



*United States Attorney
Southern District of New York*

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**ACCOUNTANT FOR BERNARD L. MADOFF INVESTMENT SECURITIES, LLC
CHARGED WITH FRAUD STEMMING FROM ACCOUNTING VIOLATIONS**

LEV L. DASSIN, the Acting United States Attorney for the Southern District of New York, and JOSEPH M. DEMAREST JR., the Assistant Director-in-Charge of the Federal Bureau of Investigation's New York Field Division ("FBI"), announced today that DAVID G. FRIEHLING, the accountant for Bernard L. Madoff Investment Securities, LLC ("BLMIS"), surrendered this morning on a criminal Complaint charging him with securities fraud, aiding and abetting investment adviser fraud, and four counts of filing false audit reports with the United States Securities and Exchange Commission ("SEC"). As alleged in the Complaint unsealed today in Manhattan federal court:

FRIEHLING is a CPA licensed by the State of New York and is the sole practitioner at Friehling & Horowitz, CPAs, P.C. ("F&H").

BLMIS was required, under the federal securities laws and regulations, to file annual certified audited financial statements with the SEC, and to distribute parts of such statements to clients.

From 1991 through 2008, F&H was the accounting firm retained by BLMIS purportedly to audit BLMIS's financial statements. FRIEHLING created BLMIS's certified and purportedly audited financial statements, including balance sheets, statements of income, statements of cash flows, and reports on internal control. FRIEHLING falsely certified that he had prepared such statements in accordance with Generally Accepted Auditing Standards ("GAAS") and in conformity with Generally Accepted Accounting Principles ("GAAP"). Those financial

statements were filed with the SEC and sent to clients of BLMIS. BLMIS paid FRIEHLING approximately \$12,000 to \$14,500 per month for his services between 2004 and 2007.

FRIEHLING failed to conduct audits that complied with GAAS and GAAP by, among other things, failing to: (a) conduct independent verification of BLMIS assets; (b) review material sources of BLMIS revenue, including commissions; (c) examine a bank account through which billions of dollars of BLMIS client funds flowed; (d) verify liabilities related to BLMIS client accounts; or (e) verify the purchase and custody of securities by BLMIS. FRIEHLING also failed to test internal controls as required under GAAP and GAAS standards. For example, FRIEHLING did not take any steps to test internal controls over areas such as BLMIS's redemption of client funds, the payment of invoices for corporate expenses, or the purchase of securities by BLMIS on behalf of its clients. Further, commencing at least as far back as 1995, FRIEHLING did not maintain professional independence from his audit client, BLMIS. Specifically, FRIEHLING and/or his wife had an account at BLMIS with a year-end net equity of more than \$500,000 -- the maximum amount that, under SEC rules, he could have invested with a broker-dealer client and still maintain his independence.

FRIEHLING, 49, faces a statutory maximum sentence of 105 years in prison. He will be presented later today before United States Magistrate Judge THEODORE H. KATZ in Manhattan federal court.

"Mr. Friehling is charged with crimes that represent a serious breach of the investing public's trust," said Acting United States Attorney LEV L. DASSIN. "Although Mr. Friehling is not charged with knowledge of the Madoff Ponzi scheme, he is charged with deceiving investors by falsely certifying that he audited the financial statements of Mr. Madoff's business. Mr. Friehling's deception helped foster the illusion that Mr. Madoff legitimately invested his clients' money."

Mr. DASSIN added, "Our investigation is continuing."

FBI Assistant Director-in-Charge JOSEPH M. DEMAREST stated: "David Friehling was retained and paid by Bernard Madoff to provide accounting services to his firm, but as a purportedly independent auditor, Friehling had a fiduciary responsibility to investors, and a legal obligation to regulators, to report the truth. The charges unsealed today make clear that Friehling did not fulfill those duties. He did little or no testing, no verification of the 'facts' he certified. His job was not merely

to rubber-stamp statements he didn't verify. Simply put, Friehling failed to do his job, and lied to investors and regulators in saying he did."

Mr. DASSIN praised the investigative work of the FBI and thanked the SEC and the Rockland County District Attorney's Office for their assistance.

Assistant United States Attorneys MARC LITT, LISA A. BARONI, WILLIAM J. STELLMACH, BARBARA A. WARD, and SHARON FRASE are in charge of the prosecution.

The charges and allegations contained in the Complaint are merely accusations and the defendant is presumed innocent unless and until proven guilty.

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