

ADMINISTRATIVE PROCEEDING
File No. 3-17277

SEC Charges Michigan-based Audit Firm and its Owners with Violating Auditing Standards and Engaging in Improper Professional Conduct in Audits of Microcap Companies

June 6, 2016 – The Securities and Exchange Commission today announced that Michigan-based audit firm Silberstein Ungar PLLC, and its owners Ronald N. Silberstein, CPA, Joel M. Ungar, CPA, Seth A. Gorback, and David A. Kobylarek, CPA, have agreed to settle charges of engaging in improper professional conduct and failing to comply with PCAOB auditing standards in connection with the audits of nine microcap issuers.

An SEC investigation found that for one of the audits, the audit documentation for most of the assets, including those classified as “significant or fraud risks,” was comprised mainly of audit testing prepared and performed by a different accounting firm for a different audit. Other audit work papers for this same audit were either duplicates or near duplicates of work papers from audits of different Silberstein Ungar clients and included the documentation of procedures performed for the other audits. The audit work papers for other microcap issuers did not contain evidence that Silberstein Ungar reviewed, evaluated, or tested the process used by management to conclude that an impairment of their largest asset was not necessary and the related audit work papers mainly consisted of memos based on generally accepted accounting principles applicable to companies in a different industry. Silberstein Ungar also failed in its gatekeeping duties by issuing certain of its audit reports without obtaining engagement quality reviews.

The SEC’s order instituting settled administrative proceedings found that the respondents each willfully aided and abetted and caused violations of the reporting provisions of the federal securities laws. Each of the respondents consented, without admitting or denying the findings in the SEC’s order, to a cease-and-desist order against future violations of Securities Exchange Act of 1934 Sections 13(a) and 15(d) and Rules 13a-1 and 15d-1 thereunder, and Rule 2-02(b)(1) of Regulation S-X, and to the entry of an order suspending each of them from appearing and practicing before the SEC as an accountant, which includes not participating in the financial reporting or audits of public companies. The SEC’s order permits Silberstein and Ungar to apply for reinstatement after five years, and allows Gorback and Kobylarek to apply for reinstatement after three years. The firm’s suspension is permanent. Silberstein also agreed to pay a \$35,000 penalty and Ungar agreed to pay a \$7,500 penalty.

The SEC’s investigation was conducted by Matthew L. Skidmore, Avron Elbaum, and Mary S. Brady. The case was supervised by Thomas J. Krysa and litigation assistance was provided by Zachary T. Carlyle and Gregory Kasper.

See also: [Order - Silberstein Ungar PLLC, et al.](#)