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SEC Charges Ex-College Controller With Municipal Securities Fraud.

“Financial difficulties are no excuse for engaging in accounting misconduct and concealing critical information from investors,” said the SEC’s LeeAnn Ghazil Gaunt.

The Securities and Exchange Commission said Thursday that it has charged the former controller of a New York-based not-for-profit college with defrauding municipal securities investors by concealing the college’s deteriorating finances.

According to the [complaint](#), Keith Borge made numerous fraudulent misrepresentations and omissions regarding the financial condition of the College of New Rochelle to the investing public in its fiscal year 2015 audited financial statements.

The cumulative impact of Borge’s misconduct was significant: he prepared the college’s FY 2015 financial statements that falsely reported some \$25 million in net assets, when actual net assets were in the red by about \$8.8 million — an overstatement of roughly \$33.8 million, the complaint states.

“Like many small private colleges prior to 2013, the college came under considerable financial stress as student enrollment declined and tuition revenues decreased, leading to chronic cash flow issues,” the complaint states.

Starting as early as 2013, Borge improperly withdrew funds designated for the college’s endowment to fund various operational expenses at the college.

The college is expected to cease operations in August 2019 as a result of its financial difficulties.

Borge created false financial records, failed to file payroll tax submissions as well as to assess the collectability of pledged donations that were increasingly unlikely to be received as donors became more frustrated with the college’s operations, according to the SEC. Borge also falsely certified the accuracy of the college’s financial statements.

The financial statements were published by Borge to an online repository in connection with the college’s continuing disclosure obligations stemming from a 1999 bond issuance, and significantly influenced investors’ decisions to invest in the bonds.

“Financial difficulties are no excuse for engaging in accounting misconduct and concealing critical information from investors,” said LeeAnn Ghazil Gaunt, chief of the SEC Enforcement Division’s Public Finance Abuse Unit, in a statement.

“Municipal bond investors, including those in the secondary market, depend on the accuracy of financial statements, and the SEC will hold accountable those who take steps to mislead the investing public,” added Marc Berger, director of SEC’s New York Regional Office.

The SEC's complaint, filed in federal district court in Manhattan, charges Borge with violating, and aiding and abetting violations of, the antifraud provisions of the federal securities laws.

Borge agreed to a partial settlement that would permanently enjoin him from future misconduct, with potential monetary sanctions to be determined at a later date. The partial settlement is subject to court approval.

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