

Accounting Firm Quarterly Update

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DOJ National Fraud Enforcement Division Outlines Priorities and Announces Early-Stage Whistleblower Program

On August 13, 2026, Assistant Attorney General Colin M. McDonald issued a [memorandum](#) to all personnel in DOJ's National Fraud Enforcement Division, setting out the Division's structure, staffing plans, and enforcement priorities. The Memorandum provides the first in-depth guide to the Division since its creation was announced by the White House in January 2026 and it was formally established in April 2026, as discussed in our [Q4 2025](#) and [Q1 2026](#) Updates, respectively.

Citing Government Accountability Office estimates that the federal government loses between \$233 billion and \$521 billion to fraud each year, the Memorandum projected that the Division would grow to approximately 500 attorneys and staff by August 24, 2026, and would continue to grow rapidly over the next two years. The memo also includes an organizational chart for the new division outlining its various components, including a Corporate Enforcement Section, an Asset Recovery Section, a National Fraud Detection Center, a Health Care Fraud Section, and a Tax Fraud Section.

The Memorandum identifies five enforcement priorities:

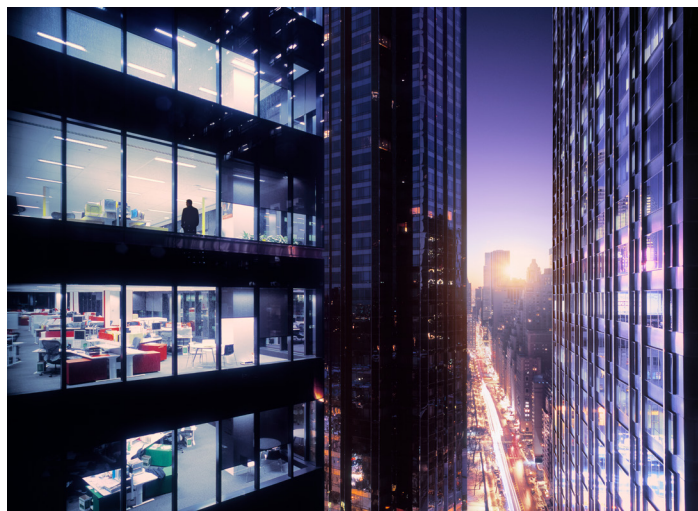
- *Public Trust and Financial Integrity Fraud*, including defective pricing, bid rigging, product substitution, billing fraud and other government procurement schemes, which the Memorandum describes as a “critical priority”; fraud against federal benefit and grant programs; and schemes that “cheat our markets” or compromise the finances of American consumers.
- *Health Care Fraud*, including targeting of telemedicine, Medicare and Medicaid, home health and hospice, and controlled-substance diversion schemes, building on the Health Care Fraud Strike Force model.
- *Tax Fraud*, including false claims on tax returns, concealment of income, and promoters of illegal tax schemes, with criminal tax tools paired with data analytics and financial forensics to detect tax misconduct earlier.
- *Global Trade and Commerce Fraud*, including illicit transshipment, country-of-origin fraud, undervaluation of imports to evade duties, sanctions evasion, and forced labor, pursued through a cross-agency Trade Fraud Task Force.
- *Corporate Misconduct*, focused on holding accountable companies that benefit from their employees' fraud while rewarding voluntary self-disclosure, cooperation, and remediation. Corporate enforcement experts will be charged with ensuring consistent application of DOJ's policies on the prosecution of corporate organizations.

Five days later, on August 18, 2026, DOJ published a [final rule](#), effective August 24, 2026, formally establishing the Division in DOJ's organizational regulations. The rule gives the Division exclusive authority over criminal tax and health plan fraud matters, and authority—largely shared with the Criminal Division—over criminal fraud more generally, including trade and customs fraud, fraud involving monies owed to or paid by the United States, and health care fraud. It also authorizes the Division to prosecute any federal offense identified during an investigation within its remit and to certify the need for special grand juries.

Most recently, on October 1, 2026, McDonald [issued](#) Directive 26-12, “Corporate Enforcement in the Fight Against Fraud,” stating that the Corporate Enforcement Section will “lead the Division's work to ensure the consistent, fair, and successful prosecution of corporate crime across the Division's entire fraud portfolio.” The memo also outlines four corporate enforcement priorities: (1) health care fraud, (2) public trust or financial integrity fraud, (3) fraud involving significant internal or external revenue, and (4) fraud involving tariff evasion and imports. The memo directs prosecutors to place “great weight” on ten factors in corporate charging and resolution decisions—among them, corporate management's knowledge of or involvement in the scheme, and efforts to conceal fraud from government agencies or auditors.

