

UNITED STATES OF AMERICA
Before the
SECURITIES AND EXCHANGE COMMISSION

SECURITIES EXCHANGE ACT OF 1934
Release No. 98352 / September 12, 2023

ACCOUNTING AND AUDITING ENFORCEMENT
Release No. 4458 / September 12, 2023

ADMINISTRATIVE PROCEEDING
File No. 3-21650

In the Matter of

Alfonse Gregory Giugliano,
CPA

Respondent.

**ORDER INSTITUTING PUBLIC
ADMINISTRATIVE AND CEASE-AND-
DESIST PROCEEDINGS, PURSUANT TO
SECTIONS 4C AND 21C OF THE
SECURITIES EXCHANGE ACT OF 1934,
AND RULE 102(e) OF THE
COMMISSION'S RULES OF PRACTICE,
MAKING FINDINGS, AND IMPOSING
REMEDIAL SANCTIONS AND A CEASE-
AND-DESIST ORDER**

I.

The Securities and Exchange Commission (“Commission”) deems it appropriate that public administrative and cease-and-desist proceedings be, and hereby are, instituted against Alfonse Gregory Giugliano (“Respondent” or “Giugliano”) pursuant to Sections 4C¹ and 21C of the Securities Exchange Act of 1934 (“Exchange Act”) and Rule 102(e)(1)(ii) of the Commission’s

¹ Section 4C provides, in relevant part, that:

The Commission may censure any person, or deny, temporarily or permanently, to any person the privilege of appearing or practicing before the Commission in any way, if that person is found ... (1) not to possess the requisite qualifications to represent others; (2) to be lacking in character or integrity, or to have engaged in unethical or improper professional conduct; or (3) to have willfully violated, or willfully aided and abetted the violation of, any provision of the securities laws or the rules and regulations issued thereunder.

Rules of Practice.²

II.

In anticipation of the institution of these proceedings, Respondent has submitted an Offer of Settlement (the “Offer”) which the Commission has determined to accept. Solely for the purpose of these proceedings and any other proceedings brought by or on behalf of the Commission, or to which the Commission is a party, and without admitting or denying the findings herein, except as to the Commission’s jurisdiction over him and the subject matter of these proceedings, which are admitted, and except as provided herein in Section V, Respondent consents to the entry of this Order Instituting Public Administrative and Cease-and-Desist Proceedings Pursuant to Sections 4C and 21C of the Securities Exchange Act of 1934, and Rule 102(e) of the Commission’s Rules of Practice, Making Findings, and Imposing Remedial Sanctions and a Cease-and-Desist Order (“Order”), as set forth below.

III.

On the basis of this Order and Respondent’s Offer, the Commission finds³ that:

A. SUMMARY

1. Giugliano served as Marcum LLP’s (“Marcum” or the “Firm”) National Assurance Services Leader for over 20 years. In this role, he had primary responsibility for quality controls across the Firm’s assurance practice, overseeing all related policies, procedures, and monitoring, including those relevant to compliance with PCAOB quality control and audit standards. He also directly or indirectly supervised all personnel working within Marcum’s quality control functions.

2. From at least 2020, Marcum engaged in systemic quality control failures and widespread violations of PCAOB audit standards.⁴ Marcum’s violations of professional standards primarily related to audit work for special purpose acquisition companies (“SPACs”). However, the

² Rule 102(e)(1)(ii) provides, in pertinent part, that:

The Commission may censure a person or deny, temporarily or permanently, the privilege of appearing or practicing before it ... to any person who is found ... to have engaged in unethical or improper professional conduct.

³ The findings herein are made pursuant to Respondent's Offer of Settlement and are not binding on any other person or entity in this or any other proceeding.

⁴ *Marcum, LLP*, Exchange Act Rel. No. 97773 (June 21, 2023). Throughout this Order, unless otherwise specified, references to “audit standards” refer to audit standards promulgated by the PCAOB.

nature of those professional standard violations—including their volume and range—reflected deficiencies relevant to and impacting Marcum’s entire public company audit practice.

