
New SEC Initiative to Combat Financial Reporting Fraud

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On July 2, the [SEC announced the formation of a Financial Reporting and Audit Task Force](#). The task force, which will include attorneys and accountants from the Division of Enforcement, working with other offices of the SEC staff, “will concentrate on expanding and strengthening the Division’s efforts to identify securities-law violations relating to the preparation of financial statements, issuer reporting and disclosure, and audit failures.” Its principal goal will be fraud detection and “increased prosecution of violations involving false or misleading financial statements and disclosures.” The SEC also announced the formation of a Microcap Fraud Task Force targeting fraud involving microcap companies and a Center for Risk and Quantitative Analytics.

This announcement comes on the heels of several recent news reports that the SEC’s new chairman, Mary Jo White, intends to increase the SEC’s focus on detecting and combatting accounting fraud. The establishment of new task force appears to be consistent with those reports.