Then, on October 20, 2026, the Division [announced](#) the creation of a Fraud Whistleblower Incentive Program (WHIP), which will pay awards between \$10,000 and \$30,000 for tips that lead to criminal charges in certain priority areas, even if no conviction ultimately occurs.

For more information on the Division, please refer to Gibson Dunn's recent [client alert](#).



SEC Enforcement Director David Woodcock Highlights Importance of Efficiency in Investigations

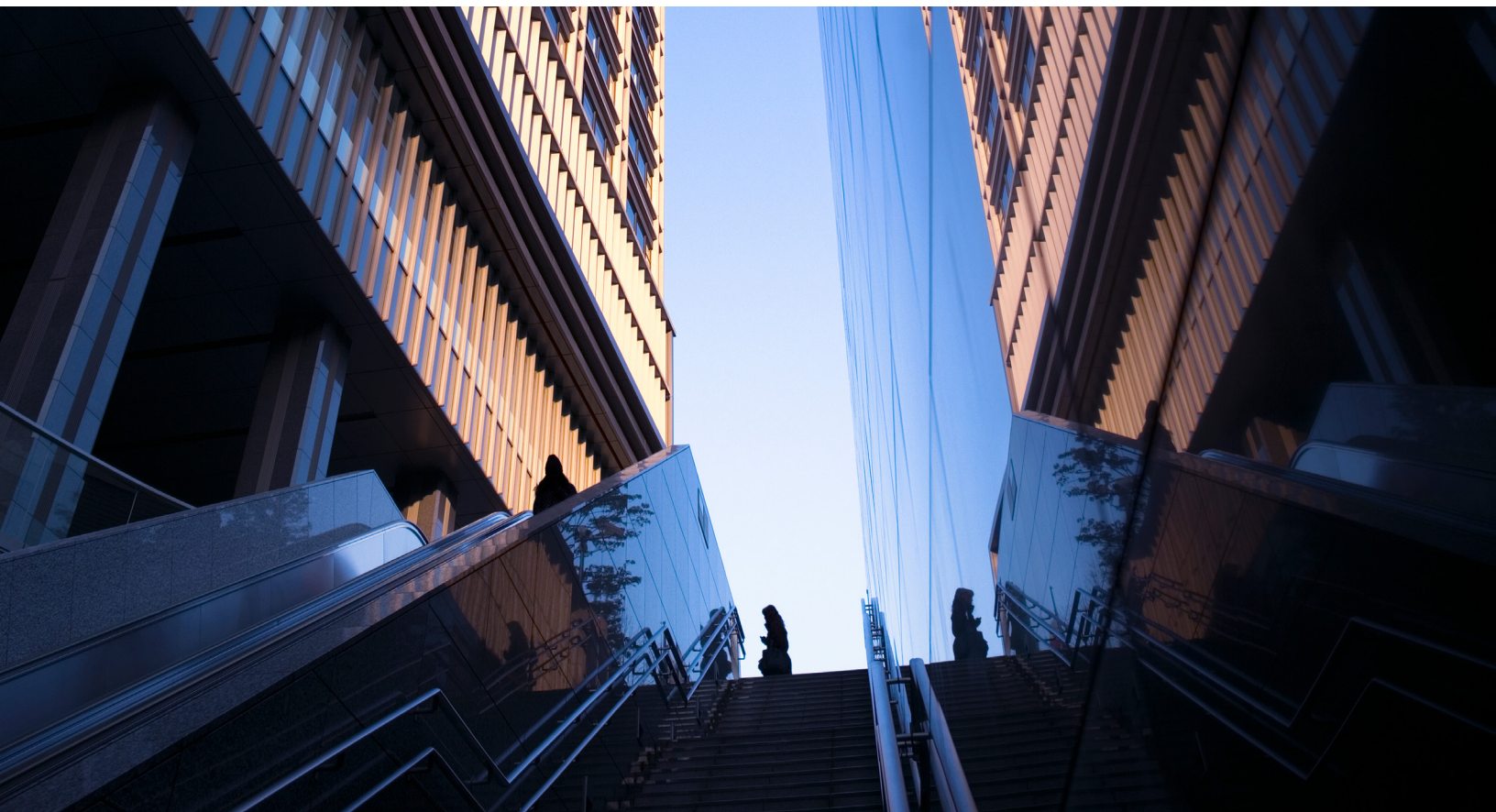
On September 18, 2026, SEC Division of Enforcement Director David Woodcock delivered [remarks](#) before the 12th Annual Government Enforcement Institute in Dallas. Styling the remarks as “direct messages about what defense counsel should expect” from the Division, Director Woodcock described a Division that has spent fiscal year 2026 recalibrating to focus on efficiency, removing barriers to enforcement, and prioritizing impactful cases.