3. Throughout the relevant time, Giugliano failed to sufficiently address and timely remediate numerous deficiencies in the Firm’s quality control system. As a result, Giugliano’s conduct led to quality control and audit standard violations that permeated many stages of engagement work, such as client acceptance, engagement partner supervision and review, audit documentation, and technical consultations. While Giugliano was at the helm of the Firm’s quality control system, Marcum did not sufficiently monitor the effectiveness of many policies and procedures, and in many areas, did not adequately communicate policies and procedures to relevant personnel.

4. Investors rely on audit firms to serve a critical function regarding financial reporting. Quality controls and audit standards are necessary to maintaining this essential gatekeeping role. Those charged with oversight and management of these quality control functions are vital to an audit firm’s ability to fulfill this critical function. The quality control system that Giugliano oversaw failed, and as a result, over a multi-year period, certain Marcum audits were not conducted in compliance with audit standards.

B. RESPONDENT

5. Alfonse Gregory Giugliano, age 61, is a resident of Dix Hills, New York. He has worked at Marcum since January 2001. From 2001 to September 2022, Giugliano served as Marcum’s National Assurance Services Leader and the partner in charge of the firm’s quality control system, including all relevant policies and procedures. Giugliano was sanctioned by the PCAOB in 2019, based on its findings that Marcum violated independence standards over the course of four years.⁵ He has been licensed as a certified public accountant in the State of New York since 1985.

C. OTHER RELEVANT ENTITY

6. Marcum, a New York limited liability partnership headquartered in New York, New York, is a public accounting firm in the United States. As of mid-2022, Marcum had over 370 partners and 2,300 employees, with offices in more than 30 cities. Marcum has been registered with the PCAOB since October 2003.

⁵ *In the Matter of Marcum LLP and Alfonse Gregory Giugliano, CPA*, PCAOB Release No. 105-2019-022 (Sept. 10, 2019).

D. FACTS

MARCUM'S SPAC PRACTICE

7. In 2020 and 2021, over 860 SPACs completed initial public offerings (“IPOs”) in the United States. Over 400 of these SPAC IPOs were audited by Marcum. In 2019, Marcum had served as the auditor for only 185 public company issuers; by 2022, Marcum was responsible for auditing over three times that number—a total of 575 issuers, the majority of which were SPACs.

8. The strain of this exponential growth in Marcum’s public company practice exposed substantial, widespread, and pre-existing deficiencies in the Firm’s underlying quality control policies, procedures, and monitoring that Giugliano oversaw. Giugliano was aware that, in the period immediately preceding the SPAC market’s explosion, Marcum’s annual inspections by the PCAOB had revealed an increasing number of deficiencies. Giugliano was also aware that Marcum was subject to consecutive PCAOB enforcement orders—in 2019 and 2020—related to quality control failures concerning independence and client acceptance; the 2019 order also sanctioned Giugliano based on the PCAOB’s findings that Marcum violated independence standards.

9. Through his oversight, Giugliano was also aware that Marcum’s own internal inspections—starting at least in 2018 and continuing through 2021—also revealed deficiencies. Over several years, these inspections identified numerous deficiencies in audit documentation. The 2020 internal inspection also concluded that such deficiencies were caused by insufficient time spent on engagements and audit documentation. Despite inspection findings, Giugliano did not sufficiently address and timely remediate deficiencies in the Firm’s policies, procedures, and monitoring.

CLIENT ACCEPTANCE AND ITS CONSEQUENCES

10. In his role as National Assurance Services Leader, Giugliano had primary responsibility for Marcum’s policies and procedures related to client acceptance, including authority to revise such policies and procedures. Marcum’s client acceptance policies, procedures, and monitoring did not provide reasonable assurance that the Firm was undertaking only those engagements that the Firm could reasonably expect to be completed with professional competence, as required by PCAOB Quality Control (“QC”) 20.15(a), QC 20.03, and QC 20.20. Despite his awareness of relevant facts, Giugliano failed to take sufficient and timely steps to remediate relevant firm policies, procedures, and monitoring related to client acceptance.

11. For example, Giugliano was aware that Marcum had insufficient policies and procedures related to the evaluation of personnel capacity. Giugliano knew, for example, that to the extent that Marcum evaluated staffing capacity, it did so in connection with the logistics and scheduling of work to which it had already committed.

