

**UNITED STATES OF AMERICA**  
**Before the**  
**SECURITIES AND EXCHANGE COMMISSION**

In the Matter of

IEH Corporation,

Respondent

Administrative Proceeding  
File No. 3-20973

**ANSWER TO ORDER INSTITUTING  
ADMINISTRATIVE PROCEEDINGS  
AND NOTICE OF HEARING  
PURSUANT TO SECTION 12(j) OF  
THE SECURITIES EXCHANGE ACT  
OF 1934**

Respondent, IEH Corporation, a New York corporation (“IEH”), through its attorneys, hereby submits this Answer to the Order Instituting Administrative Proceedings and Notice of Hearing Pursuant to Section 12(j) of the Securities Exchange Act of 1934 (the “Exchange Act”), dated August 17, 2022 (the “Order”), as follows:

IEH denies, except as expressly set forth in this Answer, generally and specifically, every allegation contained in the Order. IEH reserves its rights to request dismissal of the Order on any and all grounds.

**RESPONDENT’S STATEMENT OF FACTS**

IEH is a fourth generation family-run business and was incorporated as a New York corporation in March 1943. The great grandfather of the current Chief Executive Officer, along with his two sons, started the company as a tool and die maker to support the war effort during World War II. IEH has manufactured in New York for over eighty years. Today, IEH designs and manufactures hyperboloid products that accommodate military and aerospace specification standards. IEH’s national and international customers include defense contractors, commercial aerospace equipment manufacturers, medical device manufacturers, oil and gas exploration firms, and commercial space launch companies. IEH is an operational

company and it continues to grow. IEH opened a new 29,000 square foot manufacturing facility in Pennsylvania in 2022. IEH experienced revenue growth through fiscal year end March 2021, and maintains a strong cash position on its balance sheet with approximately \$11 million in cash as of June 30, 2022. Since 2008 to before the onset of the COVID-19 pandemic, IEH filed its quarterly and annual periodic reports with the Securities and Exchange Commission (the “SEC” or “Commission”).

Prior to the onset of the COVID-19 pandemic, IEH management had taken steps to strengthen its financial reporting. In July 2016, Eric C. Hugel joined the IEH board of directors and was appointed as the Chair of the Company’s Audit Committee. Mr. Hugel is a certified public accountant (“CPA”) and a chartered financial analyst (“CFA”) and serves as the Chief Financial Officer (“CFO”) of another company. In August 2020, IEH appointed William H. Craig as IEH’s new CFO and Treasurer. Mr. Craig is a CPA, is certified in financial forensics, has over twenty years’ experience as a CFO (including with three prior companies subject to SEC reporting requirements) and worked for several years at Deloitte, including two years as an auditor and two years as a system design and implementation consultant. In addition to recruiting internal resources prior to the onset of the COVID-19 pandemic, IEH also engaged external resources. IEH purchased a new perpetual accounting system, SAP’s Business One system along with an add-on, Beas Manufacturing (the “SAP System”), to replace its legacy periodic accounting system with the purpose of improving its financial reporting. As of September 2019, IEH stopped using its legacy accounting system and only utilized the SAP System. In August 2019, IEH engaged Marcum LLP (“Marcum”) as its independent registered public accounting firm. IEH’s prior accountant only had one public company client.

As disclosed in the Form 8-K filed on June 29, 2020, the onset of the COVID-19

pandemic caused disruptions to IEH's operations and business. As a company founded and operating in Brooklyn, New York, IEH was significantly impacted by the pandemic as New York experienced the brunt of the pandemic. IEH initially delayed the filing of its Annual Report on Form 10-K for the year ended March 31, 2020 due to circumstances related to the COVID-19 pandemic and relied on the SEC's Order under Section 36 of the Exchange Act Granting Exemptions From Specified Provisions of the Exchange Act and Certain Rules Thereunder dated March 4, 2020 (Release No. 34-88318), as modified on March 25, 2020 (Release No. 34-88465). IEH ultimately filed its Form 10-K for the year ended March 31, 2020 in October 2020.