In a section of the remarks titled “Removing Roadblocks to Efficient Enforcement,” Director Woodcock announced that the Division is “committed to moving investigations promptly” and signaled a departure from the traditional investigative sequence. He observed that “not every investigation requires the traditional long arc of voluminous document requests followed by months of coordinating testimony,” and stated that he has encouraged the staff to consider taking testimony before document productions are complete, when appropriate, in order to sharpen the investigation’s focus earlier, narrow its scope, obtain testimony while memories are fresh, assess cooperation quickly, and “prevent slow-rolling or strategic delay.” He emphasized that this approach “is not a negotiable concept,” but rather “a procedural tool” to “advance[] efficient, fair enforcement.”

Director Woodcock paired that announcement with pointed expectations for defense counsel. He said he expects counsel to respond “quickly and clearly” to inquiries, schedule testimony promptly, avoid “serial extensions without cause,” raise issues early rather than late, and engage constructively in pre-enforcement dialogue. He warned that the Division “will have little patience” for slow-rolled productions, excuses for missed deadlines, or refusals to produce documents, and that counsel should expect the Division to file subpoena enforcement actions “sooner, rather than waiting years.” As an illustration, he cited a late-August subpoena enforcement action in the Northern District of Texas in which the court granted the Commission’s application within one day of filing and ordered testimony within 21 days and document production within 30 days. He also reiterated that “a company that self-reports, cooperates fully, and remediates will not be treated the same as a company that conceals, delays, or obstructs.”

Taken together, the remarks indicate Director Woodcock’s focus on efficiently bringing and resolving consequential cases.

For more information, please refer to Gibson Dunn’s [client alert](#).





Federal District Court Declines to Halt PCAOB Disciplinary Proceedings

As previously discussed in these Updates, certain federal court actions challenging the PCAOB's in-house disciplinary tribunals remain pending. In one of those cases—a consolidated action in which two separate John Doe plaintiffs challenged the PCAOB's ability to subject them to disciplinary proceedings—the U.S. District Court for the District of Columbia denied on September 30, 2026 the plaintiffs' motion for summary judgment, and granted the PCAOB's cross-motion, on the question of whether the PCAOB could subject the plaintiffs to its in-house forum.

Reasoning that, based on the outcome of the proceedings, the plaintiffs' Seventh Amendment jury trial rights might not be implicated, the court concluded that it lacked the ability to halt the proceedings while in process, directing plaintiffs instead to raise any remaining constitutional arguments on appeal from any sanctions that are imposed. The court also denied certain due process claims raised by the plaintiffs, noting that some of them could also be raised on appeal from any sanctions.

PCAOB Amends Quality Control Standard QC 1000

In September, the PCAOB adopted [amendments to QC 1000](#) that are meant to be responsive to implementation challenges identified by firms and reduce compliance costs while maintaining investor protections. Among other changes, the amendments will: rescind the “design-only” requirement, which previously required all registered firms to design a quality control system even if those firms did not perform PCAOB engagements; permit certain roles to be assigned to non-firm personnel and divided among

multiple individuals; rescind the requirement to have an external quality control function; simplify the requirement for retention of QC system documentation; and shorten the documentation retention period to five years.

If approved by the SEC, the amendment will take effect on December 15, 2026, concurrent with the effective date for QC 1000.