12. While Giugliano was not typically involved in individual client acceptance decisions, he was one of four members on Marcum’s Client Acceptance Committee. In this role, he

was contemporaneously aware of the volume of new client acceptances. Giugliano knew that Marcum’s SPAC client acceptances significantly increased over the course of 2020 and 2021. In 2020, Marcum accepted 178 new SPAC clients. In 2021, it accepted 633 new SPAC clients, including 159 accepted in March 2021 alone—a substantial increase from the 8 new SPAC clients accepted just one year prior, in March 2020.

13. Giugliano also knew that Marcum therefore faced difficulty in staffing engagements, difficulty and delays in completing work within requisite deadlines, and non-compliance with numerous PCAOB audit standards. These difficulties and delays became especially apparent in the summer and fall of 2020, as Marcum’s monthly SPAC client acceptance figures increased from single-digit figures in June, to the mid-teens in July, to 29 clients per month, for three consecutive months in August, September, and October.

14. From as early as October 2020, Giugliano was aware of widespread failures in the timely completion, assembly, and retention of audit documentation. For example, Giugliano received weekly emails reflecting that the number of work paper binders that were not finalized and assembled for retention within the PCAOB-required 45-day period increased from 23 to 687 between October 2020 and June 2021.

15. Moreover, Giugliano was repeatedly notified of capacity constraints throughout the SPAC practice. At the beginning of February 2021, for example, a national office partner alerted Giugliano that managers in the SPAC practice were overworked and lacking resources. Nonetheless, over the course of February 2021, Marcum accepted a record 114 new SPAC clients. The same pattern of notifications and high client acceptances continued into March 2021, as the Firm accepted a record 159 new SPAC clients.

RESULTING AUDIT STANDARD VIOLATIONS

16. Marcum’s exponential client growth in its SPAC practice exposed pre-existing shortcomings in Marcum’s quality control system, including policies, procedures, and monitoring that were insufficient to provide reasonable assurance that audit work satisfied the requirements of audit standards including AS 1215 (audit documentation), AS 1220 (engagement quality review), AS 1201 (supervision of the audit engagement), and AS 1015 (due professional care), as required by QC 20.03, QC 20.17, and QC 20.20.

17. In 2020 and 2021, such shortcomings, combined with severe capacity constraints, led to a myriad of audit standard violations, including basic audit documentation requirements, and documentation requirements specific to engagement quality reviews (“EQRs”).⁶ The volume and

⁶ Throughout this Order, “EQR” will be used to refer to both: (1) the audit partner (the “engagement quality reviewer”) providing concurring approval of an audit report, and (2) the

range of these violations also resulted in violations of audit standards related to engagement partner supervision and review and due professional care. Throughout this period, even though Giugliano was aware of relevant facts reflecting the insufficiency of Marcum’s quality control system, he did not take sufficient and timely steps to remediate.

Audit Documentation (AS 1215)

18. At least as early as 2019, Giugliano was on notice that Marcum personnel frequently failed to sign off on certain work papers prior to the release of audit reports. For example, Giugliano signed Marcum’s 2019 internal inspection report, which identified this deficiency. Two years later, Giugliano directed and oversaw a separate internal review focused on SPAC work papers that found that the majority of audit binders lacked numerous work paper sign offs. Across this review, missing and late sign offs were repeatedly found on key work papers, including routing slips. Marcum’s “routing slip” work paper was designed to serve as the Firm’s control to ensure and document that procedures and review were completed prior to the release of an audit report.

19. Yet, throughout the relevant period, Giugliano took insufficient action to address Marcum’s work paper sign off deficiencies. Instead, Marcum’s written policies failed to address the explicit requirements of AS 1215.06(b), including that audit documentation reflect “the date such work was completed” and “the date of such review.” In addition, in connection with routing slip sign offs, Giugliano oversaw efforts to implement a new electronic system designed to improve the timeliness of sign offs, however, he took insufficient steps to address ongoing deficiencies in the nearly two-year period during which the system was under development.

Engagement Quality Review Documentation (AS 1220.19)

20. Throughout the relevant period, Giugliano was aware of insufficiencies in the documentation of EQR procedures. Giugliano was aware, for example, that EQR work paper sign offs were frequently either signed post-issuance or missing. These delinquent sign offs included late sign offs on Marcum’s “routing slip” work paper, as well as the work paper memo designed to memorialize the EQR’s review procedures. These deficiencies occurred against a backdrop in which Giugliano was on notice, for several years running, that the engagement quality review process was under stress. This included repeated internal inspection findings flagging concerns that EQRs were not provided sufficient time to conduct their review procedures, and that engagement teams were over-reliant on EQRs to catch deficiencies and documentation issues.

review procedures (an “engagement quality review”) performed by such partner in connection with providing his or her concurring approval.

