



## SEC Rolls Up Accounting Fraud

**Auto-parts maker and several former executives inappropriately increased income and revenue to "meet corporate earnings targets and mask declining operating results," the regulator alleges.**

[Stephen Taub](#), CFO.com

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The Securities and Exchange Commission has charged auto-parts maker HLI Operating Co. and four former executives with fraudulent accounting designed to "meet corporate earnings targets and mask declining operating results."

In addition to the company, previously known as Hayes Lemmerz International, the SEC charged former chief executive officer Ranko Cucuz; former chief financial officer William Shovers; Ronald Lee Kolakowski, former president of the company's North American Wheel Group; and Jesus Bonilla-Valdez, former vice president of the group.

The commission alleged that from 1999 through the first quarter of 2001, Hayes personnel fraudulently increased income and revenue by inappropriately deferring operating expenses to balance-sheet accounts, failing to process vendor invoices, understating employee fringe benefits, and improperly recording certain customer discounts to balance-sheet accounts. As a result, added the regulator, Hayes made materially false filings in fiscal years 1999 and 2000 and for the first quarter of 2001.

Cucuz and Shovers, the former CEO and CFO, were also accused of making misrepresentations to the company's independent auditor, causing the company to make SEC filings containing material misrepresentations, and concealing the improper accounting practices from Hayes' independent auditor, audit committee, and board of directors. They also made misrepresentations in connection with a bond offering in 2001, the commission added.

HLI and one individual — Ronald Lee Kolakowski, former president of the company's North American Wheel Group — agreed to settle without admitting or denying the allegations.

The company agreed to the entry of a final judgment enjoining it from further violations; the SEC had previously notified HLI that it did not intend to seek monetary fines or penalties.

Kolakowski, in addition to consenting to a similar final judgment, agreed to pay a civil penalty of \$75,000 and a 10-year bar from serving as an officer or director of a public company.

As for Cucuz, Shovers, and Bonilla-Valdez; the SEC is seeking an injunction against future violations, officer-and-director bars, disgorgement of all unlawful gains with prejudgment interest, and civil monetary penalties.

In a related matter, the commission also settled with Allen Buntin, James Jarrett, and Greg Jones, three former controllers at Hayes' wheel group. The SEC found that they knew of and participated in at least some of the improper accounting practices. Without admitting or denying the findings, they have agreed to cease and desist from committing or causing future violations of certain Exchange Act rules.