounting and Auditing Actions by Year Initiated FY 2017–FY 2022



Source: Cornerstone Research; [www.sec.gov](http://www.sec.gov)

Note: “Year Initiated” is the fiscal year in which an administrative proceeding was instituted or a civil action complaint was filed. Jay Clayton was sworn in as Chair of the SEC on May 17, 2017 (<https://www.sec.gov/news/press-release/2017-94>). Gary Gensler was sworn in as Chair of the SEC on April 17, 2021 (<https://www.sec.gov/news/press-release/2021-65>). See [Research Sample and Data Sources](#) for additional information.

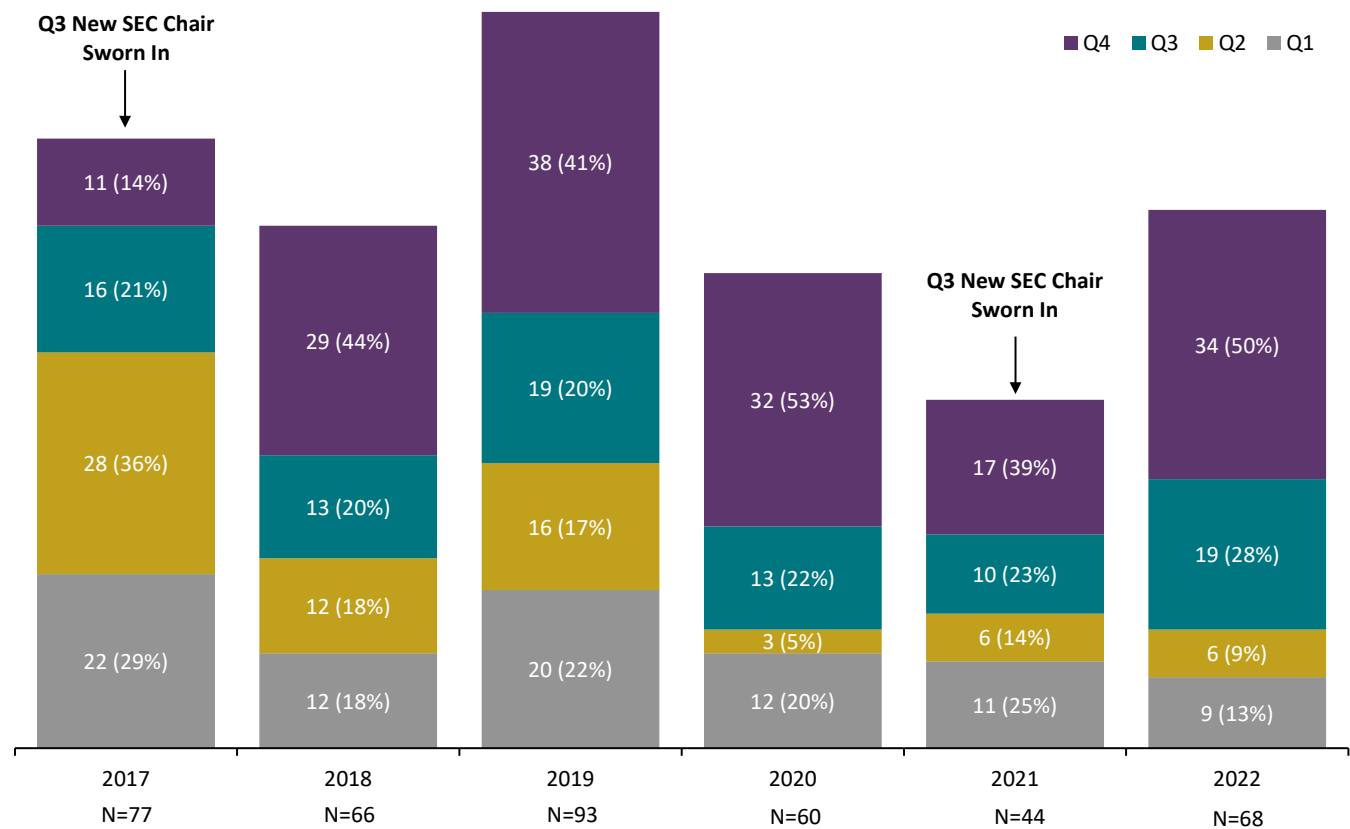
# Actions by Quarter Initiated

*The SEC brought half of its FY 2022 actions in the fourth quarter of its fiscal year, up from the FY 2017–FY 2021 average of 38%.*

- The 34 actions initiated by the SEC in the fourth quarter of FY 2022 represented the highest number of initiated actions in a quarter since the fourth quarter of FY 2019.
- The SEC initiated 19 actions (28% of the FY 2022 total) in September, the last month of the fiscal year.

- The third quarter of FY 2022 was the SEC’s second-busiest quarter in the fiscal year. Of the FY 2022 actions, 28% were initiated in the third quarter of FY 2022, up from an average of 21% in the third quarters of the prior five fiscal years.
- For the fourth year in a row, enforcement activity in the second quarter of the fiscal year (i.e., the first quarter of the calendar year) was lower than in other quarters. The SEC initiated no actions in January 2022.
- In FY 2022, actions initiated in the first quarter were at the lowest level in recent years.