Engagement Partner Supervision and Review; Due Professional Care (AS 1201, AS 1015)

21. Dating back to at least January 2021, Giugliano acknowledged that insufficient engagement partner supervision and review was the “root cause” of Marcum’s poor internal and PCAOB inspection findings, and that the insufficient supervision and review was caused by insufficient time and attention by engagement partners, including the failure to provide contemporaneous oversight of engagement work.

22. Giugliano was also aware that after January 2021, Marcum continued to accept an escalating number of new clients, resulting in correspondingly escalating partner workloads. He was also aware that, with these escalating workloads, SPAC partners were often not providing timely oversight, including supervision of initial planning and staff-level work. Giugliano was also aware of insufficient supervision and review across other stages of SPAC engagement work, including, for example, in connection with ensuring timely and sufficient audit documentation.

23. As described throughout, Giugliano was aware of facts reflecting numerous and widespread audit standard violations in SPAC engagements. As Giugliano should have been aware, the volume and range of these violations reflect that engagement partners were failing to exercise due professional care in their work, in violation of AS 1015.

FAILURES IN MARCUM’S POLICIES AND PROCEDURES

Technical Consultations (QC 20.19)

24. As National Assurance Services Leader, Giugliano had ultimate responsibility for Marcum’s quality control policies and procedures, including responsibility for ensuring such policies and procedures were sufficient to provide reasonable assurance that firm personnel conduct audit work in compliance with requisite audit standards. Among other requirements, these standards require that personnel obtain technical consultations in the appropriate circumstances, such as when confronted with complex, unusual, or unfamiliar issues. These consultations are conducted by expert accounting personnel outside the engagement team, often working within a firm’s “national office.”

25. Under Giugliano’s leadership, however, Marcum lacked sufficient policies, procedures, and monitoring related to technical consultations, as required by QC 20.19, as well as QC 20.03, QC 20.17, and QC 20.20. The adoption and implementation of any such policies, procedures, and monitoring was within Giugliano’s ability and authority, yet he did not take sufficient and timely steps to do so. Consequently, Marcum’s policies, procedures, and monitoring failed to provide reasonable assurance: (a) that personnel obtained consultations when appropriate, (b) that individuals consulted had appropriate levels of knowledge, competence, judgment, and authority, and (c) related to consultation quality.

26. The insufficiency of Marcum’s quality control is evidenced by instances in which even mandatory consultations were not obtained. For example, the limited circumstances in which

Marcum's policy explicitly required consultations included in the event of any restatement. Marcum's policy made Giugliano personally responsible for performing any restatement-related consultations. Over the course of 2021, Marcum SPAC clients issued hundreds of restated financials, including restatements related to the accounting for warrants. Yet, Marcum's engagement teams did not request and receive a restatement consultation in connection with most SPAC restatements.

Documentation and Communication of Policies and Procedures; Evaluation of Sufficiency of Practice Aids and Guidance (QC 20.20, 20.23, 20.24)

27. As National Assurance Services Leader, Giugliano had ultimate responsibility for the substance of Marcum's quality control policies and procedures, as well as for documenting and communicating such policies and procedures to relevant personnel, as required by QC 20.23 and QC 20.24. Giugliano was also responsible for evaluating the Firm's guidance materials and practice aids, as required by QC 20.20. Yet, throughout the relevant time period, under Giugliano's tenure, Marcum failed to adequately document and communicate its policies and procedures and failed to adequately monitor its related guidance materials and practice aids.

28. Under Giugliano's leadership, Marcum did not memorialize its SPAC policies and procedures in a consistent fashion or centralized location. In certain instances, Marcum's SPAC practice appeared to deviate from standard documentation requirements without memorializing such practice deviations in any formal policy. In lieu of any formal policy or centralized guidance document, the SPAC practice typically relied upon email communications, including many sent by Giugliano, which piecemeal guidance was not centralized and evolved over time.

