

UNITED STATES OF AMERICA
Before the
SECURITIES AND EXCHANGE COMMISSION

SECURITIES EXCHANGE ACT OF 1934
Release No. 63690 / January 11, 2011

ACCOUNTING AND AUDITING ENFORCEMENT
Release No. 3227 / January 11, 2011

ADMINISTRATIVE PROCEEDING
File No. 3-10762

In the Matter of	:	
MICHAEL R. DROGIN, CPA,	:	ORDER AMENDING
Respondent.	:	ORDER MAKING FINDINGS AND
	:	IMPOSING REMEDIAL SANCTIONS
	:	PURSUANT TO RULE 102(e) OF
	:	THE COMMISSION’S RULES OF PRACTICE
	:	

I.

On May 6, 2003, the Securities and Exchange Commission (“Commission”) issued an Order Making Findings and Imposing Remedial Sanctions (the “2003 Order”) against Michael R. Drogin, CPA (“Drogin”). The 2003 Order found that Drogin engaged in improper professional conduct under Rule 102(e)(1)¹ of the Commission’s Rules of Practice in connection with his audit of the 1999 financial statements of Teltran International Group, Ltd. The 2003 Order denied Drogin the privilege of appearing or practicing before the Commission as an accountant, with the ability to request that the Commission consider reinstatement after two years. The Commission has not reinstated Drogin’s privilege to appear or practice before the Commission. As set forth below, Drogin thereafter violated the terms of the 2003 Order.

¹ Rule 102(e)(1) of the Commission’s Rules of Practice provides in pertinent part that:

The Commission may censure a person or deny, temporarily or permanently, the privilege of appearing or practicing before it in any way to any person who is found by the Commission after notice and opportunity for hearing in the matter: . . . (ii) To be lacking in character or integrity or to have engaged in unethical or improper professional conduct; or (iii) To have willfully violated, or willfully aided and abetted the violation of any provision of the Federal securities laws or the rules and regulations thereunder.

II.

Drogin has submitted an Amended Offer of Settlement (the “Amended Offer”) in which he consents to the entry of an order amending the 2003 Order to strike Subsections B and C of Section IV of the 2003 Order regarding requests for reinstatement of his privilege to appear or practice before the Commission. Solely for purposes of these proceedings and any other proceedings brought by or on behalf of the Commission, or as to which the Commission is a party, and without admitting or denying the findings herein, except as to the Commission’s jurisdiction over him and the subject matter of these proceedings, which are admitted, Drogin consents to the entry of this Order Amending Order Making Findings and Imposing Remedial Sanctions Pursuant to Rule 102(e) of the Commission’s Rules of Practice (“Order”), as set forth below.

III.

On the basis of this Order and Drogin’s Amended Offer, the Commission finds that:

A. Respondent

Drogin resides in New York and is licensed as a Certified Public Accountant in New York and New Jersey. From January 1998 through early 2009, Drogin was a partner in the accounting firm Liebman, Goldberg & Drogin, LLP (“LGD”). The 2003 Order denied Drogin the privilege of appearing or practicing before the Commission as an accountant. The Commission has not reinstated Drogin’s privilege to appear or practice before it as an accountant.

B. Facts

Beginning no later than the fall of 2005 and continuing into late 2008, while he was a partner of LGD, Drogin violated the 2003 Order by performing audit, review and other accounting work in connection with filings made by three issuers with the Commission. In 2005 and 2006, Drogin participated in auditing the financial statements of one of the companies, which were included in registration statements and amendments filed with the Commission, including a Form SB-2 filed in September 2005. In 2007, Drogin participated in auditing the financial statements of all three issuers, which were incorporated in various filings with the Commission, including an annual report, a proxy statement, and registration statements filed by two of the issuers. Drogin also reviewed quarterly and current filings made with the Commission by the three issuers. In several instances, Drogin advised management of the respective companies regarding disclosures contained in those filings. When one of the issuers restated its prior period consolidated financial statements to properly reflect the classification of stock warrants receivable, Drogin participated in the audit of the restated financial statements, which were included in the issuer’s amended 2006 Form 10-K-SB filed with the Commission in November 2007.

In addition to performing audit and review work, Drogin assisted two of the issuers in responding to comments from the staff of the Commission’s Division of Corporation Finance on the three registration statements described above. Further, Drogin periodically provided advice to the three issuers concerning accounting and disclosures issues, which was then reflected in the

financial statements and disclosures included in various filings that these companies made with the Commission.