Figure 3: SEC Accounting and Auditing Actions by Quarter Initiated FY 2017–FY 2022



Source: Cornerstone Research; [www.sec.gov](http://www.sec.gov)

Note: “Quarter Initiated” is the fiscal quarter in which an administrative proceeding was instituted or a civil action complaint was filed. Jay Clayton was sworn in as Chair of the SEC on May 17, 2017 (<https://www.sec.gov/news/press-release/2017-94>). Gary Gensler was sworn in as Chair of the SEC on April 17, 2021 (<https://www.sec.gov/news/press-release/2021-65>). See [Research Sample and Data Sources](#) for additional information.

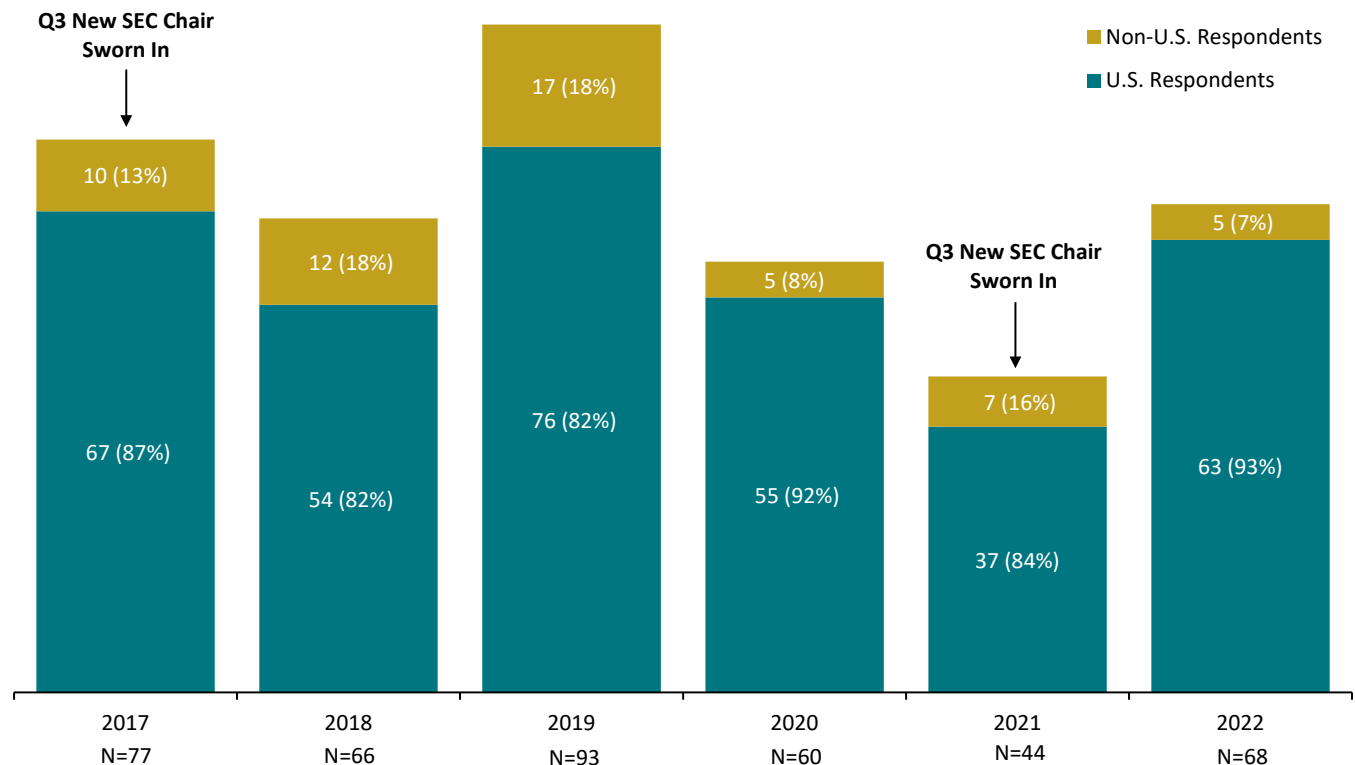
# Actions Involving Non-U.S. Respondents

- In FY 2022, the SEC initiated five actions against non-U.S. respondents, lower than the average of 10 actions per year from FY 2017 to FY 2021.
- The percentage of actions against non-U.S. respondents in FY 2022 (7%) was less than half of the FY 2017–FY 2021 average (15%).<sup>4</sup>
- During FY 2022, the SEC brought actions involving respondents in Canada, China, Germany, and the United Kingdom.

*The number of actions initiated by the SEC against non-U.S. respondents remained low in FY 2022.*

- Since FY 2017, the SEC has brought 56 actions involving respondents in countries outside the United States. The most non-U.S. actions were brought against respondents in Canada (eight), the United Kingdom (six), Japan (five), and Germany (five).

