

Securities Regulation Daily Wrap Up, ACCOUNTING AND AUDITING—SEC sanctions former Hertz controller for accounting fraud, (Dec. 6, 2019)

Securities Regulation Daily Wrap Up

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By [Amy Leisinger, J.D.](#).

The accountant made errors and misstatements and approved methodologies that resulted in overstatements of income, according to the Commission.

The SEC has charged an accountant with accounting fraud in connection with accounting errors that resulted in overstatement of Hertz Global Holdings' income by over \$200 million. According to the SEC, the errors included misstatements concerning Hertz's expenses and incorrect amortizations and allowances. To settle the matter, the accountant agreed to a suspension from practice before the Commission and to payment of disgorgement, interest, and penalties totaling over \$96,000 (*In the Matter of Jatinder Kapur, CPA*, [Release No. 33-10731](#), December 5, 2019).

Accounting fraud. According to the SEC, from at least February 2012 through March 2014, Hertz materially overstated pretax income by \$235 million because of accounting errors made in several business units over multiple reporting periods. The accountant, a former Senior Vice President of Finance and Corporate Controller, contributed to Hertz's accounting errors, the SEC stated. Specifically, the Commission alleged that the filings contained errors including misstatements concerning Hertz's accrual for expenses related to wrecked vehicles, the amortization periods of vehicle licenses and registrations, and an allowance for uncollectible receivables. The accountant also approved methodology changes in these areas that contributed to the errors and knew Hertz's practices with respect to subrogation accruals did not follow the prescribed methodology, according to the SEC.

By this conduct, the SEC alleged, the accountant violated antifraud provisions of the Securities Act and the books and records and internal controls provisions of the Exchange Act. He also aided and abetted Hertz's reporting, books and records, and internal accounting controls violations, the SEC stated.

Sanctions. Without admitting or denying the Commission's findings, the accountant agreed to cease and desist from further violations and consented to a suspension from practice before the SEC as an accountant, with the right to reapply after two years. He also will pay disgorgement of \$18,611, prejudgment interest of \$3,998, and a civil penalty of \$75,000.

The release is [No. 33-10731](#).

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