

UNITED STATES OF AMERICA
Before the
SECURITIES AND EXCHANGE COMMISSION

SECURITIES EXCHANGE ACT OF 1934
Release No. 79004 / September 30, 2016

ACCOUNTING AND AUDITING ENFORCEMENT
Release No. 3809 / September 30, 2016

ADMINISTRATIVE PROCEEDING
File No. 3-17605

In the Matter of

**D’Arelli Pruzansky, P.A.,
Joseph D’Arelli, CPA, and
Mitchell J. Pruzansky, CPA,**

Respondents.

**ORDER INSTITUTING CEASE-AND-
DESIST PROCEEDINGS PURSUANT TO
SECTION 21C OF THE SECURITIES
EXCHANGE ACT OF 1934, MAKING
FINDINGS, AND IMPOSING A CEASE-
AND-DESIST ORDER**

I.

The Securities and Exchange Commission (“Commission”) deems it appropriate that cease-and-desist proceedings be, and hereby are, instituted pursuant to Section 21C of the Securities Exchange Act of 1934 (“Exchange Act”), against D’Arelli Pruzansky, P.A. (“Pruzansky, P.A.”), Joseph D’Arelli, CPA (“D’Arelli”), and Mitchell J. Pruzansky, CPA (“Pruzansky”) (collectively, “Respondents”).

II.

In anticipation of the institution of these proceedings, Respondents have submitted Offers of Settlement (the “Offers”) 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, and without admitting or denying the findings herein, except as to the Commission’s jurisdiction over them and the subject matter of these proceedings, which are admitted, and except as provided herein in Section V, Respondents consent to the entry of this Order Instituting Cease-and-Desist Proceedings Pursuant to Section 21C of the Securities Exchange Act of 1934, Making Findings, and Imposing a Cease-and-Desist Order (“Order”), as set forth below.

III.

On the basis of this Order and Respondents' Offers, the Commission finds¹ that:

SUMMARY

This matter involves violations of the auditor independence rules arising from the failure by D'Arelli Pruzansky, P.A. and its two founding partners, Joseph D'Arelli and Mitchell J. Pruzansky, to comply with audit partner rotation requirements during the course of their engagement as the independent auditor for five reporting company clients with securities registered with the Commission under Section 12 of the Exchange Act (collectively, the "issuer clients"). Specifically, in 2014 and 2015, D'Arelli and Pruzansky failed to rotate off the audit engagements after serving as lead audit partners for five consecutive fiscal years. As a result, the Respondents were not independent with respect to the interim review services they provided the issuer clients. These failures caused the issuer clients to file quarterly reports with the Commission that were not reviewed by an independent public accountant as required by Regulation S-X of the Exchange Act.

RESPONDENTS

1. **D'Arelli Pruzansky, P.A.**, f/k/a Gold Coast Audit & Tax, P.A., f/k/a Pruzansky & Company P.A., f/k/a Mitchell J. Pruzansky, CPA, P.A. ("D'Arelli Pruzansky", ("Pruzansky, P.A." or the "Firm") is an accounting and auditing firm based in Coconut Creek, Florida. The Firm was founded by Mitchell J. Pruzansky in May 2003 and changed its name to D'Arelli Pruzansky in 2012 after Joseph D'Arelli joined the Firm. D'Arelli Pruzansky has been registered with the Public Company Accounting Oversight Board ("PCAOB") since October 2012. In 2015, the Firm's client list included 17 public companies and six registered broker-dealers. D'Arelli Pruzansky has no disciplinary history.

2. **Joseph D'Arelli**, age 47, is a certified public accountant ("CPA") licensed to practice in New York and Florida since 1998 and 2004, respectively. D'Arelli held a license to practice as a CPA in Virginia from 2001 to 2013. D'Arelli became a partner and shareholder of D'Arelli Pruzansky in 2012. In May 2016, D'Arelli left the Firm and is currently employed as a controller of a public company. D'Arelli has no disciplinary history.

3. **Mitchell Pruzansky**, age 55, is a CPA licensed to practice in New York and Florida since 1987 and 1990, respectively. Since 2015, Pruzansky has held a provisional CPA license in Missouri. Pruzansky is the founding partner and shareholder at the Firm. Pruzansky has no disciplinary history.

¹ The findings herein are made pursuant to Respondents' Offers of Settlement and are not binding on any other person or entity in this or any other proceeding.