Figure 4: SEC Accounting and Auditing Actions Involving U.S. and Non-U.S. Respondents by Year Initiated FY 2017–FY 2022



Source: Cornerstone Research; [www.sec.gov](http://www.sec.gov)

Note: “Year Initiated” is the fiscal year in which an administrative proceeding was instituted or a civil action complaint was filed. Actions involving firm respondents are classified as actions involving non-U.S. respondents if (1) there is a single firm respondent and the firm is headquartered outside the United States; or (2) there are multiple firm respondents and (a) all of the firm respondents are headquartered outside the U.S., or (b) one or more of the firm respondents are headquartered outside the U.S. and the alleged violations occurred outside the U.S. Actions involving only individual respondents are classified as actions involving non-U.S. respondents if (1) the individuals are licensed or reside outside the U.S., and (2) the alleged violations occurred outside the U.S. Jay Clayton was sworn in as Chair of the SEC on May 17, 2017 (<https://www.sec.gov/news/press-release/2017-94>). Gary Gensler was sworn in as Chair of the SEC on April 17, 2021 (<https://www.sec.gov/news/press-release/2021-65>). See [Research Sample and Data Sources](#) for additional information.

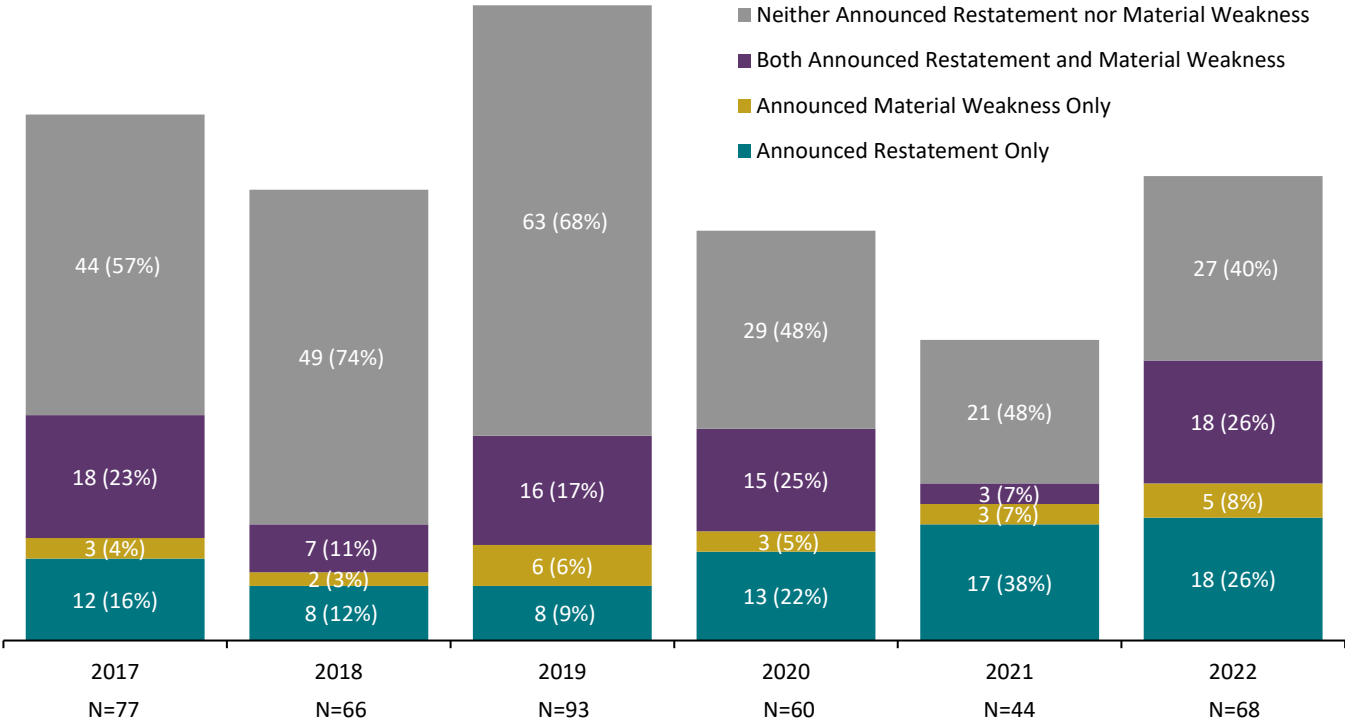
# Actions Referring to Announced Restatements and/or Material Weaknesses in Internal Control

- Of the 68 actions initiated in FY 2022, 36 referred to announced restatements of financial statements, and 23 referred to announcements of material weaknesses in internal control.
- The percentage of FY 2022 initiated actions referring to announced restatements and/or material weaknesses in internal control (60%) was at its highest level in recent years and 1.5 times the FY 2017–FY 2021 average (39%).

*Actions referring to announced restatements and/or material weaknesses in internal control climbed to 41—the highest level in recent years.*

- Of the 36 actions referring to restatements in FY 2022, 25 alleged improper revenue recognition (69%). This was a sharp increase over the prior fiscal year when eight of the 20 actions (40%) referring to a restatement also alleged improper revenue recognition.

