

ORDER

III.

On the basis of Respondent's Offer, the Board finds^{1/} that:

A. Respondent

1. Higgins, 27, of Quincy, Massachusetts, is a certified public accountant who is licensed under the laws of the State of New York (license no. 097381-1), and the Commonwealth of Massachusetts (license no. 27834). At all relevant times, Higgins was a manager in the Boston, Massachusetts office of the registered public accounting firm of Ernst & Young LLP ("E&Y"), and 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). E&Y removed Higgins from the audit engagement team for the "Company," as defined below in paragraph four, in July 2010, and at that time Higgins ceased participating in issuer audit engagements.

B. Summary

2. E&Y has been the independent auditor for the Company since May 4, 2002. E&Y issued an audit report expressing an unqualified opinion on the Company's September 30, 2009 financial statements. Respondent was the manager for the audit of the Company's September 30, 2009 financial statements ("Audit"). Respondent was supervised by an E&Y engagement partner and an E&Y senior manager during the course of the Audit.

3. This matter concerns Respondent's violations of PCAOB rules and auditing standards. Respondent repeatedly violated both Rule 4006, *Duty to Cooperate with Inspectors*, and Auditing Standard No. 3 ("AS3"), *Audit Documentation*. Respondent improperly removed, added, and backdated working papers in advance of the Board's inspection of the Audit, in violation of Rule 4006. In violation of AS3, Respondent: (1) added documents to the working papers without indicating the dates that documents were added to the working papers, the names of the persons preparing the additional documentation, and the reason for adding the documentation months after the documentation completion date; and (2) removed a document from the working papers after the documentation completion date.

^{1/} The findings herein are made pursuant to the Respondent's Offer and are not binding on any other person or entity in this or any other proceeding.

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C. Respondent Violated PCAOB Rules and Auditing Standards.

4. The Company is an "issuer" as that term is defined in Section 2(a)(7) of the Act and PCAOB Rule 1001(i)(iii). In April 2010 the Board inspected E&Y's audit of the Company's September 30, 2009 financial statements.

5. PCAOB rules require that an associated person of a registered public accounting firm "shall cooperate with the Board in the performance of any Board inspection."^{2/} This cooperation obligation "includes an obligation not to provide misleading documents or information in connection with the Board's inspection processes."^{3/} PCAOB rules also require that associated persons of registered public accounting firms comply with the Board's auditing standards.^{4/} Among other things, PCAOB auditing standards prohibit the deletion of audit documentation after the documentation completion date. PCAOB auditing standards also require that an auditor make certain written disclosures if the auditor adds audit working papers after the documentation completion date.^{5/} As detailed below, Respondent violated PCAOB rules and auditing standards when she: (1) improperly removed, added, and backdated audit working papers; and (2) provided misleading audit documentation to the Board in connection with the Board's inspection of the Audit.

Respondent's Employment History at E&Y

6. Respondent graduated from college in May 2005, and joined E&Y as "staff" in September 2005. E&Y promoted Respondent to "senior" in October 2007. E&Y promoted Respondent to "manager" in October 2009.

^{2/} PCAOB Rule 4006, *Duty to Cooperate with Inspectors*.

^{3/} Drakeford & Drakeford, LLC, PCAOB Release No. 105-2009-002 (June 16, 2009) ¶ 8. See also Gately & Associates, LLC, SEC Release No. 34-62656 at 22-23 (August 5, 2010) (sustaining Board finding that respondents failed to cooperate with Board inspection).

^{4/} See PCAOB Rule 3100, *Compliance with Auditing and Related Professional Practice Standards*.

^{5/} See AS3 ¶ 16.

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7. At the time E&Y promoted Respondent to manager, E&Y assigned Respondent to serve as the manager for the audit of the Company's September 30, 2009 financial statements.

8. Respondent's work on the Audit was supervised by an E&Y engagement partner ("Engagement Partner") and an E&Y senior manager ("Senior Manager"). The Engagement Partner had been a member of the audit engagement team since 2005. The Senior Manager had been a member of the audit engagement team since 2005, as well. The Engagement Partner was responsible for ensuring Respondent's compliance with PCAOB rules and auditing standards related to the Audit.

The Audit

9. E&Y audited the Company's September 30, 2009 financial statements. E&Y's audit report was dated November 23, 2009. The audit report expressed an unqualified opinion and stated that the Audit was conducted in accordance with PCAOB standards. The audit report stated that the Company's September 30, 2009 financial statements presented fairly, in all material respects, the Company's financial position, results of operations, and changes in net assets in conformity with U.S. Generally Accepted Accounting Principles ("GAAP"). The audit report was included in the Company's annual report filed with the U.S. Securities and Exchange Commission ("Commission") on November 27, 2009.

10. The audit report release date for the Audit was November 24, 2009.^{6/} The documentation completion date, therefore, was January 8, 2010.^{7/} Following the documentation completion date, audit documentation must not be deleted or discarded from the working papers.^{8/} While information may be added to the working papers, the new documentation must disclose the date the information was added, the person

^{6/} See id. ¶ 14 (defining report release date as "date the auditor grants permission to use the auditor's report in connection with the issuance of the company's financial statements").

