

UNITED STATES OF AMERICA
Before the
SECURITIES AND EXCHANGE COMMISSION

SECURITIES EXCHANGE ACT OF 1934
Release No. 100934 / September 5, 2024

ACCOUNTING AND AUDITING ENFORCMENT
Release No. 4516 / September 5, 2024

ADMINISTRATIVE PROCEEDING
File No. 3-22074

In the Matter of

**CIRCOR INTERNATIONAL,
INC.**

Respondent.

**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 CIRCOR International, Inc. (“CIRCOR” or “Respondent”).

II.

In anticipation of the institution of these proceedings, Respondent has submitted an Offer of Settlement (the “Offer”) 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 it and the subject matter of these proceedings, which are admitted, Respondent consents 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 Respondent’s Offer, the Commission finds¹ that:

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

Summary

1. This matter involves financial reporting, books and records, and internal accounting controls failures by CIRCOR, a Massachusetts-based formerly publicly traded company. Between 2019 and 2021, CIRCOR failed to devise and maintain a sufficient system of internal accounting controls, which, in turn, permitted a former finance director at a United Kingdom-based subsidiary to manipulate CIRCOR's books and records by artificially inflating its net assets and operating income by millions of dollars. CIRCOR's management failed to detect the former finance director's misconduct for several years because of the company's deficient control environment. During that time, CIRCOR filed numerous materially misstated financial statements with the Commission that were included in various periodic reports. As a result, CIRCOR violated Sections 13(a), 13(b)(2)(A) and 13(b)(2)(B) of the Exchange Act and Rules 13a-1, 13a-11, and 13a-13 thereunder.

Respondent

2. **CIRCOR** is a Delaware corporation headquartered in Burlington, Massachusetts, that manufactures technology productions and sub-systems for the industrial and aerospace and defense markets. Until October 2023, the company's stock was registered under Section 12(b) of the Exchange Act and traded on the New York Stock Exchange under the ticker "CIR." As a result of a merger, CIRCOR was de-listed from the New York Stock Exchange and terminated registration of its stock under Section 12(b) of the Exchange Act on October 30, 2023. During the relevant period, CIRCOR filed and furnished periodic reports, including Forms 8-K, 10-K, and 10-Q, with the Commission pursuant to Section 13(a) of the Exchange Act and related rules thereunder.

Facts

Background of the Restatement

3. On March 14, 2022, CIRCOR announced that the financial statements for the years ended December 31, 2019 and December 31, 2020 included in its annual Forms 10-K and the quarterly and year-to-date periods ended March 29, 2020, June 28, 2020, September 27, 2020, April 4, 2021, July 4, 2021, and October 3, 2021, included in its Forms 10-Q should no longer be relied upon. CIRCOR further disclosed that a finance director ("Finance Director") from its United Kingdom based subsidiary, Pipeline Engineering ("Pipeline"), intentionally overstated Pipeline's financial results by tens of millions of dollars from at least January 2019 through February 2021. After an internal investigation, CIRCOR concluded that the Finance Director orchestrated his scheme, by among other things, artificially inflating cash and other asset accounts through a series of unsupported and unauthorized accounting adjustments and concealed his misconduct by falsifying bank statements and other books and records.

4. On July 26, 2022, CIRCOR filed its 2021 Form 10-K that contained restated financial statements for the years ended December 31, 2019 and 2020, and the quarterly and year-to-date periods for the nine months ended October 3, 2021. The Finance Director's misconduct

caused CIRCOR to: (1) overstate 2019 operating income by \$7.2 million, or 24%; (2) understate 2020 operating loss by \$34.5 million, or 36%; and (3) understate the nine-month period ended October 3, 2021 operating loss by \$12.5 million, or 120%.

5. CIRCOR's material financial reporting errors largely stem from its failure to devise and maintain sufficient internal accounting controls. These control failures principally arose from CIRCOR's: (1) failure to ensure adequate segregation of duties concerning the preparation and reconciliation of business unit financial statements and accounting systems access; and (2) inadequate monitoring of bank accounts and related activity.

Insufficient Segregation of Duties

6. Like many other CIRCOR business units, Pipeline maintained its own set of books and records in a local accounting system. On a monthly basis, Pipeline's financial statements were exported from the local accounting system and transmitted to CIRCOR's corporate consolidation system for inclusion in the company's consolidated financial statements. As part of this process, CIRCOR's control environment required the Finance Director to perform a monthly reconciliation between the two systems to ensure that the business unit's financial results were accurately consolidated.

7. CIRCOR's control environment failed to ensure adequate segregation of duties concerning critical financial statement preparation and reconciliation processes. The Finance Director was the only employee with access to both Pipeline's local accounting system and the company's consolidation system and the responsibility for transmitting the business unit's financial statements and reconciling the updated information in both systems. With exclusive access to and responsibility for transmitting data through these systems, the Finance Director, in an effort to improve Pipeline's financial results, repeatedly made unsupported and unauthorized accounting adjustments to the local accounting system before transmitting the financial statements to the consolidation system without anyone knowing that the Finance Director manipulated the local accounting system's results. The Finance Director then falsified the periodic reconciliations to make it appear that the financial statements in both systems were consistent.

8. For example, during the nine-month period ended October 3, 2021, the Finance Director made large, round number, unauthorized and unsupported topside journal entries to artificially increase Pipeline's net assets by approximately \$3.4 million.

Inadequate Monitoring of Bank Accounts

9. CIRCOR also failed to adequately devise and maintain controls over the preparation, review, and approval of cash account reconciliations. For example, the company did not obtain direct access to certain business unit bank accounts, including those at Pipeline. As a result, CIRCOR's corporate treasury group was unable to independently verify cash balances and activity at Pipeline and relied solely on the Finance Director's representations that the activity was accurately reflected in the books and records.