29. Under Giugliano's leadership, Marcum's failure to consistently memorialize policies and procedures also extended outside the SPAC practice. Formal policy documents at times provided conflicting guidance, including, for example, regarding topics including technical consultations, work paper sign off requirements, and the documentation of alterations made to work papers following the PCAOB-mandated "documentation completion date." Formal policy documents at times also conflicted with separate guidance circulated only via email.

30. Giugliano was also aware of wide ranging questions and confusion within the Firm regarding relevant policies and procedures. Such questions and confusion reflected Marcum's failure to sufficiently evaluate, on an ongoing basis, the appropriateness and sufficiency of its guidance materials, and practice aids. For example, in light of certain concerns being raised, Giugliano acknowledged that a relevant work paper template had not been appropriately maintained or updated since its creation and needed significant work and updates.

MARCUM'S INSUFFICIENT MONITORING

31. In addition to the quality control deficiencies discussed above, Giugliano did not implement monitoring procedures sufficient to provide reasonable assurance that Marcum's underlying policies and procedures were suitably designed and effectively applied, as required by

QC 20.20. In particular, Giugliano did not implement monitoring procedures sufficient to provide timely detection of widespread audit documentation and risk assessment standard violations occurring across engagements throughout the SPAC practice over a multi-year period. As a result, hundreds of Marcum SPAC audits reflected violations of audit standards related to both audit documentation (AS 1215) and risk assessment procedures (AS 2110), which violations went undetected until mid-2021, and consequently, unremediated.

Documentation of Warrant Accounting Procedures (AS 1215)

32. Among Marcum’s SPAC clients, virtually all issued warrants. Warrants issued by SPACs were determined by Marcum to be complex financial instruments. Indeed, such warrants were typically among the most complex components of a SPAC IPO audit. While many SPAC warrant agreements contained similar terms corresponding to parallel accounting treatment, the likelihood of commonalities did not exempt Marcum from the requirement to review relevant documentation, perform requisite audit procedures, and sufficiently document such procedures.

33. Marcum’s monitoring procedures, as led by Giugliano, failed to detect in a timely manner that Marcum’s documentation of warrant accounting procedures was consistently insufficient. For example, Marcum’s internal memos documenting warrant accounting procedures consistently did not include any citations or cross-references to the individual client’s warrant agreement or features. Across clients, the language utilized and the specific description of terms was virtually identical from memo to memo, and unchanged from the memo template, making it difficult to identify what procedures Marcum actually performed, including whether the underlying agreement was reviewed—in sufficient detail, or at all.

34. Notably, the SPAC practice relied upon a template memo that provided for only one accounting conclusion and failed to provide sufficient guidance regarding requisite audit procedures and their documentation. Consequently, across a multi-year period, SPAC audits across the firm failed to sufficiently document warrant accounting procedures. Despite the consistent use of this template in connection with hundreds of SPAC audits, there is no evidence that Giugliano or one of his designees took steps to review the template warrant accounting memo until the end of April 2021.

Risk Assessments (AS 2110)

35. Risk assessment is a foundational audit procedure—a crucial and ongoing obligation throughout an audit—and provides the framework upon which all subsequent audit procedures are planned and performed. Yet, the SPAC practice engaged in consistent and widespread violation of AS 2110, including failing to conduct risk assessments at the assertion level and failing to identify all relevant significant risks.

36. **Assertion Level Risk Assessments.** Marcum’s SPAC practice failed to conduct risk assessments at the assertion level. Marcum had a template work paper which outlined requisite procedures, but, prior to late 2021, the work paper was never used in SPAC engagements, nor were

such procedures performed and documented elsewhere in SPAC work papers. Giugliano did not implement monitoring procedures sufficient to identify and remediate, in a timely manner, the failure to conduct assertion-level risk assessments.

37. **Identification of All Significant Risks.** Marcum’s SPAC practice also consistently failed to identify all relevant significant risks. Significant risks were identified in SPAC work papers within the planning memo. Prior to March 2020, however, Marcum’s planning memos did not explicitly identify any significant risks. Among memos drafted over the following year, virtually all memos identified only management override of controls as a significant risk. It was within this time period that Marcum introduced a SPAC-specific planning memo template, which identified management override—and only management override—as a significant risk. In failing to reference any additional potential significant risks to be considered, this template memo contributed to Marcum’s failures to identify all significant risks. Notably, however, there is no evidence that the SPAC practice’s template planning memo was appropriately reviewed by Giugliano or one of his designees, despite its consistent use in hundreds of SPAC audits.

