

**UNITED STATES OF AMERICA**  
**Before the**  
**SECURITIES AND EXCHANGE COMMISSION**

**SECURITIES EXCHANGE ACT OF 1934**  
**Release No. 82154 / November 27, 2017**

**ACCOUNTING AND AUDITING ENFORCEMENT**  
**Release No. 3909 / November 27, 2017**

**ADMINISTRATIVE PROCEEDING**  
**File No. 3-18289**

**In the Matter of**

**JON L. FRANK,**

**Respondent.**

**ORDER INSTITUTING PUBLIC  
ADMINISTRATIVE AND CEASE-  
AND-DESIST PROCEEDINGS  
PURSUANT TO SECTIONS 4C AND 21C  
OF THE SECURITIES EXCHANGE ACT  
OF 1934 AND RULE 102(e) OF THE  
COMMISSION'S RULES OF PRACTICE,  
MAKING FINDINGS, AND IMPOSING  
REMEDIAL SANCTIONS AND A CEASE-  
AND-DESIST ORDER**

**I.**

The Securities and Exchange Commission (“Commission”) deems it appropriate that public administrative and cease-and-desist proceedings be, and hereby are, instituted against Jon L. Frank (“Respondent” or “Frank”) pursuant to Sections 4C<sup>1</sup> and 21C of the Securities Exchange Act of 1934 (“Exchange Act”) and Rule 102(e)(1)(iii) of the Commission’s Rules of Practice.<sup>2</sup>

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<sup>1</sup> Section 4C provides, in relevant part, that:

The Commission may censure any person, or deny, temporarily or permanently, to any person the privilege of appearing or practicing before the Commission in any way, if that person is found . . . (1) not to possess the requisite qualifications to represent others . . . (2) to be lacking in character or integrity, or to have engaged in unethical or improper professional conduct; or (3) to have willfully violated, or willfully aided and abetted the violation of, any provision of the securities laws or the rules and regulations thereunder.

<sup>2</sup> Rule 102(e)(1)(iii) provides, in pertinent part, that:

## II.

In anticipation of the institution of these proceedings, Respondent has submitted an Offer of Settlement (the “Offer”) which the Commission has determined to accept. Solely for the purpose of these proceedings and any other proceedings brought by or on behalf of the Commission, or to which the Commission is a party, Respondent admits the Commission’s jurisdiction over him and the subject matter of these proceedings, and consents to the entry of this Order Instituting Public Administrative and Cease-and-Desist Proceedings Pursuant to Sections 4C and 21C of the Securities Exchange Act of 1934 and Rule 102(e) of the Commission’s Rules of Practice, Making Findings, and Imposing Remedial Sanctions and a Cease-and Desist Order (“Order”), as set forth below.

## III.

On the basis of this Order and Respondent’s Offer, the Commission finds<sup>3</sup> that:

### **Respondent**

1. Jon L. Frank, age 48, is a resident of Reston, Virginia. Frank was employed by NCI, Inc. from March 2000 to January 2017. During the relevant period, Frank worked for NCI, Inc. as a Vice President and Controller. Frank has an accounting education and expertise but does not hold any professional licenses.

### **Relevant Entities**

2. NCI, Inc. (“NCI” or “Company”), an information technology and staffing services firm headquartered in Reston, Virginia, was a public company with its stock listed on NASDAQ throughout Frank’s employment.

### **Facts**

3. As Vice President and Controller of NCI, Frank had responsibility for the Company’s accounting functions, including accounts receivable, accounts payable, and the general ledger. In connection with his role as Controller, Frank had access to the Company’s financial statements, general ledger, payroll, and bank accounts. Frank also had the ability to initiate payments from NCI bank accounts using a telephonic system through NCI’s bank.

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The Commission may . . . deny, temporarily or permanently, the privilege of appearing or practicing before it . . . to any person who is found . . . to have willfully violated, or willfully aided and abetted the violation of any provision of the Federal securities laws or the rules and regulations thereunder.

<sup>3</sup> The findings herein are made pursuant to Respondent’s Offer of Settlement and are not binding on any other person or entity in this or any other proceeding.

4. Beginning in approximately 2007, Frank used his position at NCI to direct unauthorized payments from NCI's payroll account to his personal bank accounts. He continued to make these payments until his conduct was discovered by NCI in January 2017. As an example, on January 15, 2016, Frank placed a telephone call from his office to approve a transfer of \$359,997.32 from NCI's bank account to Frank's personal bank account. Over an approximately 10 year period, Frank diverted more than \$19 million of Company funds to his personal bank accounts. He then used much of the money to buy expensive automobiles and real estate.

5. To hide his fraud, Frank created false records to make it appear that the money was going to the company that administered NCI's health insurance plan. The false records included false payment requests from the company administering the health insurance plan and false bank records for NCI's payroll bank account. Frank used these fictitious documents as support for his fraudulent payments and to mislead NCI employees. The false accounting entries directed by Frank were reflected in financial statements incorporated in NCI quarterly and annual reports filed with the Commission.

6. NCI uncovered Frank's scheme in January 2017. Subsequently, NCI restated financial statements that the Company had previously filed with the Commission for 2014, 2015 and 2016 to reclassify the embezzled funds from cost of revenues and general and administrative expenses to misappropriation loss.

### **Plea Agreement**

7. On June 9, 2017, Frank pleaded guilty to criminal conduct relating to the findings in this Order. Specifically, in *United States v. Jon Lawrence Frank*, Crim. No. 1:17-CR-114 (E.D.VA.), Frank pleaded guilty to one count of wire fraud in violation of 18 U.S.C. §1343. As part of his guilty plea, Frank agreed to an order requiring him to pay full restitution of the misappropriated funds.

### **Violations**

8. As described above, Frank engaged in a fraudulent scheme by embezzling funds from a public company, and creating false documents to mislead company employees and hide his fraud.

9. As a result of the conduct described above, Frank willfully violated Section 10(b) of the Exchange Act and Rules 10b-5(a) and (c) thereunder, which prohibit, in connection with the purchase and sale of securities, the use of any device, scheme, or artifice to defraud, or engaging in any act, practice or course of business which operates or would operate as a fraud.

### **Findings**

10. Based on the foregoing, the Commission finds that Frank willfully violated Section 10(b) of the Exchange Act and Rules 10b-5(a) and (c) thereunder.

#### IV.

In view of the foregoing, the Commission deems it appropriate to impose the sanctions agreed to in Respondent Frank's Offer.

Accordingly, it is hereby ORDERED, effective immediately, that:

- A. Frank shall cease and desist from committing or causing any violations and any future violations of Section 10(b) of the Exchange Act and Rules 10b-5(a) and (c) thereunder;
- B. Pursuant to Section 21C(f) of the Exchange Act, Frank be, and hereby is, prohibited from acting as an officer or director of any issuer that has a class of securities registered pursuant to Section 12 of the Exchange Act or that is required to file reports pursuant to Section 15(d) of the Exchange Act; and
- C. Frank is denied the privilege of appearing or practicing before the Commission as an accountant.

By the Commission.

Brent J. Fields  
Secretary