Figure 5: SEC Accounting and Auditing Actions Referring to Announcements of Restatements and/or Internal Control Weaknesses by Year Initiated FY 2017–FY 2022



Source: Cornerstone Research; www.sec.gov

Note: “Year Initiated” is the fiscal year in which an administrative proceeding was instituted or a civil action complaint was filed. Actions “referring to announcements of restatements” are actions that refer to an announcement that a company will restate, may restate, or has unreliable financial statements in the order instituting an administrative proceeding or the complaint in a civil action. Actions “referring to announcements of material weaknesses in internal control” are actions that refer to an announcement that the company has a material weakness in internal control in the order instituting an administrative proceeding or the complaint in a civil action. See [Research Sample and Data Sources](#) for additional information.



# Allegations

- The most common allegations in actions initiated in FY 2022 related to a company’s revenue recognition and internal control over financial reporting. One or both violations were alleged in 63% of FY 2022 actions.
- One action was initiated in FY 2022 as part of the SEC’s continuing Earnings Per Share (EPS) Initiative against a firm and its former CFO for improper earnings management. This was the fourth action and the highest penalty the SEC imposed in connection with the EPS Initiative since its inception in 2020.<sup>5</sup>
- In FY 2022, 41% of actions alleged violations of internal accounting controls, down from 48% in FY 2021 and below the FY 2017–FY 2021 average of 48%. Five actions in FY 2022 alleged violations of both internal accounting controls and disclosure controls and procedures.

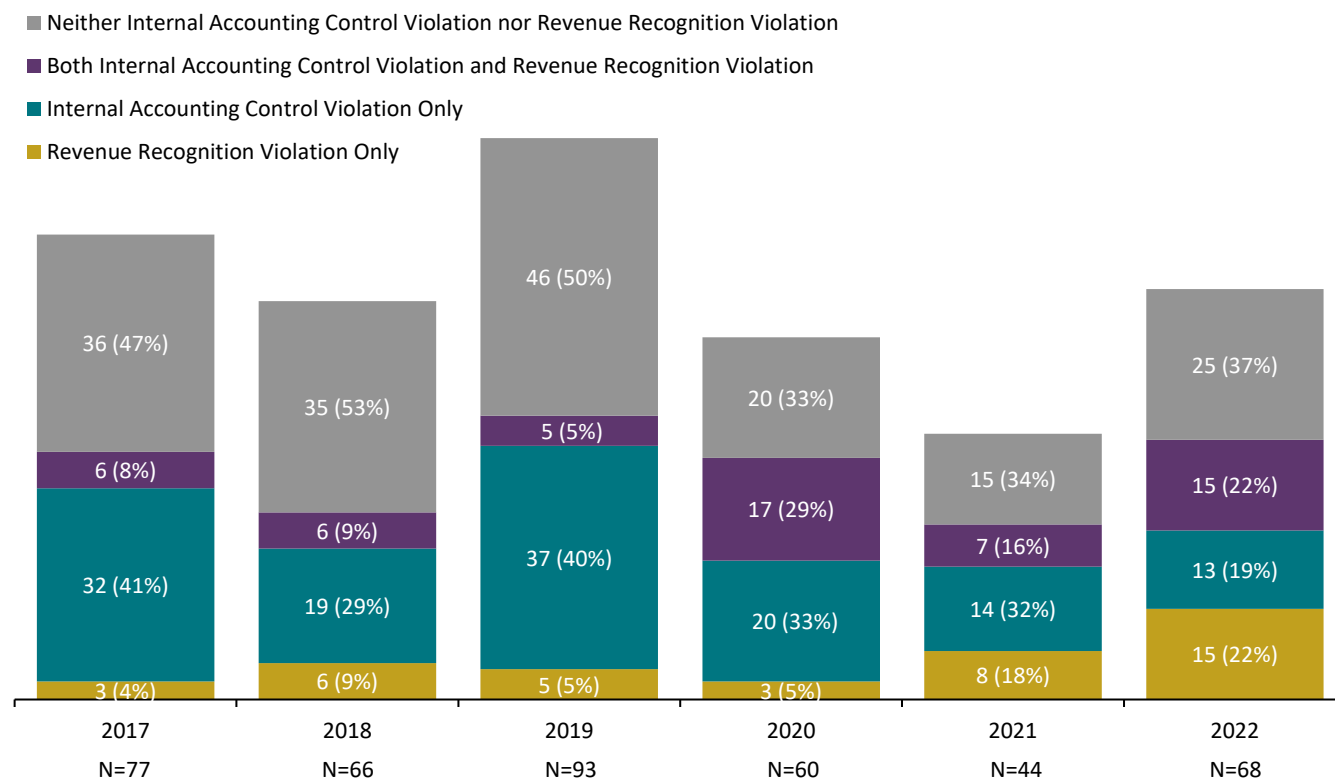
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## *Actions alleging violations of the “clawback” provision increased sharply in FY 2022.*

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- The SEC initiated five actions in FY 2022 alleging violations of auditor independence, compared to four such actions initiated in FY 2021.
- In FY 2022, nine actions alleged violation of Section 304 of the Sarbanes-Oxley Act of 2002 (the so-called “clawback” provision). This was a sharp increase from only three actions initiated in FY 2021 and the yearly average of 3.6 actions initiated in FY 2017–FY 2021.<sup>6</sup>

Figure 6: SEC Accounting and Auditing Actions Alleging Violations of Internal Accounting Controls over Financial Reporting and/or Revenue Recognition Violations by Year Initiated FY 2017–FY 2022



Source: Cornerstone Research; www.sec.gov

Note: “Year Initiated” is the fiscal year in which an administrative proceeding was instituted or a civil action complaint was filed. Actions alleging violations of internal accounting controls and disclosure controls and procedures are actions where the SEC alleges that respondents violated or caused to violate Section 13(b)2(B) and Rule 13a-15 of the Securities Exchange Act of 1934, respectively. See [Research Sample and Data Sources](#) for additional information.