E. VIOLATIONS

RULE 102(e) AND SECTION 4C OF THE EXCHANGE ACT

38. Section 4C of the Exchange Act and Rule 102(e)(1)(ii) provide, in part, that the Commission may censure any person who is found by the Commission to have engaged in improper professional conduct. With respect to persons licensed to practice as accountants, “improper professional conduct” includes either of the following two types of negligent conduct: (1) a single instance of highly unreasonable conduct that results in a violation of applicable professional standards in circumstances in which an accountant knows, or should know, that heightened scrutiny is warranted; or (2) repeated instances of unreasonable conduct, each resulting in a violation of applicable professional standards, that indicate a lack of competence to practice before the Commission. *See* Rule 102(e)(1)(iv)(B); Exchange Act Section 4C(b)(2). As a result of the conduct described above, Giugliano engaged in “repeated instances of unreasonable conduct,” resulting in violations of professional standards, and consequently engaged in “improper professional conduct” within the meaning of Exchange Act Section 4C(a)(2) and Rule 102(e)(1)(ii).

Due Professional Care in the Performance of Work (AS 1015)

39. AS 1015 requires an auditor to exercise “due professional care ... in the planning and performance of the audit and the preparation of the report.” AS 1015.01. “[D]ue professional care concerns what the independent auditor does and how well he or she does it.” AS 1015.04. AS 1015.06 provides that “[t]he engagement partner is responsible for the assignment of tasks to, and supervision of, the members of the engagement team.”

40. As a result of Giugliano’s conduct described above, Marcum violated this standard in numerous engagements.

Supervision of the Audit Engagement (AS 1201)

41. AS 1201.03 provides that “the engagement partner is responsible for proper supervision of the work of engagement team members and for compliance with PCAOB standards.” AS 1201.05(a) requires the engagement partner to “inform engagement team members of their responsibilities,” including, among other items, “the nature, timing, and extent of procedures they are to perform.” The engagement partner should also “[r]eview the work of engagement team members to evaluate whether: (1) the work was performed and documented; (2) the objectives of the procedures were achieved; and (3) the results of the work support the conclusions reached.” AS 1201.05(c). AS 1201.06 requires that the engagement partner, in determining the extent of supervision necessary, take into account, among other items, “[t]he knowledge, skill, and ability of each engagement team member.”

42. As a result of Giugliano’s conduct described above, Marcum violated this standard in numerous engagements.

Audit Documentation (AS 1215)

43. AS 1215.06 requires that an “auditor must document the procedures performed, evidence obtained, and conclusions reached with respect to relevant financial statement assertions. Audit documentation must clearly demonstrate that the work was in fact performed Audit documentation must contain sufficient information to enable an experienced auditor, having no previous connection with the engagement, (a) to understand the nature, timing, extent, and results of the procedures performed, evidence obtained, and conclusions reached, and (b) to determine who performed the work and the date such work was completed as well as the person who reviewed the work and the date of such review.”

44. AS 1215.15 requires that “[p]rior to the report release date, the auditor must have completed all necessary auditing procedures and obtained sufficient evidence to support the representations in the auditor’s report.” AS 1215.15 also requires that “[a] complete and final set of audit documentation should be assembled for retention as of a date not more than 45 days after the report release date (documentation completion date). If a report is not issued in connection with an engagement, then the documentation completion date should not be more than 45 days from the date that fieldwork was substantially completed. If the auditor was unable to complete the engagement, then the documentation completion date should not be more than 45 days from the date the engagement ceased.”

45. As a result of Giugliano’s conduct described above, Marcum violated this standard in numerous engagements.

Engagement Quality Review (AS 1220)

46. AS 1220.19 requires that “[d]ocumentation of an engagement quality review should contain sufficient information to enable an experienced auditor, having no previous connection with

the engagement, to understand the procedures performed by the engagement quality reviewer ... to comply with the provisions of this standard, including information that identifies,” among other items: “[t]he documents reviewed by the engagement quality reviewer,” and “[t]he date the engagement quality reviewer provided concurring approval of issuance.”

