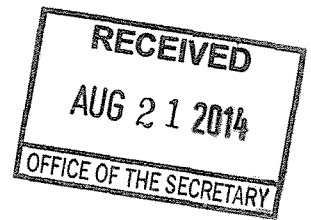


UNITED STATES OF AMERICA
Before the
SECURITIES AND EXCHANGE COMMISSION



SECURITIES EXCHANGE ACT OF 1934
Release No. 72723 / July 30, 2014

Received

ACCOUNTING AND AUDITING ENFORCEMENT
Release No. 3573 / July 30, 2014

AUG 21 2014

ADMINISTRATIVE PROCEEDING
File No. 3-15992

Office of Administrative
Law Judges

In the Matter of

ANSWER

MARC SHERMAN

Respondent.

Pursuant to Rule 220 of the Commission's Rules of Practice, 17 C.F.R. §201.220, Respondent Marc Sherman, through undersigned counsel, respectfully answers the allegations in the Order Instituting Cease-And-Desist Proceedings Pursuant to Section 21C Of The Securities Exchange Act Of 1034 ("the Order"). For convenience, this Answer is numbered to conform to the factual paragraphs of the Order. To the extent the headings or subheadings in the Order are construed as allegations, Respondent denies them. Likewise, Respondent denies all allegations in the Order to the extent not explicitly Respondent admitted below. Respondent answers the specific allegations in the Order as follows:

ANSWER

A. SUMMARY

1. Respondent admits that during the "relevant period" (as defined in the Order), QSGI was, among other things, a reseller of and maintenance provider for used computer

equipment. Respondent admits that he signed Forms 10-K and 10-K/A for the 2008 fiscal year that contained a management's report on internal control over financial reporting. Respondent admits that he also signed certifications. Respondent admits that he signed a Form 10-Q for the first quarter of 2009, which was filed with the Commission. Respondent denies all other allegations in Paragraph 1.

B. RESPONDENT

2. Respondent is 51 years old. Respondent admits that QSGI was founded in 2001. Respondent admits that he served as CEO and Chairman of the Board for QSGI and its successor company. Respondent denies that he acted as Chief Financial Officer or Chief Accounting Officer after QSGI filed for bankruptcy.

C. RELEVANT ENTITY

3. Respondent admits that QSGI is presently engaged in the business of purchasing and selling used computer equipment, parts and mainframes. Otherwise, Respondent denies the allegations in Paragraph 3.

D. SHERMAN'S AWARENESS OF DEFICIENCIES IN AND CIRCUMVENTION OF INVENTORY CONTROLS

4. Respondent admits the allegations in Paragraph 4.

5. Respondent denies the allegations in Paragraph 5.

6. Respondent denies the allegations in Paragraph 6.

7. Respondent admits that a manufacturer changed its policy on modifying mainframe machines. Respondent admits that this change caused QSGI to shift its business model. Respondent admits that key personnel, including accounting personnel, left the Minnesota operations in December of 2007. Respondent admits that prior to late 2007 QSGI senior management accorded Minnesota personnel a fair amount of autonomy, including using an

accounting system that differed from the one used in New Jersey. Respondent denies the remaining allegations in Paragraph 7.

8. Respondent denies the allegations in Paragraph 8.

9. Respondent admits the allegations in Paragraph 9.

10. The communications among QSGI senior management speak for themselves.

Respondent otherwise denies the allegations in Paragraph 10.

E. SHERMAN'S IMPROPER ACCELERATION OF RECOGNITION OF INVENTORY AND ACCOUNTS RECEIVABLE

11. Respondent admits the allegations in Paragraph 11.

12. Respondent admits that QSGI entered into a revolving credit facility. Respondent admits that inventory and accounts receivable factored into the weekly borrowing base calculation.

Otherwise, Respondent denies the allegations in Paragraph 12.

13. Respondent denies the allegations in Paragraph 13.

14. Respondent denies the allegations that he directed the accelerated recognition of accounts receivable and/or the receipt of product into inventory on QSGI's books and records. Respondent is without sufficient knowledge to admit or deny the remaining allegations in Paragraph 14.