# Number and Type of Respondents

- There were 103 total respondents in the actions initiated by the SEC in FY 2022, an increase of almost 50% from the 70 respondents in FY 2021, but slightly lower than the average number of respondents (111) from FY 2017 through FY 2021.
- More than half of the SEC actions initiated in FY 2022 involved individual respondents only, over one-quarter involved firm respondents only, and the remainder involved both individuals and firms.
- The proportion of actions involving individuals only (53%) sharply increased in FY 2022 from the FY 2017–FY 2021 average (37%).

*SEC actions against individual respondents have increased during the Gensler administration.<sup>7</sup>*

- From April 4, 2021, when Chair Gensler was sworn in, through the end of FY 2022, approximately 49% of actions were initiated against individual respondents only. In comparison, only 35% of the actions initiated during the Clayton administration involved individual respondents only.<sup>8</sup>

Figure 7: Number of Respondents in SEC Accounting and Auditing Actions by Year Initiated

	FY 2017–FY 2021		FY 2021		FY 2022	
	Average	Share	Number	Share	Number	Share
<b>Number of Actions</b>						
Individual(s) only	25	37%	15	34%	36	53%
Firm(s) only	27	40%	19	43%	19	28%
Firm(s) and Individual(s)	16	23%	10	23%	13	19%
<b>Total</b>	<b>68</b>	<b>100%</b>	<b>44</b>	<b>100%</b>	<b>68</b>	<b>100%</b>
<b>Number of Respondents</b>						
Individuals	65	58%	38	54%	66	64%
Firms	46	42%	32	46%	37	36%
<b>Total</b>	<b>111</b>	<b>100%</b>	<b>70</b>	<b>100%</b>	<b>103</b>	<b>100%</b>

Source: Cornerstone Research; www.sec.gov

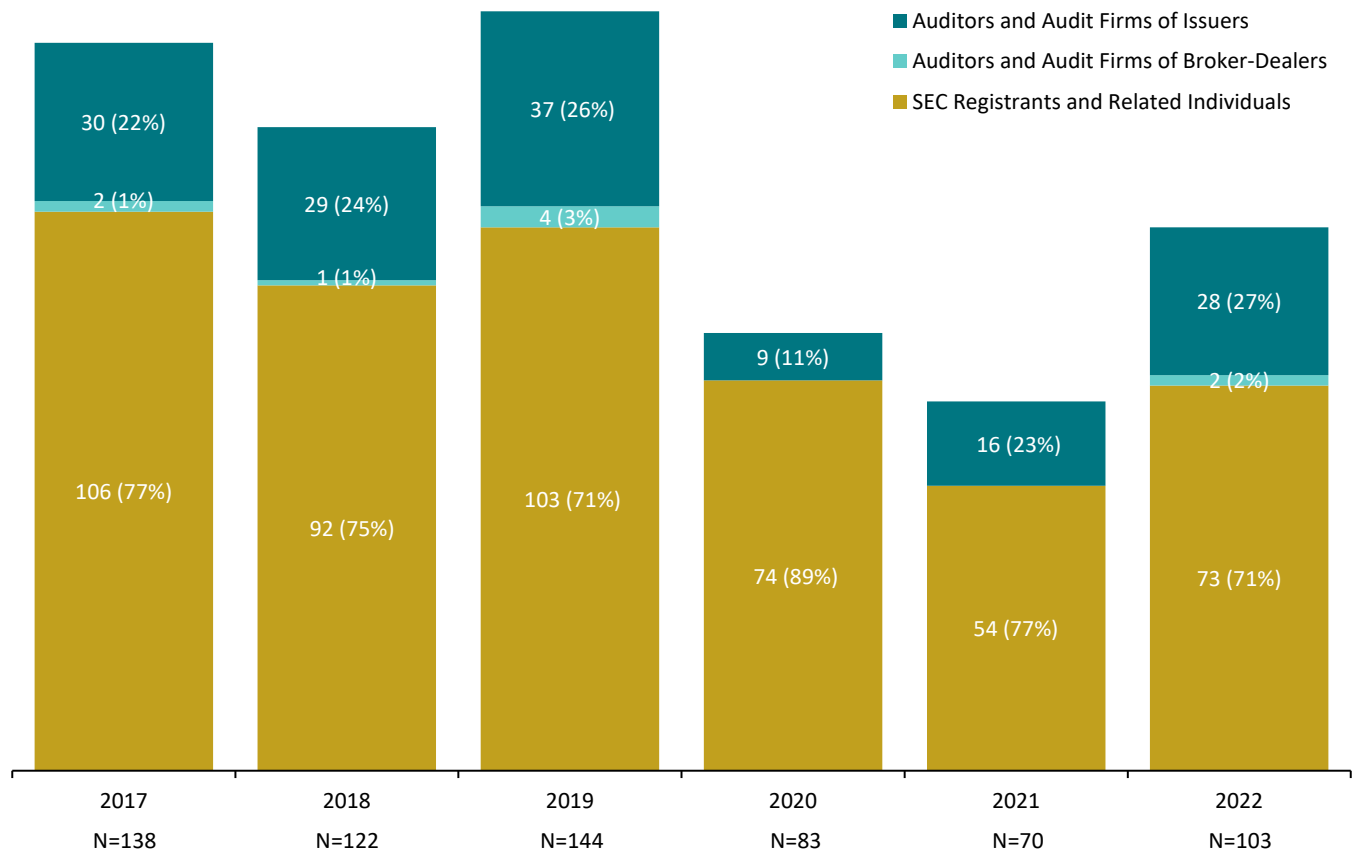
Note: “Year Initiated” is the fiscal year in which an administrative proceeding was instituted or a civil action complaint was filed. An action may involve one or more respondent. See [Research Sample and Data Sources](#) for additional information.