^{7/} See id. ¶ 15 (defining documentation completion date as "a date not more than 45 days after the report release date").

^{8/} Id. ¶ 16.

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preparing the additional documentation, and the reason for adding the information to the working papers after the documentation completion date.^{9/}

Steps Taken in Advance of the Board's Inspection

11. On March 30, 2010, the Board notified E&Y that the Board's Division of Registration and Inspections ("Board's Inspection Division") would inspect the Audit. The Act "requires the Board to conduct a 'continuing program of inspections to assess the degree of compliance of each registered public accounting firm and associated persons . . . with [the Act], the rules of the Board, the rules of the Commission, or professional standards.'"^{10/}

12. On or before March 31, 2010, the Engagement Partner, Senior Manager, and Respondent were notified that the Audit would be inspected by the Board's Inspection Division. Field work for the inspection was scheduled to commence the week of April 19, 2010.

13. On or before March 31, 2010, the Engagement Partner, Senior Manager, and Respondent each had received an email in which E&Y expressly instructed the members of the Audit engagement team that no modifications, additions, or deletions should be made to the working papers of the Audit in preparation for the Board's inspection.

Respondent Improperly Removed, Added, and Backdated Working Papers

14. On or about March 31, 2010, the Engagement Partner directed an E&Y staff person on the Company audit engagement team to retrieve the hard copy external working papers for the Audit ("external working papers"). The staff person retrieved the external working papers from the Records Center in E&Y's Boston office, and placed the working papers in a conference room in E&Y's Boston office.

^{9/} Id.

^{10/} Gately & Associates, LLC, SEC Release No. 34-62656 at 2 (August 5, 2010) (quoting Section 104(a) of the Act).

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15. On or about April 5, 2010, the Engagement Partner, Senior Manager, and Respondent began working together in this conference room, in the course of preparing for the upcoming Board inspection. The Engagement Partner directed Respondent to review the external working papers. In the course of this review, Respondent identified certain missing documents and informed the Engagement Partner and the Senior Manager about this issue. The Engagement Partner and the Senior Manager subsequently directed Respondent improperly to remove, add, and backdate documents in the external working papers.

16. First, Respondent reported to the Engagement Partner and the Senior Manager that a "Review Procedures Memorandum" was missing from the external working papers. The Engagement Partner and the Senior Manager directed Respondent to create and print out the missing document, and to backdate the document to November 30, 2009. The Engagement Partner and the Senior Manager directed Respondent to backdate her sign-off on this working paper to November 30, 2009, and to add this document to the external working papers.

17. Second, Respondent reported to the Engagement Partner that the tie-out of the financial statements contained in the external working papers was performed upon a pre-final set of financial statements. The Engagement Partner directed Respondent to remove this document from the external working papers, and to replace it with a newly created document which tied-out the final financial statements, and which the Engagement Partner directed Respondent to backdate to November 2009.

18. Third, Respondent reported to the Engagement Partner that the Average Forward Foreign Currency Contracts Calculation ("A3a Working Paper") was missing from the external working papers. The Engagement Partner directed Respondent to gather the missing document, backdate it to November 2009, and add it to the external working papers.

19. Finally, Respondent reported to the Senior Manager that three checklists were missing from the external working papers. The Senior Manager directed Respondent to assemble the missing checklists as a single document ("HH6.8 Working Paper") and to backdate her sign-off on this working paper to November 2009. The Senior Manager directed Respondent to add the document to the external working papers. The Senior Manager and Respondent reported to the Engagement Partner the facts and circumstances related to the creation of the HH6.8 Working Paper, and the Engagement Partner took no steps to cause the document to be properly dated, or to have it removed from the external working papers.

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Misleading Documents Provided to the Board During the Board's Inspection

20. Field work for the Board's inspection took place during the week of April 19, 2010. During field work, E&Y made the external working papers available to the Board's inspectors, including the improperly added documents which were placed in the external working papers shortly before the Board's inspection, and excluding the document removed from the external working papers by the Respondent after the documentation completion date. Respondent did not advise the inspectors that any of these documents were improperly added to the external working papers in April 2010, and that one document was removed from the external working papers after the documentation completion date.

21. During field work, Board inspectors requested copies of certain external working papers, including certain of the late-added documents. On April 22, 2010, Respondent emailed to a Board inspector a copy of the HH6.8 Working Paper. Respondent did not disclose to the Board inspector, however, that this document was improperly added to the external working papers in April 2010.

22. As a result of the conduct described above, Respondent violated Rule 4006, *Duty to Cooperate with Inspectors*, and AS3, *Audit Documentation*.

IV.

In view of the foregoing, and to protect the interests of investors and further the public interest in the preparation of informative, fair, and independent audit reports, the Board determines it appropriate to impose the sanction agreed to in Respondent's Offer. Accordingly, it is hereby ORDERED that, pursuant to Section 105(c)(4)(E) of the Act and PCAOB Rule 5300(a)(5), Jacqueline A. Higgins, CPA is censured.

ISSUED BY THE BOARD.

/s/ J. Gordon Seymour

J. Gordon Seymour
Secretary

December 3, 2010