

SEC Charges African Gold Acquisition Corp. with Internal Controls, Reporting, and Recordkeeping Failures

22.02.2023 | [vom Unternehmen](#)

Control failures enabled former CFO to misappropriate approximately \$1.2 million from the SPAC's operating bank account

The Securities and Exchange Commission today announced settled charges against [African Gold Acquisition Corp.](#), a publicly traded special purpose acquisition company (SPAC), for internal controls, reporting, and recordkeeping violations. These failures enabled African Gold's former chief financial officer to misappropriate approximately \$1.2 million from the company's operating bank account. As a result, African Gold made materially false filings with the Commission and maintained inaccurate books and records.

According to the SEC's order, African Gold's only liquid asset was the money held in its operating bank account, and thus potential fraud by management posed one of the company's most significant risks of material misstatement in its financial statements. The SEC's order alleges that, despite this risk, African Gold gave its former CFO control over nearly all aspects of its operating bank account and financial reporting process with little to no oversight. According to the order, this enabled the CFO to make unauthorized withdrawals from African Gold's operating bank account to himself without detection for more than one year and to alter the company's bank account statements to conceal his fraud. As a result, according to the SEC's order, African Gold materially misstated information in several required financial filings with the Commission and failed to maintain accurate books and records. On February 13, 2023, African Gold filed a preliminary proxy statement seeking shareholder approval to extend its liquidation date from March 2, 2023 to June 2, 2023 and to allow African Gold, without another shareholder vote, to further extend the liquidation date until March 2, 2024, among other proposals.

"This settled order with African Gold demonstrates that SPACs must comply with basic Exchange Act requirements, just like any other publicly traded company," said John T. Dugan, Associate Director for Enforcement in the SEC's Boston Regional Office. "The fact that African Gold did not discover the misappropriation of its funds for more than a year, when certain vendors refused to provide further services due to unpaid invoices, clearly indicates that the company neglected to comply with basic internal control requirements."

The SEC's order finds that African Gold violated Exchange Act provisions relating to internal controls, reporting, and recordkeeping. Without admitting or denying the SEC's findings, African Gold agreed to a cease-and-desist order and to pay a \$103,591 civil monetary penalty. On January 3, 2023, the SEC charged African Gold's former CFO, Cooper J. Morgenthau, with violating several provisions of the federal securities laws related to misappropriating money from African Gold's operating bank account and for lying to African Gold's accountants and auditor, circumventing and/or knowingly failing to implement internal accounting controls, falsifying African Gold's books and records, and filing false certifications with the Commission.

The SEC's investigation was conducted by Anne Hancock, David D'Addio, Ryan Murphy, and Amy Gwiazda of the Boston Regional Office, with the assistance of Alex Lefferts and Brian Shute of the Enforcement Division's Office of Investigative & Market Analytics.

Source: Securities and Exchange Commission (SEC)

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Die URL für diesen Artikel lautet:

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