- The number of SEC registrants and related individuals involved as respondents in SEC actions (73) increased in FY 2022 by 35% from FY 2021 (54), but remained lower than the FY 2017– FY 2021 average (86).
- The number of auditor and audit firm respondents involved in SEC actions nearly doubled to 30 in FY 2022 (including two auditors of broker-dealers), from 16 in FY 2021.

*The majority of SEC actions continued to involve SEC registrants and related individuals.*

- For the first time since FY 2019, the SEC initiated at least one action involving the audit of broker-dealers.

Figure 8: Type of Respondents in SEC Accounting and Auditing Actions by Year Initiated FY 2017–FY 2022



Source: Cornerstone Research; www.sec.gov

Note: “Year Initiated” is the fiscal year in which an administrative proceeding was instituted or a civil action complaint was filed. See [Research Sample and Data Sources](#) for additional information.

# Monetary Settlements

- In FY 2022, 90 respondents settled with the SEC. The SEC imposed monetary settlements on 65 of the 90 respondents, totaling \$625 million.

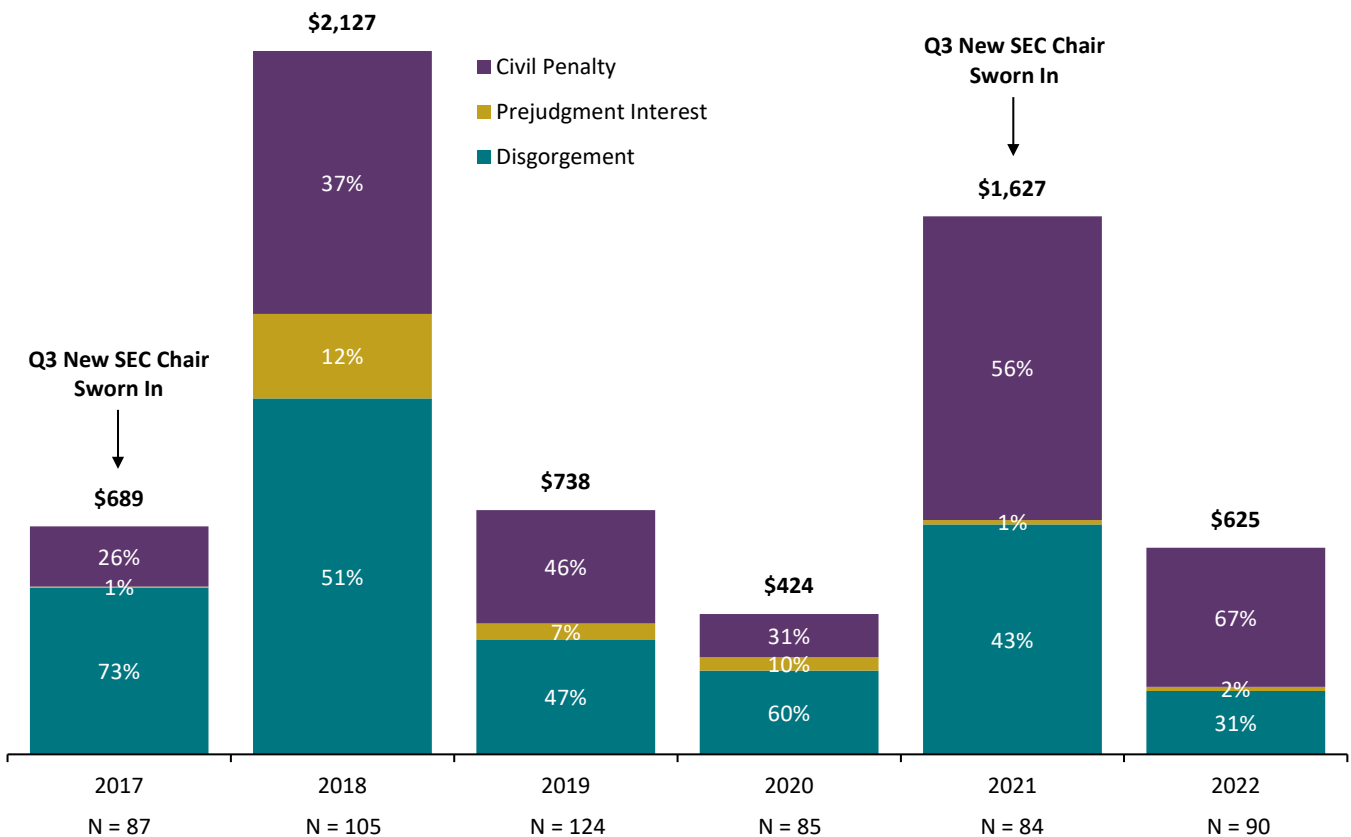
*For the second consecutive year, civil penalties comprised more than half of total monetary settlements.*