FACTS

Issuer Engagements

4. D’Arelli commenced his role as lead audit partner for one of the issuer clients in 2010, while employed at another PCAOB-registered audit firm. Between 2010 and 2014, he served as the issuer client’s lead audit partner for each of the five fiscal year audits and continued to serve as lead audit partner for the quarterly reviews after the fifth fiscal year. D’Arelli rotated off serving as the client’s lead audit partner prior to the sixth fiscal year audit.

5. Pruzansky similarly commenced his role as lead audit partner for the other four issuer clients in 2009, also while employed at another PCAOB-registered audit firm, and served as lead audit partner on five fiscal year audits for each. Following the fifth fiscal year audits, he served as lead audit partner for certain quarterly reviews for these four issuer clients. Pruzansky rotated off serving as the clients’ lead audit partner prior to the sixth fiscal year audit for each client.

6. During a PCAOB inspection in July 2015, the Firm was informed by the PCAOB inspection staff that it had failed to comply with the SEC’s partner rotation requirements with regard to two issuer audit clients. Specifically, D’Arelli and Pruzansky (collectively, the “Partners”) failed to rotate off the audit engagements as lead audit partners after the required five fiscal year period.

7. In August 2015, the Firm reviewed all of its engagements to identify the universe of issuer audit clients that may have had a similar rotation issue. This review found that the rotation issue existed for three additional issuer clients. Thus, the Firm and the Partners were not independent with respect to the audit services they provided to five issuer clients in connection with certain quarterly reviews as listed below. The Firm self-reported these violations to the Commission’s staff and took prompt remedial measures.

Issuer	Audit Services Beyond Five Fiscal Years
1	2015: Q1, 2, 3
2	2014: Q1, 2, 3
3	2014: Q1, 2, 3
4	2014: Q1, 2
5	2014: Q1, 2

Auditor Partner Rotation and Independence

8. Section 10A(j) of the Exchange Act, *Audit Partner Rotation*, provides “[i]t shall be unlawful for a registered public accounting firm to provide audit services to an issuer if the lead (or coordinating) audit partner (having primary responsibility for the audit), or the audit partner responsible for reviewing the audit, has performed audit services for that issuer in each of the

previous five fiscal years of that issuer.” Rule 10A-2 of the Exchange Act, *Auditor Independence*, provides that it shall be unlawful for an auditor not to be independent with respect to, among other requirements, the partner rotation requirements of the Commission’s Regulation S-X. Rule 2-01(c)(6)(i)(A) of Regulation S-X allows engagement and concurring partners to serve for five consecutive years, after which they may not serve in either role for another period of five years.

9. The Firm was not independent with respect to the various 2014 and 2015 quarterly reviews for the five issuer clients, as a consequence of D’Arelli’s failure to rotate off the engagement on the quarterly review of one issuer client’s first three quarters of 2015, and Pruzansky’s failure to rotate off the engagement on the various quarterly reviews for the other four issuer clients in 2014.

10. D’Arelli and Pruzansky had previously served as lead engagement partners on these engagements for five consecutive years and were not eligible to serve in that role for any review or audit for the next five consecutive years.

11. Section 13(a) of the Exchange Act and Rule 13a-13 require issuers with securities registered under Section 12 of the Exchange Act to file with the Commission accurate quarterly reports on Form 10-Q. No showing of scienter is necessary to establish a violation of Section 13(a) or the rules thereunder. *See SEC v. Savoy Indus., Inc.* 587 F.2d 1149, 1166-67 (D.C. Cir. 1978).

12. The above-described actions by the Firm and the Partners caused the five issuer clients, all of which had securities registered under Section 12 of the Exchange Act, to violate Section 13a of the Exchange Act and Rule 13a-13 thereunder. Rule 10-01(d) of Regulation S-X requires the interim financial statements included in a Form 10-Q to be reviewed by an independent public accountant. The Firm’s and the Partners’ rotation violations caused the issuer clients to fail to comply with Rule 10-01(d) and, in turn, violate Section 13(a) and Rule 13a-13.

VIOLATIONS

13. As a result of the conduct described above, Respondent D’Arelli Pruzansky, P.A. violated Section 10A(j) of the Exchange Act and Rule 10A-2 thereunder, which makes it unlawful for an auditor not to be independent with respect to, among other requirements, the partner rotation requirements.

14. As a result of the conduct described above, Respondents D’Arelli and Pruzansky caused the Firm’s violations of Section 10A(j) of the Exchange Act and Rule 10A-2 thereunder.