15. Respondent denies the allegations in Paragraph 15.

F. SHERMAN MISLED QSGI'S EXTERNAL AUDITORS

16. Respondent denies the allegations in Paragraph 16.

17. Respondent admits that QSGI submitted management representation letters to the auditors. Otherwise, Respondent denies the allegations in Paragraph 17.

18. Respondent denies the allegations that he failed to make necessary disclosures to the auditors. Respondent is without sufficient knowledge to admit or deny the remaining allegations in Paragraph 18.

G. SHERMAN'S FALSE REPRESENTATIONS IN MANAGEMENT'S REPORT OF ICFR AND CONCERNING QSGI'S CRITICAL ACCOUNTING POLICIES

19. Respondent admits the allegations in Paragraph 19.

20. Respondent denies the allegations in Paragraph 20.

21. Respondent admits that the Form 10-K made these statements. Respondent denies the allegation that the statements were false.

22. Respondent admits that the Form 10-K/A made these statements. Respondent denies the allegation that the statements were false.

23. Respondent denies the allegations in Paragraph 23.

24. Respondent admits the allegations in Paragraph 24.

H. SHERMAN'S FALSE SARBANES-OXLEY CERTIFICATIONS

25. Respondent admits the allegations in Paragraph 25.

26. Respondent admits that he executed the certifications. Respondent denies the allegation that any omission was intentional.

27. Respondent denies the allegations in Paragraph 27.

28. Respondent denies the allegations in Paragraph 28.

29. Respondent admits the allegations in Paragraph 29.

I. VIOLATIONS

30. To the extent this paragraph states a legal conclusion, no response is required. To the extent a response is required, Respondent denies the allegations in Paragraph 30.

31. To the extent this paragraph states a legal conclusion, no response is required. To the extent a response is required, Respondent denies the allegations in Paragraph 31.

32. To the extent this paragraph states a legal conclusion, no response is required. To the extent a response is required, Respondent denies the allegations in Paragraph 32.

33. To the extent this paragraph states a legal conclusion, no response is required. To the extent a response is required, Respondent denies the allegations in Paragraph 33.

34. To the extent this paragraph states a legal conclusion, no response is required. To the extent a response is required, Respondent denies the allegations in Paragraph 34.

AFFIRMATIVE DEFENSES

Respondent asserts the following affirmative defenses and reserves the right to amend this Answer to assert other and further defenses when and if, in the course of its investigation, discovery, or preparation for the hearing, it becomes appropriate.

FIRST AFFIRMATIVE DEFENSE

The allegations in the Order fail to state a claim upon which the Commission can take disciplinary action.

SECOND AFFIRMATIVE DEFENSE

The Order denies Respondent due process and fair notice as provided in the Fifth Amendment to the United States Constitution and the Administrative Procedures Act because the Order seeks to retroactively apply interpretations of the plain language of the applicable rules and professional standards existing during the relevant period.

THIRD AFFIRMATIVE DEFENSE

The Order contravenes Respondent's right to due process as provided in the Fifth Amendment to the United States Constitution because it seeks to enforce vague, ambiguous or

overbroad laws without adequate rules, professional standards, or interpretations thereof, or using standards which are undefined, unduly vague or subjective.

FOURTH AFFIRMATIVE DEFENSE

Imposing civil monetary penalties would violate the *ex post facto* clause of Article I, Section 9 of the Constitution.

FIFTH AFFIRMATIVE DEFENSE

The claims asserted are barred by applicable statutes of limitations.

SIXTH AFFIRMATIVE DEFENSE

The need for the controls which gave rise to the asserted internal control deficiencies no longer existed after 2007. Therefore, the control certifications were accurate.

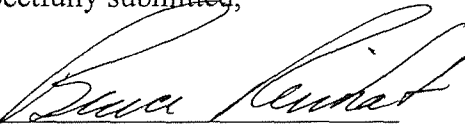
SEVENTH AFFIRMATIVE DEFENSE

It was impossible to impose controls for the acts which gave rise to the asserted control deficiencies.

EIGHTH AFFIRMATIVE DEFENSE

The controls in place were sufficient as the financial reporting was materially accurate.

Respectfully submitted,

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