- Civil penalties in FY 2022 accounted for 67% of total monetary settlements, while disgorgement and prejudgment interest accounted for 31% and 2%, respectively.
- The high proportions of civil penalties to total monetary settlements during FY 2021 and FY 2022 (56% and 67%, respectively) represented a shift from FY 2017–FY 2020, where civil penalties averaged around 35% of monetary settlements.<sup>9</sup>

Figure 9: Total Disgorgement, Prejudgment Interest, and Civil Penalty Amounts in Resolved SEC Accounting and Auditing Actions by Settlement Year

FY 2017–FY 2022

(Dollars in millions)



Source: Cornerstone Research; www.sec.gov

Note: “Settlement Year” is the fiscal year in which respondents settled with the SEC. Settlements include all actions settled or otherwise resolved during the fiscal year, regardless of when the action was initiated. Monetary settlements include penalties, disgorgement, and prejudgment interest. Reimbursement amounts of previously awarded compensation by individual respondents are excluded from monetary settlements. Jay Clayton was sworn in as Chair of the SEC on May 17, 2017 (<https://www.sec.gov/news/press-release/2017-94>). Gary Gensler was sworn in as Chair of the SEC on April 17, 2021 (<https://www.sec.gov/news/press-release/2021-65>). See [Research Sample and Data Sources](#) for additional information.

- In addition to bars, suspensions, and other nonmonetary sanctions, the SEC imposed monetary settlements against 27 firm respondents and 38 individuals in FY 2022, for total monetary settlements of \$625 million.
- Monetary settlements against firms totaled approximately \$621 million, roughly \$972 million lower than in FY 2021.
- Monetary settlements against individuals totaled approximately \$4 million. The median settlement for individual respondents was \$20,000—lower than the \$50,000 median in FY 2021 and the \$39,000 median in FY 2017–FY 2021.
- Self-reporting, cooperation, and/or remedial efforts by eight respondents resulted in no monetary settlements.
- The SEC acknowledged that 24% (17 firms and five individuals) of the 90 respondents who settled in FY 2022 offered cooperation and/or undertook remedial efforts, up from 20% in FY 2021.
- One action in FY 2022 was resolved with an admission of wrongdoing.

*FY 2022 monetary settlements were down more than 60% from FY 2021 and were 44% lower than the average of total monetary settlements in FY 2017–FY 2021.*

**Figure 10: Monetary Settlements in Resolved SEC Accounting and Auditing Actions by Settlement Year**  
(Dollars in thousands)

	FY 2017–FY 2021 Average		FY 2021		FY 2022	
	Individuals	Firms	Individuals	Firms	Individuals	Firms
Total Respondents in Resolved Actions	54	43	54	30	58	32
Respondents Fined	44	34	47	27	38	27
Average Settlement	\$584	\$27,065	\$633	\$53,095	\$69	\$19,396
Median Settlement Over the Period	\$39	\$752	\$50	\$575	\$20	\$1,825
Max Settlement Over the Period	\$16,783	\$1,786,673	\$13,560	\$1,006,300	\$482	\$261,194
<b>Total Settlements</b>	<b>\$29,833</b>	<b>\$1,091,414</b>	<b>\$34,161</b>	<b>\$1,592,855</b>	<b>\$4,027</b>	<b>\$620,668</b>

Source: Cornerstone Research; www.sec.gov

Note: “Settlement Year” is the fiscal year in which respondents settled the charges with the SEC. Settlements include all actions settled or otherwise resolved during the fiscal year, regardless of when the action was initiated. Monetary settlements include penalties, disgorgement, and prejudgment interest. Reimbursement amounts of previously awarded compensation by individual respondents are excluded from monetary settlements. See [Research Sample and Data Sources](#) for additional information.