15. Also as a result of the conduct described above, Respondents caused the five issuer clients to violate Section 13(a) of the Exchange Act and Rule 13a-13 thereunder.

REMEDIAL EFFORTS

In determining to accept the Offers, the Commission considered remedial acts promptly undertaken by Respondents and cooperation afforded the Commission staff.

IV.

In view of the foregoing, the Commission deems it appropriate to impose the sanctions agreed to in Respondents' Offers.

Accordingly, it is hereby ORDERED that:

A. Pursuant to Section 21C of the Exchange Act, Respondents cease and desist from committing or causing any violations and any future violations of Sections 10A(j) and 13(a) of the Exchange Act and Rules 10A-2 and 13a-13 thereunder.

B. Respondents shall jointly and severally pay a civil penalty of \$50,000 to the Securities and Exchange Commission for transfer to the general fund of the United States Treasury, subject to Exchange Act Section 21F(g)(3). Payment shall be made in the following installments:

- (i) \$5,000 due within 21 days from the entry of this Order;
- (ii) \$7,500 due within 90 days from the entry of this Order;
- (iii) \$12,500 due within 180 days of the entry of this Order;
- (iv) \$12,500 due within 270 days of the entry of this Order; and
- (v) \$12,500 due within 360 days of the entry of this Order.

If any payment is not made by the date the payment is required by this Order, the entire outstanding balance of civil penalties, plus any additional interest accrued pursuant to 31 U.S.C. § 3717, shall be due and payable immediately, without further application.

Payment must be made in one of the following ways:

- (1) Respondents may transmit payment electronically to the Commission, which will provide detailed ACH transfer/Fedwire instructions upon request;

- (2) Respondents may make direct payment from a bank account via Pay.gov through the SEC website at <http://www.sec.gov/about/offices/ofm.htm>; or
- (3) Respondents may pay by certified check, bank cashier's check, or United States postal money order, made payable to the Securities and Exchange Commission and hand-delivered or mailed to:

Enterprise Services Center
Accounts Receivable Branch
HQ Bldg., Room 181, AMZ-341
6500 South MacArthur Boulevard
Oklahoma City, OK 73169

Payments by check or money order must be accompanied by a cover letter identifying D'Arelli Pruzansky, P.A., Joseph D'Arelli, and Mitchell J. Pruzansky as Respondents in these proceedings, and the file number of these proceedings; a copy of the cover letter and check or money order must be sent to Glenn S. Gordon, Associate Regional Director, Miami Regional Office, Securities and Exchange Commission, 801 Brickell Avenue, Suite 1800, Miami, FL 33131.

C. Amounts ordered to be paid as civil money penalties pursuant to this Order shall be treated as penalties paid to the government for all purposes, including all tax purposes. To preserve the deterrent effect of the civil penalty, Respondents agree that in any Related Investor Action, they shall not argue that they are entitled to, nor shall they benefit by, offset or reduction of any award of compensatory damages by the amount of any part of Respondent's payment of a civil penalty in this action ("Penalty Offset"). If the court in any Related Investor Action grants such a Penalty Offset, Respondents agree that they shall, within 30 days after entry of a final order granting the Penalty Offset, notify the Commission's counsel in this action and pay the amount of the Penalty Offset to the Securities and Exchange Commission. Such a payment shall not be deemed an additional civil penalty and shall not be deemed to change the amount of the civil penalty imposed in this proceeding. For purposes of this paragraph, a "Related Investor Action" means a private damages action brought against Respondents by or on behalf of one or more investors based on substantially the same facts as alleged in the Order instituted by the Commission in this proceeding.

V.

It is further Ordered that, solely for purposes of exceptions to discharge set forth in Section 523 of the Bankruptcy Code, 11 U.S.C. §523, the findings in this Order are true and admitted by Respondents Joseph D'Arelli and Mitchell J. Pruzansky, and further, any debt for disgorgement, prejudgment interest, civil penalty or other amounts due by Respondents Joseph D'Arelli and Mitchell J. Pruzansky under this Order or any other judgment, order, consent order, decree or settlement agreement entered in connection with this proceeding, is a debt for the violation by Respondents Joseph D'Arelli and Mitchell J. Pruzansky of the federal securities laws or any regulation or order issued under such laws, as set forth in Section 523(a)(19) of the Bankruptcy Code, 11 U.S.C. § 523(a)(19).

By the Commission.

Brent J. Fields
Secretary