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**Ernst & Young to pay \$10m to settle SEC charges**  
**Big Four accounting firm and three partners accused by regulator of audit independence misconduct**  
**Patrick Temple-West**  
**Financial Times, 2 August 2021**

Big Four firm Ernst & Young and three audit partners have settled charges with the Securities and Exchange Commission over alleged misconduct in their relationship with the chief accounting officer of a large US company.

EY agreed to pay the SEC \$10m to settle audit independence misconduct charges concerning partner James Herring and former partners James Young and Curt Fochtman. The SEC also settled charges with William Stiehl, who was fired from Sealed Air, the maker of bubble wrap, in 2019 amid the agency's investigation.

In 2014, EY received tips from Stiehl about Sealed Air's request-for-proposal process for selecting a new accounting firm, the SEC said, adding that EY ultimately made \$13m from the company in 2015.

Stiehl allowed EY to help draft its request for a bid and then arranged for Herring to meet the company at least one month before other firms were invited, the SEC said.

According to the SEC, an internal EY case study written shortly after the auditor won the Sealed Air business touted this approach as a "head start none of the other firms were given".

The exclusive access also led Stiehl to add more than \$1m in global tax services to the company's business proposal, the SEC said.

The regulator said EY's leadership should have known about the actions partners took to win the business and that the conduct violated auditor independence rules. Sealed Air uncovered the alleged misconduct in 2019 and fired both EY and Stiehl.

"EY and its partners lost sight of this fundamental principle in their pursuit of a new client," said Charles Cain, an SEC enforcement official.

In a statement, EY said it had "reinforced" procedures for responding to bids after this matter. Sealed Air did not immediately respond to a request for comment.

Herring, Young and Fochtman agreed to pay penalties of \$50,000, \$25,000, and \$15,000, respectively. Stiehl will pay \$51,000. None of them admitted wrongdoing as part of the settlement and all four can reapply to work as auditors.

The SEC has previously imposed sanctions against Big Four firms for allegedly violating auditor independence rules. In 2019, PwC paid \$7.9m for compromising its independence on audits of more than a dozen companies.