

Insights from Accounting and Auditing Enforcement Releases for the Quarter Ended March 31, 2026



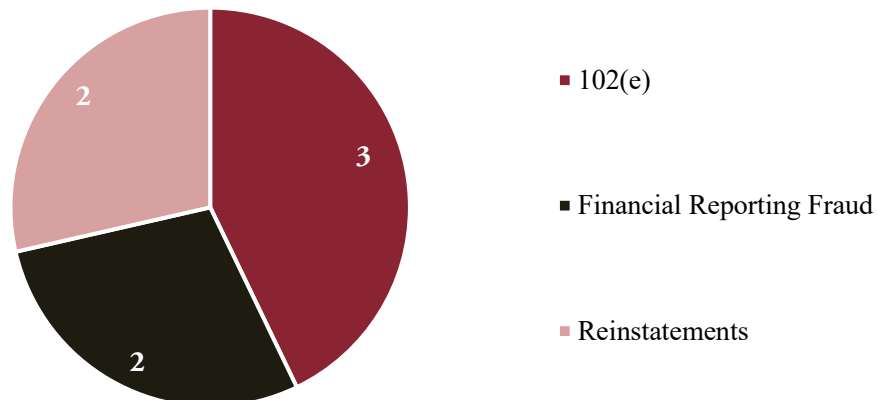
Introduction

We are pleased to present you with our summary of the U.S. Securities and Exchange Commission’s (“SEC” or “Commission”) Division of Enforcement’s Accounting and Auditing Enforcement Releases (“AAERs”) for the quarter ended March 31, 2026. The AAERs issued by the SEC are defined as financial reporting-related enforcement actions concerning civil lawsuits brought in a federal court and notices and orders concerning the institution and/or settlement of administrative proceedings.

Q1 2026 Overview

The SEC released seven AAERs during Q1 2026. As depicted in the graph below, three releases were related to 102(e) Actions, two were related to Financial Reporting Fraud, and two were related to Reinstatements of individuals:

Q1 2026 AAERs by Category



Highlights

- There were seven releases issued in Q1 2026, which is comparable to the number of releases in Q1 2025 (9), but significantly lower than the average number of Q1 releases for the prior five years (Q1 2020 through 2024; 14).
- The Commission imposed penalties in Q1 2026 totaling approximately \$42 million. While this amount is still lower than historical norms, it exceeds the total penalties issued in all of calendar year 2025 (\$32 million).
- Nearly all penalties in Q1 2026, or 98%, are attributable to one Financial Reporting Fraud matter related to the manipulation of a company's key business segment's financial performance through intersegment transactions, as summarized in the "Notable AAERs" section below.
- Two AAERs issued this quarter concerned matters for which separate criminal actions were brought by the Department of Justice. One of these releases relates to a Financial Reporting Fraud matter related to a round-trip accounting scheme, also summarized in the "Notable AAERs" section below. The other relates to a 102(e) Action imposed against a former CFO that allegedly misrepresented material information to investors.

Notable AAERs

While understanding the categorical breakdown of the types of releases issued by the SEC each quarter can be insightful, we have also summarized two releases below related to Financial Reporting Fraud:

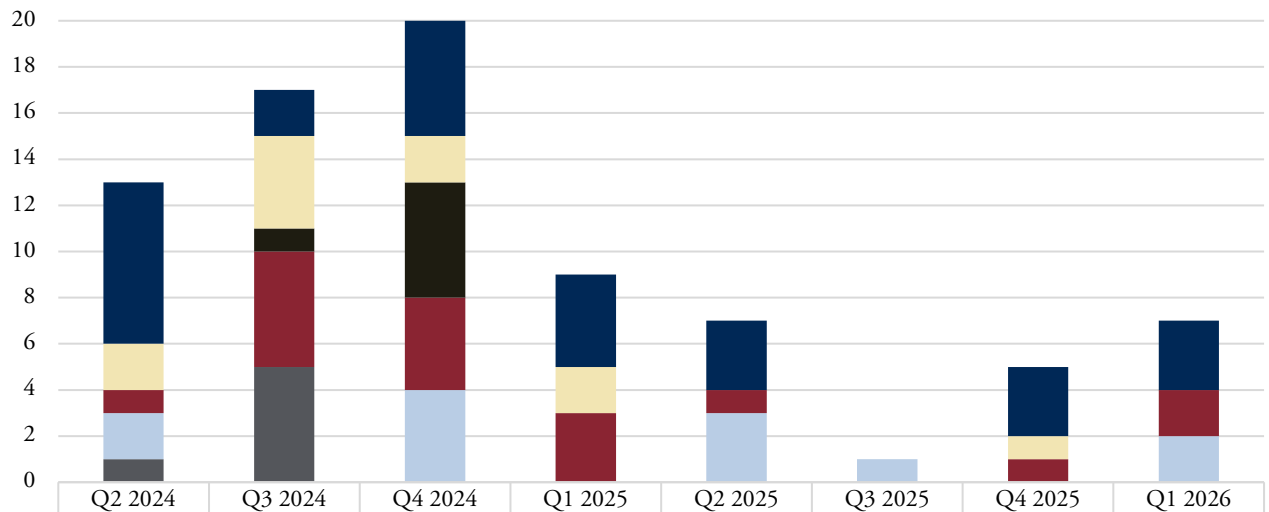
- ***The Commission charged two former senior executives of a global data intelligence company and the former CFO of its largest customer in a round-trip accounting scheme.***¹ According to the litigation release, the company and its largest customer grossly inflated invoices resulting in at least \$37.3 million of overstated revenue for fiscal years 2021, 2022, and the first half of 2023. The SEC alleges that the executives concealed their scheme from auditors through fabricated documents and misstatements. This alleged misconduct began before the company went public to appear "more attractive" leading up to its SPAC transaction. The U.S. Attorney's press release and the litigation release states that, in addition to receiving significant compensation throughout the scheme (more than \$25 million), one of the former executives separately misappropriated over \$300,000. The Commission has prohibited the former executives from serving as officers or directors of any SEC-registered entity and imposed disgorgement, prejudgment interest, and civil penalties, although the amounts have not yet been determined. Similarly, the customer and its former CFO have also been ordered to pay civil penalties of undisclosed amounts. All three individuals involved are facing separate criminal actions pursued by the Department of Justice.
- ***An agricultural and food processing company and two of its former executives are charged with accounting and disclosure fraud related to the performance of a key business segment.*** The former CFO and the former President of the company's key business segment allegedly directed adjustments to shift operating profit to a specific segment at the expense of other company segments, inflating its reported financial performance and filing materially false and misleading annual and quarterly filings with the Commission for years 2019, 2021, and 2022. These adjustments resulted in intersegment transactions being recorded at non-market rates, contrary to the company's stated accounting policy disclosures. The executives reportedly benefited from the scheme by selling company shares between 2020 and 2023, and through company compensation plans that were partially tied to their business segment's performance. The Commission imposed civil money penalties of \$40 million on the company, \$125,000 on the former President, and \$75,000 on the former CFO, and ordered both individuals to pay nearly \$1 million combined in disgorgement and prejudgment interest. The former President was also barred from serving as an officer or director of an SEC-registered company for three years. After discovering the alleged misconduct, the company conducted an internal investigation, implemented remedial measures including revised policies and enhanced accounting controls, and committed to full cooperation with the SEC.

1 See also U.S. Attorney's Office, Southern District of New York Press Release Dated August 7, 2025 ([Link](#)).

Quarterly Trends

Comparisons of the number of AAERs between periods can be a useful gauge of the SEC's latest trends and activities. The following chart maps quarterly totals for each AAER category over the past eight quarters.

Quarterly AAER Comparison: Q2 2024 through Q1 2026



	Q2 2024	Q3 2024	Q4 2024	Q1 2025	Q2 2025	Q3 2025	Q4 2025	Q1 2026
■ 102(e)	7	2	5	4	3	0	3	3
■ Violations of Books and Records	2	4	2	2	0	0	1	0
■ FCPA	0	1	5	0	0	0	0	0
■ Financial Reporting Fraud	1	5	4	3	1	0	1	2
■ Reinstatements	2	0	4	0	3	1	0	2
■ Other	1	5	0	0	0	0	0	0
Total	13	17	20	9	7	1	5	7

We have made the following observations based on the releases issued this quarter and in past quarters:

- There were three 102(e) Actions this quarter, which is consistent with the average number of 102(e) Actions issued over the seven preceding quarters (3), despite significant declines in other categories.
- The SEC last issued FCPA-related releases in Q4 2024, when it issued 5 in total, the highest number in a single quarter since Q3 2018. Q1 2026 marks the fifth consecutive quarter without an FCPA-related release.
- There were no Violations of Books and Records-related releases in Q1 2026, consistent with the downward trend in 2025, which ended the year with only one release in Q4 2025.
- Financial Reporting Fraud-related releases and Reinstatements accounted for 29% of releases this quarter, an increase from the average percentages (18% and 26%, respectively) across the seven preceding quarters.

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ABOUT FLOYD ADVISORY: Floyd Advisory is a consulting firm providing financial and accounting expertise in areas of SEC reporting, transaction advisory, investigations and compliance, valuation and strategy, data analytics, and litigation services.

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