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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

NEW YORK REGIONAL OFFICE
BROOKFIELD PLACE, 200 VESEY STREET, SUITE 400
NEW YORK, NY 10281-1022



DIVISION OF ENFORCEMENT

PAUL G. GIZZI
SENIOR TRIAL COUNSEL
(212) 336-0077
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February 13, 2019

Via email

John J. Carney, Esq.
Baker Hostetler LLP
45 Rockefeller Plaza
New York, NY 10111

Re: *In re David Pruitt, CPA*, Admin. Proc. File No. 3-17950

Dear Mr. Carney:

The Division of Enforcement provides the information in this letter pursuant to the Court's December 20, 2018 Order Granting in Part Motion for More Definite Statement, Admin. Proc. Rulings Release No. 6421 ("December 20, 2018 Order").

The Court's Order:

Regarding internal controls, the Court directed the Division to identify the controls at issue that Respondent David Pruitt's conduct allegedly violated, including identifying the "specific internal control" referenced in the factual allegation in the Order Instituting Proceedings ("OIP") concerning the failure to deliver invoices. December 20, 2018 Order at 6.

Regarding books, records and accounts, the Court directed the Division to: "provide an explanation of the categories of documents that it alleges are implicated by the phrase *books, records, and accounts* that Pruitt allegedly falsified or caused to be falsified. If the books, records and accounts found on pages 9 and 10 of the Division's opposition is exhaustive, the Division should so state. If there are additional categories, the Division shall describe them with enough specificity that documents falling within the categories can be identified." December 20, 2018 Order at 7.

The Division's Statement in Response:

Regarding internal controls, the Division contends that Pruitt knowingly circumvented the below-listed control activities, by process, of the Internal Controls Over Financial Reporting for L3 Technologies, Inc. ("L3"):

- Period-End Financial Reporting, control 4A, 4B, 5A, 5B, 5C, 5E, 5F, 5G, 8, 8A, 9, 10, 10A, 23, 24A, 25B

- Invoicing and Receivables, control 0, 1, 2, 3, 3A, 4¹, 5, 6, 7, 17
- Contract Estimating, control 14, 18, 19, 20
- Revenue & Cost of Sales – Job Cost Environment, control 7, 12, 14, 56, 57, 61, 62, 63
- Revenue & Cost of Sales – Product Line Environment, control 34, 37

Regarding books, records and accounts, the Division states, as directed in the Court's December 20, 2018 Order, that the description of books, records and accounts found on pages 9 and 10 of the Division's opposition to Respondent's motion for a more definite statement is exhaustive, with one exception set forth below. The Division's explanation of the categories of documents implicated in this proceeding by the phrase books, records and accounts is as follows:

General categories (from the OIP):

- Fictitious invoices generated at Respondent's direction
- Emails to L3's corporate office and external auditor falsely suggesting that ASD had authority to invoice the Army on unresolved claims
- Improper journal entries recognizing revenue associated with the fictitious invoices

Specific categories (as previously explained in the Division's June 30, 2017 letter):

- Invoices generated but not submitted to the Army in or around December 2013
- L3's year end 2013 Form 10-K
- L3's first quarter 2014 Form 10-Q
- Post-closing journal entries that reflect the improperly recorded revenue and accounts receivable in Q4 2013 and Q1 2014
- L3's general ledger

¹ The "specific internal control" at issue in the example of the control activity provided in ¶ 39 of the OIP concerning the failure to deliver invoices ("The invoices had not been delivered to the U.S. Army, in violation of a specific internal control of L3 that required delivery of invoices.") refers to Invoicing and Receivables, control 4.

- Accounts receivable and cash ledgers that reflect the improperly recorded revenue in Q4 2013 and Q1 2014
- Accounts receivable aging reports that reflect the improperly recorded revenue in Q4 2013 and Q1 2014
- L3's trial balance and balance sheet
- L3's consolidation schedules (showing how the financial statements of L3's Army Sustainment Division rolled up through L3's consolidated financial statements)
- Correspondence with L3's auditors containing false and misleading statements as alleged in the OIP
- Operations review PowerPoints for L3's Army Sustainment Division, Logistics Solutions, and Aerospace Systems that reflect the improperly recorded revenue in Q4 2013 and Q1 2014
- Internal correspondence, including correspondence with L3 corporate, containing false and misleading statements as alleged in the OIP
- Schedule 14Cs that reflect the improperly recorded revenue in Q4 2013 and Q1 2014
- Email correspondence and other internal documents referencing the improper revenue recognition
- Portions of L3's auditor's work papers that reflect information provided by L3
- L3 accounting policies and procedures
- L3 internal controls documentation

Additional specific category (per the December 20, 2018 Order):

- L3 estimates at completion for the C-12 contract that were not updated and consequently resulted in improper revenue recognition for the C-12 contract

John J. Carney, Esq.
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The Division reserves the right to supplement this information if additional items become relevant or implicated through discovery, including expert discovery.

Sincerely,

Paul G. Gizzi

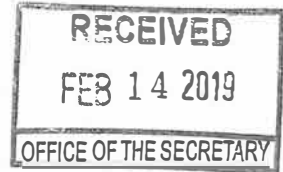
Paul G. Gizzi
Division of Enforcement

cc: Hon. James E. Grimes



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February 13, 2019

Via Facsimile to 703-813-9793 & UPS

Hon. Brent J. Fields
Secretary
Securities and Exchange Commission
100 F Street, NE
Washington, DC 20549

Re: *In re David Pruitt, CPA*, Admin. Proc. File No. 3-17950

Dear Mr. Fields:

Enclosed please find the original and three copies of correspondence from the Division of Enforcement.

Respectfully submitted,

Paul G. Gizzi

Paul G. Gizzi
Division of Enforcement

cc (via email): All counsel