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SEC Settles with Auditor in NYC Suburb's Bond Fraud Case.

A New York auditor on Monday settled U.S. Securities and Exchange Commission charges that it issued fraudulent audit reports in connection with municipal bond offerings by the town of Ramapo, New York, and its local development corporation, which were charged with fraud in April.

The SEC said PKF O'Connor Davies and senior partner Domenick Consolo let Ramapo record in 2009 a \$3.08 million receivable in its general fund for the sale of a 13.7-acre property known as the "Hamlets" to the nonprofit Ramapo Local Development Corporation, despite knowing that the sale had not occurred.

It also said Consolo ignored red flags about the intention and ability of the RLDC to pay the \$3.08 million, while PKF failed to mitigate the risk of material misstatements even after learning that federal authorities were investigating Ramapo's financial statements.

Under the settlement, PKF, of Harrison, New York, agreed to pay a \$100,000 fine, forfeit \$379,865 of audit fees and interest, and hire an independent consultant.

Consolo, 61, of Yorktown Heights, New York, agreed to pay a \$75,000 fine and accept a five-year ban from supervising municipal audits. Neither admitted wrongdoing.

"We stand by the integrity of our work with the Town of Ramapo," PKF said in a statement, responding to requests for comment to a lawyer for the firm and Consolo. "We're confident what we learned through this process will provide valuable insights that will benefit our municipal clients."

The civil settlement came after the SEC on April 14 sued Ramapo, the RLDC and four officials in a case stemming from the financing of a controversial \$58 million minor league baseball stadium.

Two of the officials, Ramapo elected Supervisor Christopher St. Lawrence and former RLDC Executive Director N. Aaron Troodler, have pleaded not guilty to separate fraud and conspiracy charges, in what prosecutors called the first U.S. criminal securities fraud case over the sale of municipal bonds.

Authorities said bond investors lost millions of dollars because the defendants concealed Ramapo's weakening finances, caused in part by the cost to build Provident Bank Park.

PKF's and Consolo's conduct "left investors without an accurate picture of the town's finances and its ability to repay bondholders," Andrew Calamari, director of the SEC's regional office in New York, said in a statement.

Ramapo is located in Rockland County, about 28 miles (45 km) northwest of New York City.

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By Jonathan Stempel | NEW YORK

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