# Research Sample and Data Sources

- This is the first Cornerstone Research report that separately examines trends in accounting and auditing enforcement actions that were publicly disclosed by the U.S. Securities and Exchange Commission (SEC). Previous reports have jointly analyzed data from the SEC and the Public Company Accounting Oversight Board (PCAOB). See Cornerstone Research’s separate report on [PCAOB Enforcement Activity—2022 Year in Review](#) and the firm’s research on [Accounting and Auditing Enforcement Activity](#).
- Accounting and auditing enforcement actions include (1) Accounting and Auditing Enforcement Releases (AAERs) available on the SEC’s website at <https://www.sec.gov>, and (2) actions that are classified as “Issuer Reporting and Disclosure” or “Issuer Reporting / Audit & Accounting” in the Annual Reports of the SEC’s Division of Enforcement and that contain accounting- or auditing-related allegations.
- The sample includes civil actions and stand-alone administrative proceedings as indicated in the Annual Reports of the SEC’s Division of Enforcement, while it excludes other actions such as follow-on administrative proceedings.
- For actions brought against auditors or audit firms, the research sample excludes actions unrelated to the performance of an audit or the firm’s system of quality control.
- SEC fiscal years begin on October 1 of the prior year and end on September 30.

# Endnotes

- <sup>1</sup> SEC fiscal years begin on October 1 of the prior year and end on September 30. FY 2022 spans October 1, 2021, to September 30, 2022.
- <sup>2</sup> Jay Clayton was sworn in as Chair of the SEC on May 4, 2017. Gary Gensler was sworn in as Chair of the SEC on April 17, 2021. See “Jay Clayton Sworn in as Chairman of SEC,” SEC Press Release, May 4, 2017, <https://www.sec.gov/news/press-release/2017-94>; “Gary Gensler Sworn in as Member of the SEC,” SEC Press Release, April 17, 2021, <https://www.sec.gov/news/press-release/2021-65>.
- <sup>3</sup> Actions involving multiple respondents may not be fully resolved because not all respondents have settled.
- <sup>4</sup> In contrast, the PCAOB has brought a higher percentage of enforcement actions against non-U.S. respondents in recent years. For example, on a calendar year basis, 52% of 2022 PCAOB actions and 33% of 2021 PCAOB actions involved non-U.S. respondents. See *Public Company Accounting Oversight Board (PCAOB) Enforcement Activity—2022 Year in Review*, Cornerstone Research, 2023, <https://www.cornerstone.com/wp-content/uploads/2023/03/PCAOB-Enforcement-Activity-2022-Year-in-Review.pdf>.
- <sup>5</sup> “Atlanta-Based Pest Control Company, Former CFO Charged with Improper Earnings Management,” SEC Press Release, April 18, 2022, <https://www.sec.gov/news/press-release/2022-64> (“This is the fourth action and the highest penalty to date against an issuer in connection with the Division of Enforcement’s highly successful and continuing EPS Initiative, which uses data analytics to uncover hard-to-detect accounting and disclosure violations by public companies,” said Gurbir S. Grewal, Director of the SEC’s Division of Enforcement. “The SEC staff’s ever-increasing sophistication with data made today’s action possible and underscores that we will continue to pursue public companies that lack adequate accounting controls and engage in improper earnings management practices.”).
- <sup>6</sup> Gurbir S. Grewal, Director, Division of Enforcement, “Remarks at Securities Enforcement Forum,” November 15, 2022, <https://www.sec.gov/news/speech/grewal-speech-securities-enforcement-forum-111522>. Director Grewal stated that, “to ensure accountability from senior executives at public companies and incentivize them to prevent misconduct at their firms, . . . the Commission employed another tool in fiscal year 2022 and used Sarbanes-Oxley 304 to require several executives to return bonuses and compensation following misconduct at their firms, even though the executives were not personally charged with the underlying misconduct.” In FY 2022, approximately \$3.6 million in incentive compensation was returned.
- <sup>7</sup> The SEC identified individual accountability as a “key priority area” and a “pillar of the SEC’s enforcement program” in its announcements of enforcement results for FY 2021 and FY 2022, respectively. See “SEC Announces Enforcement Results for FY 2021,” SEC Press Release, November 18, 2021, <https://www.sec.gov/news/press-release/2021-238> (“Other examples of enforcement actions in key priority areas include [] Holding Individuals Accountable”); “SEC Announces Enforcement Results for FY 2022,” SEC Press Release, November 15, 2022, <https://www.sec.gov/news/press-release/2022-206> (“Individual accountability is a pillar of the SEC’s enforcement program.”).
- <sup>8</sup> Jay Clayton was sworn in as the SEC Chair on May 4, 2017, and departed on December 23, 2020. See “Jay Clayton Sworn in as Chairman of SEC,” SEC Press Release, May 4, 2017, <https://www.sec.gov/news/press-release/2017-94>; “Statement of SEC Chairman Jay Clayton Regarding the Conclusion of His Tenure,” SEC, December 23, 2020, <https://www.sec.gov/news/public-statement/clayton-2020-12-23>. In the period between December 24, 2020, and April 16, 2021, the SEC initiated seven accounting and auditing actions, of which five were against individual respondents. If the period between December 24, 2020, and April 16, 2021, is considered part of the Clayton administration, 36% of the actions initiated during the Clayton administration involved individual respondents only.
- <sup>9</sup> Gurbir S. Grewal, Director, Division of Enforcement, “Remarks at Securities Enforcement Forum,” November 15, 2022, <https://www.sec.gov/news/speech/grewal-speech-securities-enforcement-forum-111522>.

# About the Authors

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The views expressed herein are solely those of the authors and do not necessarily represent the views of Cornerstone Research.



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