PCAOB Holds Inspections Modernization Council Meetings

On August 24, 2026, the PCAOB [posted](#) select discussion materials shared with its Inspections Modernization Council (IMC) for the IMC's July and August 2026 meetings. Launched in May 2026, the IMC is a resource group composed of outside parties with capital markets expertise and knowledge of the PCAOB's inspection activities whose objective is to provide perspectives to inform the PCAOB's efforts to modernize its inspection program. The posted materials were prepared by PCAOB staff for discussion purposes, and have not been approved or adopted by the PCAOB. The materials indicate that the IMC discussed the following points in its July and August meetings:

- The potential for a "QC-informed" inspection approach that would use a series of risk factors—including client and engagement risk; people, governance, and culture; quality

control (QC) system effectiveness; and external signals—to drive the nature, timing, and extent of both quality control and engagement reviews;

- Modernization of the inspection report;
- Draft staff guidance regarding the remediation of identified QC deficiencies, including the importance of understanding the nature of a given QC criticism and performing an appropriate root cause analysis; and

Technology and artificial intelligence initiatives, including the June 2026 pilot deployment of generative artificial intelligence agents within the Division of Registration and Inspections, efforts to centralize inspections and registration data, and potential future states such as AI-assisted first-pass inspections with human review.

SEC Proposes to Remove PCAOB Registration and Inspection Requirements from Custody Rule Audits

On October 1, 2026, the SEC issued a [proposed rule](#), *Adviser and Regulated Fund Custody Rules; Crypto Custody Rules*, that would among other things modify the rules for custody rule audits pursuant to the Investment Advisers Act of 1940. Under the proposed revisions, the audits that must occur of a pooled investment vehicle's financial statements and the surprise examinations that must be conducted of an adviser's custody of client funds would no longer have to be conducted by an accountant that is registered with, and subject to regular inspection by, the PCAOB. The proposal states that, while PCAOB registration is positively associated with quality, the costs of the rule do not justify the benefits. Auditors will still need to be independent of the audit client.



Other Recent SEC and PCAOB Developments

SEC

- On August 20, 2026, the SEC [filed](#) proposed final judgments against two former executives of Live Ventures Inc. in Nevada federal court. The SEC's complaint alleged the former Live Ventures CEO fraudulently increased the company's pre-tax income and calculated inflated earnings per share, and that the former CFO made false statements to the company's external auditor. The former executives consented to pay civil penalties of \$175,000 and \$118,225, respectively.
- On September 3, 2026, the SEC [imposed](#) a \$30,000 civil penalty against former The Bancorp, Inc. CFO Paul Frenkiel. According to the SEC's settled order, Frenkiel directed the filing of Bancorp's FY 2024 Form 10-K, which included purported audit reports and consents from Bancorp's current and former auditors, despite allegedly knowing that the auditors had not provided final approval regarding the inclusion of their audit reports and consents on Form 10-K.
- On September 11, 2026, the SEC issued a [settled order](#) against Dada Nexus Limited, a Shanghai-based on-demand retail and delivery platform, for allegedly engaging in sham transactions to meet revenue targets. The order cited Dada's self-identification of the transactions, independent review and remediation—including terminating employees, suppliers, and customers involved in the transactions and enhancing internal policies and conducting training—and cooperation with the SEC—including providing detailed written narratives and providing the findings of its independent review—in the order. Under the order, Dada agreed to pay a penalty of \$500,000.
- In October 2026, Director Woodcock announced that Steven Richards of Ankura Consulting would rejoin the SEC, holding the position of Chief Accountant for the Enforcement Division.
- On October 1, 2026, Hester Peirce stepped down as SEC Commissioner, leaving the SEC with two remaining Commissioners—Chairman Atkins and Commissioner Uyeda.

PCAOB

- The PCAOB [announced](#) on August 10, 2026 that Kyle S. Hauptman was sworn in as the Board's newest member. Prior to joining the Board, Mr. Hauptman served as Chairman of the National Credit Union Administration (NCUA), where he has been a board member since December 2020. His term with the PCAOB will expire on October 24, 2029.
- On September 30, 2026, the PCAOB updated its [standard-setting, research, and rulemaking agendas](#) after a period of public comment. The current projects include fraud, non-compliance with laws and regulations, going concern, and the establishment of a permanent broker-dealer inspections program.

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For further information about any of the topics discussed herein, please contact one of the Accounting Firm Advisory and Defense Practice Group Chairs or the Gibson Dunn attorney with whom you regularly work.