10. The Finance Director exploited these control deficiencies in two ways. First, the Finance Director made more than \$11 million in unauthorized and unsupported topside journal

entries to artificially increase Pipeline's cash balances. And second, to conceal his misconduct, the Finance Director fabricated bank account balance reports to support the inflated cash balances. When asked about material changes in the account, the Finance Director circulated the fabricated statements to CIRCOR management and its external auditor.

Violations

11. As a result of the conduct described above, CIRCOR violated Section 13(a) of the Exchange Act and Rules 13a-1, 13a-11, and 13a-13 thereunder, which require issuers of securities registered pursuant to Section 12 of the Exchange Act to file periodic and other reports with the Commission, including annual, quarterly and current reports, on the appropriate forms and in conformity with such rules as the Commission may promulgate.

12. As a result of the conduct described above, CIRCOR violated Section 13(b)(2)(A) of the Exchange Act, which requires reporting companies to make and keep books, records, and accounts which, in reasonable detail, accurately and fairly reflect their transactions and dispositions of their assets.

13. As a result of the conduct described above, CIRCOR violated Section 13(b)(2)(B) of the Exchange Act, which requires reporting companies to devise and maintain a system of internal accounting controls sufficient to provide reasonable assurances that, among other things, transactions are executed in accordance with management's general or specific authorization and recorded as necessary to maintain accountability for assets and to permit preparation of financial statements in conformity with generally accepted accounting principles.

CIRCOR's Cooperation and Remedial Efforts

14. In determining to accept the Offer, the Commission considered CIRCOR's prompt self-report of accounting errors to the Commission's staff, the cooperation provided by CIRCOR throughout the Commission's investigation, and the remedial measures undertaken by CIRCOR.

15. CIRCOR self-reported to the Commission's staff the accounting errors uncovered by its corporate accounting employees and external auditors. CIRCOR made the self-report shortly after retaining outside counsel and forensic accountants to conduct an internal investigation.

16. Thereafter, CIRCOR provided substantial cooperation to the Commission's staff throughout the staff's investigation, including by providing detailed explanations and examples of the Finance Director's improper conduct; summarizing interviews of witnesses located in the United Kingdom; voluntarily making CIRCOR employees and external forensic accountants available for interviews; and providing other relevant information to the staff. The cooperation afforded by CIRCOR substantially advanced the efficiency of the staff's investigation and conserved Commission resources.

17. CIRCOR also undertook prompt remedial measures, including: (1) retaining outside counsel and forensic accountants to investigate the accounting irregularities at Pipeline; (2) terminating the Finance Director; (3) strengthening its internal accounting controls surrounding smaller reporting locations, changes in financial statement line items, account reconciliations, and

quarterly close processes; (4) obtaining corporate access to all CIRCOR bank accounts; (5) hiring finance and accounting personnel with expertise in financial reporting and U.S. GAAP; (6) requiring training for all finance, accounting, and IT personnel related to internal controls over financial reporting and accounting principles; and (7) cancelling bonus compensation scheduled to be paid to a former executive officer of CIRCOR for 2021.

Undertakings

18. Respondent undertakes to:
 - a. Cooperate fully with the Commission in any and all investigations, litigations or other proceedings relating to or arising from the matters described in this Order;
 - b. Use its best efforts to cause Respondent's current and former employees, officers, and directors to be interviewed by the Commission staff at such times and places as the staff requests upon reasonable notice;
 - c. Use its best efforts to cause Respondent's current and former employees, officers, and directors to appear and testify truthfully and completely in such investigations, depositions, hearings or trials as may be reasonably requested by the Commission's staff;
 - d. Accept service by mail or email of notices or subpoenas issued by the Commission to Respondent for documents or testimony at depositions, hearings, or trials, or in connection with any related investigation by Commission staff;
 - e. Appoint its attorneys as agents to receive service of such notices and subpoenas;
 - f. With respect to such notices and subpoenas, waive the territorial limits on service contained in Rule 45 of the Federal Rules of Civil Procedure and any applicable local rules, provided that the party requesting the interview or testimony reimburses the travel, lodging, and subsistence expenses at the then prevailing U.S. Government per diem rates; and
 - g. Consent to personal jurisdiction over it in any United States District Court for purposes of enforcing any such subpoena.

In determining whether to accept Respondent's Offer, the Commission has considered these undertakings.

IV.

In view of the foregoing, the Commission deems it appropriate to impose the sanctions agreed to in Respondent CIRCOR's Offer.

Accordingly, it is hereby ORDERED that:

A. Pursuant to Section 21C of the Exchange Act, Respondent CIRCOR cease and desist from committing or causing any violations and any future violations of Sections 13(a), 13(b)(2)(A), and 13(b)(2)(B) of the Exchange Act, and Rules 13a-1, 13a-11, and 13a-13, thereunder.

B. Respondent acknowledges that the Commission is not imposing a civil penalty based upon its cooperation in a Commission investigation. If at any time following the entry of the Order, the Division of Enforcement (“Division”) obtains information indicating that Respondent knowingly provided materially false or misleading information or materials to the Commission, or in a related proceeding, the Division may, at its sole discretion and with prior notice to the Respondent, petition the Commission to reopen this matter and seek an order directing that the Respondent pay a civil money penalty. Respondent may contest by way of defense in any resulting administrative proceeding whether it knowingly provided materially false or misleading information, but may not: (1) contest the findings in the Order; or (2) assert any defense to liability or remedy, including, but not limited to, any statute of limitations defense.

By the Commission.

Vanessa A. Countryman
Secretary