In March and April 2008, Drogin issued audit reports for the financial statements of the three issuers, stating that each issuer's financial statements were prepared in conformity with GAAP and fairly presented the financial position of the respective companies. These audit reports were incorporated into the issuers' 2007 annual reports on Form 10-K filed with the Commission, as well as an amended securities registration statement on Form S-1/A filed by one of the issuers in April 2008. In each instance, Drogin issued the audit report without having performed an audit of the financial statements. Drogin nevertheless represented in each audit report that an audit had been performed in accordance with applicable auditing standards and provided a reasonable basis for the unqualified report. Drogin's audit reports also misrepresented that the amounts and disclosures in the financial statements had been examined on a test basis and the accounting principles used and significant estimates made by management had been assessed.

C. Drogin's Violations

Drogin's performance of audit, review, and other services for the three issuers from the fall of 2005 through late 2008 constitute appearing or practicing before the Commission, in violation of the 2003 Order. Rule 102(f) broadly defines "practicing before the Commission" to include "[t]he preparation of any statement, opinion or other paper by any . . . accountant . . . filed with the Commission in any registration statement, notification, application, report or other document with the consent of such . . . accountant" The purpose of Rule 102 is to protect the integrity of the Commission's processes, *see Touche Ross & Co. v. S.E.C.*, 609 F.2d 570, 582 (2d Cir. 1979) and, accordingly, covers a wide range of conduct related to the disclosure process under the securities laws.

Between 2005 and 2008, Drogin appeared or practiced before the Commission within the meaning of Rule 102(f) in violation of the 2003 Order by, among other things: participating in the audit of financial statements that were subsequently included in filings with the Commission (including annual reports and registration statements); reviewing quarterly and current reports; participating in the preparation of responses to comment letters from the Division of Corporation Finance concerning registration statements; providing accounting advice to the issuers that was then reflected in financial statements the issuers filed with the Commission; and issuing audit reports on behalf of LGD for the three issuers in 2008. Accordingly, Drogin repeatedly violated the 2003 Order over a period of several years.

Further, as described above, Drogin issued three audit reports in 2008 without having completed audits of the issuers' financial statements. Therefore, each of the three audit reports Drogin issued in March and April 2008 contained false or misleading representations concerning the performance of audits of the respective financial statements. As a result, Drogin willfully violated Section 17(a) of the Securities Act of 1933 ("Securities Act") and Section 10(b) of the Securities Exchange Act of 1934 ("Exchange Act") and Rule 10b-5 thereunder. With respect to the two issuers that had a class of securities registered with the Commission pursuant to Section 12, Drogin also willfully aided and abetted violations of Section 13(a) of the Exchange Act and Rules 12b-20 and 13a-1 thereunder.

IV.

Based on the foregoing, the Commission finds that Drogin appeared or practiced before the Commission in violation of the 2003 Order. The Commission further finds that Drogin willfully violated Section 17(a) of the Securities Act and Section 10(b) of the Exchange Act and Rule 10b-5 thereunder, and willfully aided and abetted violations of Section 13(a) of the Exchange Act and Rules 12b-20 and 13a-1 promulgated thereunder.

V.

In view of the foregoing, the Commission deems it appropriate to amend Section IV of the 2003 Order as agreed to in Drogin's Amended Offer.

Accordingly, IT IS HEREBY ORDERED that:

- A. Subsections B and C of Section IV of the 2003 Order, regarding requests for reinstatement of Drogin's privilege to appear or practice before the Commission as an accountant, are stricken in their entirety.
- B. Subsection A of Section IV of the 2003 Order, which denies Drogin the privilege of appearing or practicing before the Commission as an accountant, remains in effect.

By the Commission.

Elizabeth M. Murphy
Secretary

Service List

Rule 141 of the Commission's Rules of Practice provides that the Secretary, or another duly authorized officer of the Commission, shall serve a copy of the Order Amending Order Making Findings and Imposing Remedial Sanctions Pursuant to Rule 102(e) of The Commission's Rules of Practice on the Respondent and his legal agent.

The attached Order has been sent to the following parties and other persons entitled to notice:

The Honorable Brenda P. Murray
Chief Administrative Law Judge
Securities and Exchange Commission
100 F Street, N.E.
Washington, DC 20549-2557

Thomas W. Peirce, Esq.
Division of Enforcement
Securities and Exchange Commission
100 F Street, N.E.
Washington, DC 20549-5720

Andrew S. Rendeiro, Esq.
Flamhaft Levy Hirsch & Rendeiro LLP
Suite 3301
16 Court Street
Brooklyn, NY 11241
(Counsel for Respondent)

Mr. Michael R. Drogin, CPA
8 Hunt Court
Jericho, NY 11753