

ADMINISTRATIVE PROCEEDING

File No. 3-17694

Auditing Firm and Former Partner Settle Charges of Improper Professional Conduct and Causing Private Fund Adviser's Violations

November 21, 2016 – The Securities and Exchange Commission announced today that the audit firm Grassi & Co., CPAs, P.C. and a former Grassi partner, Gary R. Purwin, CPA, have agreed to settle charges that they engaged in improper professional conduct and caused a private fund investment adviser's violations of the Investment Advisers Act of 1940.

An SEC investigation found that Grassi served as independent auditor for several private funds advised by ClearPath Wealth Management, LLC and ClearPath's principal, Patrick Churchville between January 2012 and January 2013. Purwin served as the engagement partner on the ClearPath fund audits. During that time, Grassi issued nine audit reports containing unqualified opinions on the financial statements for four different funds, for years ended 2009 through 2011. From 2010 forward, however, ClearPath and Churchville were defrauding the funds they advised, and the investors in those funds, by misappropriating fund assets and making repeated misstatements to investors about the value and existence of fund investments. During the audit work, Grassi and Purwin violated professional standards while failing to heed indications of ClearPath's and Churchville's fraud. The SEC [previously charged ClearPath and Churchville](#) with operating the allegedly fraudulent scheme that resulted in at least \$27 million in losses to investors; the litigation is ongoing.

According to the SEC's orders against Grassi and Purwin:

- Grassi auditors failed to recognize or address conflicting information in third-party confirmation responses for certain fund holdings and as a result missed that ClearPath and Churchville had misappropriated millions of dollars through undisclosed borrowing;
- Grassi auditors failed to apply appropriate audit procedures concerning the write-down of an investment, which enabled ClearPath and Churchville to continue to report to limited partners that the investment was worth more than \$20 million when the investment actually had no value and existed only as a sham entity to facilitate Churchville's fraud;
- Grassi permitted Purwin to sign for release of the 2011 audit reports, even though Purwin had not properly reviewed the audit workpapers, and despite the fact that Grassi had learned that Purwin previously circumvented firm policy for engagements other than ClearPath; and
- From audit planning to final audit sign off, Purwin failed in his responsibilities as the ClearPath engagement partner by initially failing to conduct an adequate assessment of audit risks and establish audit plans to effectively address those risks, and then failing to substantively review the ClearPath workpapers before authorizing the release of audit reports.

The SEC's orders find that Grassi and Purwin engaged in improper professional conduct within the meaning of Section 4C(a)(2) of the Exchange Act and Rule 102(e)(1)(ii) of the Commission's Rules of Practice, and were a cause of ClearPath's and Churchville's violations of Sections 206(2) and 206(4) of the Advisers Act and Rule 206(4)-8 thereunder. Without

admitting or denying the SEC's findings, Grassi agreed to pay disgorgement and prejudgment interest of \$141,510.41 and a civil penalty of \$260,000, and Purwin agreed to pay a civil penalty of \$20,000. The total payments of \$421,510.41 will be made to the court-appointed receiver in *SEC v. ClearPath Wealth Management, LLC, et al.*, Civil Action No. 15-cv-00191 (D.R.I. May 7, 2015). Grassi has also agreed to complete undertakings including a review of certain of its audit procedures. Purwin agreed to be suspended from appearing or 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 Purwin to apply for reinstatement after one year.

See also: [Order – Grassi](#)
 [Order – Purwin](#)