

ADMINISTRATIVE PROCEEDING
File No. 3-17562

SEC Charges Former CFO For Role in Independence-Impairing Relationship with Auditor

September 21, 2016 – The Securities and Exchange Commission today announced that Robert A. Waegelein, the former chief financial officer of a New York-based public issuer (Issuer), has agreed to settle charges stemming from a close personal friendship he formed with an audit partner of the public accounting firm retained to perform an objective and impartial review of the Issuer’s financial statements, thus compromising the independence of both the audit partner and the firm.

According to the SEC’s order instituting a settled cease-and-desist proceeding against him, Waegelein began developing a close personal friendship with the audit partner, who was then the head of the Issuer’s audit engagement team, in 2012. Over the next three audit and professional engagement periods, Waegelein, often accompanied by his son or other members of his family, took multiple overnight, out-town-trips with the audit partner that had no valid business purpose. Waegelein and the audit partner also stayed overnight at each other’s homes on multiple occasions, and frequently exchanged personal emails, texts, and phone calls. Although this close personal relationship impaired the independence of the audit partner and the audit firm, Waegelein continued to certify the Issuer’s financial statements and represented in letters to the audit firm that he was not aware of any reason why the audit firm might not be considered independent.

The SEC’s order finds that, as a result of this conduct, Waegelein caused the Issuer to violate Section 13(a) of the Securities Exchange Act of 1934 and Rule 13a-1 thereunder. Without admitting or denying these findings, Waegelein agreed to a cease-and-desist order and to pay a civil penalty of \$25,000.

The SEC’s investigation was conducted by John O. Enright, Vanessa De Simone, Lisa Knoop and Thomas P. Smith, Jr., and was supervised by Sanjay Wadhwa, all of the SEC’s New York office.

See also: [Order](#)