47. As a result of Giugliano’s conduct described above, Marcum violated this standard in numerous engagements.

Identifying and Assessing Risks of Material Misstatement (AS 2110)

48. AS 2110.59 requires that an auditor “identify and assess the risks of material misstatement at the financial statement level and the assertion level.”

49. AS 2110.59(f) requires that an auditor “[d]etermine whether any of the identified and assessed risks of material misstatement are significant risks,” based upon the factors relevant to identifying significant risks outlined at AS 2110.70-71. AS 2110.69 requires that an auditor’s identification of fraud risks include the risk of management override of controls.

50. As a result of Giugliano’s conduct described above, Marcum violated this standard in numerous engagements.

PCAOB Quality Control Standards (QC 20)

51. PCAOB Quality Control Standards, specifically QC 20.01, provides that “a CPA firm shall have a system of quality control for its accounting and auditing practice.” QC 20.03 broadly defines a system of quality control as “a process to provide the firm with reasonable assurance that its personnel comply with applicable professional standards and the firm’s standards of quality.” QC 20.04 provides that “[t]he nature, extent, and formality of a firm’s quality control policies and procedures should be appropriately comprehensive and suitably designed in relation to the firm’s size, the number of its offices, the degree of authority allowed its personnel and offices, the knowledge and experience of its personnel, the nature and complexity of the firm’s practice, and appropriate cost-benefit considerations.”

52. QC 20.13 requires a firm to have policies and procedures to provide reasonable assurance that “[w]ork is assigned to personnel having the degree of technical training and proficiency required in the circumstances,” and that “[p]ersonnel participate in general and industry-specific continuing professional education and other professional development activities that enable them to fulfill responsibilities assigned.”

53. QC 20.15(a) requires that a firm’s policies and procedures related to acceptance and continuance of clients and engagements are sufficient to provide reasonable assurance that the firm “undertakes only those engagements that the firm can reasonably expect to be completed with professional competence.”

54. QC 20.17 requires a firm to have policies and procedures to provide reasonable assurance that work performed by engagement personnel complies with professional standards and the firm’s own standards of quality. QC 20.18 provides that these policies and procedures should cover, among other things, “planning, performing, supervising, reviewing, documenting, and communicating the result of each engagement,” as well as engagement quality reviews.

55. QC 20.19 requires a firm to have policies and procedures sufficient to provide reasonable assurance that personnel, among other things, “consult, on a timely basis, with individuals within or outside the firm, when appropriate,” including that “[i]ndividuals consulted [] have appropriate levels of knowledge, competence, judgment, and authority.”

56. QC 20.20 also imposes requirements on firms to properly monitor whether the firm’s quality control policies and procedures are suitably designed and are being effectively applied.

57. QC 20.23 requires a firm to “communicate its quality control policies and procedures to its personnel in a manner that provides reasonable assurance that those policies and procedures are understood and complied with.” QC 20.24 provides that “[t]he size, structure, and nature of the practice of the firm should be considered in determining whether documentation of established quality control policies and procedures is required for effective communication and, if so, the extent of such documentation,” stating that “documentation of established quality control policies and procedures would generally be expected to be more extensive in a large firm than in a small firm and in a multioffice firm than in a single-office firm.”

58. As a result of Giugliano’s conduct described above, Marcum violated QC 20.

**GIUGLIANO CAUSED MARCUM TO VIOLATE
RULE 2-02(b)(1) OF REGULATION S-X**

59. Rule 2-02(b)(1) of Regulation S-X requires an accountant’s report to state the applicable professional standards under which the audit was conducted.

60. Through the conduct described above, Respondent caused Marcum to violate Rule 2-02(b)(1) of Regulation S-X in connection with the issuance of numerous SPAC audit reports, all of which stated that Marcum had conducted its audit in accordance with PCAOB standards when, in fact, it had not done so.

F. FINDINGS

61. Based on the foregoing, the Commission finds that Respondent caused Marcum to violate Rule 2-02(b)(1) of Regulation S-X.

62. Based on the foregoing, the Commission finds that Respondent engaged in improper professional conduct pursuant to Section 4C(a)(2) of the Exchange Act and Rule 102(e)(1)(ii)

G. UNDERTAKINGS

63. For a period of three years from the date of this Order, Respondent undertakes to:
- a. have no leadership, management, oversight, or supervisory position at any registered public accounting firm;
 - b. have no decision-making role in connection with (i) performing client acceptance or continuance functions for any engagement to perform attestation or assurance services for any entity that files financial statements with the Commission; or (ii) the quality control system at any registered public accounting firm; and
 - c. certify, in writing, compliance with the undertakings set forth above. The certification shall identify the undertakings and provide written evidence of compliance in the form of a narrative. The Commission staff may make reasonable requests for further information, and Respondent agrees to provide such information that is reasonably available. The certification and supporting material shall be submitted to Carolyn M. Welshhans, Associate Director, Division of Enforcement, Securities and Exchange Commission, 100 F Street NE, Washington DC, 20549 with a copy to the Office of Chief Counsel of the Enforcement Division, no later than sixty (60) days from the date of the completion of the undertakings.

IV.

In view of the foregoing, the Commission deems it appropriate to impose the sanctions agreed to in Respondent's Offer.

Accordingly, it is hereby ORDERED, effective immediately, that:

- A. Respondent shall cease and desist from committing or causing any violations and any future violations of Rule 2-02(b)(1) of Regulation S-X.
- B. Respondent is censured.
- C. Respondent shall comply with the undertakings enumerated in Section III(G) above.
- D. Respondent shall, within 10 days of the entry of this Order, pay a civil money penalty in the amount of \$75,000 to the Securities and Exchange Commission for transfer to the

general fund of the United States Treasury, subject to Exchange Act Section 21F(g)(3). If timely payment is not made, additional interest shall accrue pursuant to 31 U.S.C. § 3717.

Payment must be made in one of the following ways:

1. Respondent may transmit payment electronically to the Commission, which will provide detailed ACH transfer/Fedwire instructions upon request;
2. Respondent may make direct payment from a bank account via Pay.gov through the SEC website at <http://www.sec.gov/about/offices/ofm.htm>; or
3. Respondent may pay by certified check, bank cashier's check, or United States postal money order, made payable to the Securities and Exchange Commission and hand-delivered or mailed to:

Enterprise Services Center
Accounts Receivable Branch
HQ Bldg., Room 181, AMZ-341
6500 South MacArthur Boulevard
Oklahoma City, OK 73169

Payments by check or money order must be accompanied by a cover letter identifying Alfonse Gregory Giugliano, CPA as a Respondent in these proceedings, and the file number of these proceedings; a copy of the cover letter and check or money order must be sent to Carolyn Welshhans, Associate Director, Division of Enforcement, Securities and Exchange Commission, 100 F Street NE, Washington, DC 20549.

E. Amounts ordered to be paid as civil money penalties pursuant to this Order shall be treated as penalties paid to the government for all purposes, including all tax purposes. To preserve the deterrent effect of the civil penalty, Respondent agrees that in any Related Investor Action, he shall not argue that he is entitled to, nor shall he benefit by, offset or reduction of any award of compensatory damages by the amount of any part of Respondent's payment of a civil penalty in this action ("Penalty Offset"). If the court in any Related Investor Action grants such a Penalty Offset, Respondent agrees that he shall, within 30 days after entry of a final order granting the Penalty Offset, notify the Commission's counsel in this action and pay the amount of the Penalty Offset to the Securities and Exchange Commission. Such a payment shall not be deemed an additional civil penalty and shall not be deemed to change the amount of the civil penalty imposed in this proceeding. For purposes of this paragraph, a "Related Investor Action" means a private damages action brought against Respondent by or on behalf of one or more investors based on substantially the same facts as alleged in the Order instituted by the Commission in this proceeding.

V.

It is further Ordered that, solely for purposes of exceptions to discharge set forth in Section 523 of the Bankruptcy Code, 11 U.S.C. § 523, the findings in this Order are true and admitted by Respondent, and further, any debt for disgorgement, prejudgment interest, civil penalty or other amounts due by Respondent under this Order or any other judgment, order, consent order, decree or settlement agreement entered in connection with this proceeding, is a debt for the violation by Respondent of the federal securities laws or any regulation or order issued under such laws, as set forth in Section 523(a)(19) of the Bankruptcy Code, 11 U.S.C. § 523(a)(19).

By the Commission.

Vanessa A. Countryman
Secretary