In the midst of the COVID-19 pandemic, IEH discovered that inventory balances previously reported were misstated as a result of IEH's migration to the new SAP System. As IEH was preparing its financial statements for the first quarter of the fiscal year ended March 31, 2021, there were indications the data likewise included errors. While IEH initially thought its Form 10-K for the year ended March 31, 2020 did not contain similar errors, it subsequently determined the SAP System impacted its last Form 10-K report for the year ended March 31, 2020. Ultimately, there were a number of issues with the SAP System, including system design and implementation issues as well as utilization issues.

IEH filed a Form 8-K in October 2020 under Item 4.02 regarding non-reliance on previously issued financial statements. IEH has filed voluntary press releases as exhibits to its Form 8-Ks under Item 7.01 to update its stockholders on its efforts to remedy the discrepancies (the "Inventory Reconciliation"). IEH has also provided regular updates to its Audit Committee.

After discovering the inventory issue, IEH engaged additional external resources, focused internal resources on the Inventory Reconciliation and took steps to improve the

functionality and use of the SAP System in the future. First, in August 2020, IEH hired Financial Consulting Strategies, a consulting firm focused on SEC financial reporting services, to assist with carry forward data filtering and providing sufficient auditable evidence to Marcum. Prior to December 2020, IEH relied on N'Ware Technologies, a SAP Gold partner that was advertised when IEH purchased the SAP Business One software as being able to help design and implement the SAP System. N'Ware Technologies' engagement was terminated in December 2020. From December 2020 until December 2021, IEH engaged Be One Solutions to assess IEH's SAP System. Be One Solutions is a global SAP service partner that specializes in successful worldwide blueprints, implementation and support. Second, IEH engaged the services of consultants from VistaVu Solutions in December 2021. VistaVu Solutions was engaged to assist IEH with updating and implementing its SAP software, and five consultants, not including additional administration support, have assisted IEH on an ongoing basis. To date, IEH estimates it has spent over \$500,000 on external resources in connection with the Inventory Reconciliation, updating its SAP System, and becoming current in its SEC periodic reports. In addition to external resources, IEH hired additional internal personnel. IEH hired a new controller that started in November 2020 (although the controller later left IEH) with a CPA and manufacturing experience. In December 2021, IEH hired a controller who is a CPA with experience in Enterprise Resource Planning, SEC reporting, and manufacturing. In January 2021, IEH also hired a staff accountant with experience in SAP software.

Despite dedicating extensive resources to becoming current in its SEC reporting obligations, the company's efforts to remediate the Inventory Reconciliation are lengthy for three reasons. First, even if it were not occurring during a pandemic, the initial accounting forensics to determine the severity of the issue, when the issue started, and how to remedy the

issue, and then conducting the Inventory Reconciliation, along with creating audit evidence, is a time-intensive process. The SAP System and the legacy system have significant differences in their inventory balance breakdown between raw materials, work-in-progress (WIP), and finished goods due to process differences in perpetual and periodic inventory. The legacy system used a periodic inventory valuation system and the SAP System uses a perpetual inventory system. In conducting the Inventory Reconciliation, IEH's management has had to examine data since 2017 and sort through entries between the periodic inventory costing and perpetual inventory costing systems. In reconciling the problem, management to date has analyzed over one million lines of data, and physically inspected inventory and warehouses. Due to the nature of the SAP System, it is difficult to go back in time and fix entries. In addition, IEH has had to consult the parent company (Boyum IT Solutions) that created the add-on, Beas Manufacturing, multiple times for additional guidance as the add-on at times had instructions in foreign languages and other settings that caused difficulties in conducting the Inventory Reconciliation.

Second, the COVID-19 pandemic hindered the company's efforts to resolve the Inventory Reconciliation, and limited the company's ability to evaluate physical inventory and records. For example, IEH was unable to conduct an inventory assessment until after 2020 fiscal year end due to COVID-19 restrictions. Third, IEH discovered the discrepancies in inventory shortly after engaging a new auditor. Marcum has been involved in a number of physical inventory observations and requested extensive reports and documentation. It is in IEH's interests to work diligently to determine that the reporting issues that occurred did not extend beyond the reports already identified and will not be carried into future reporting periods.

IEH received a letter from the Staff of the SEC's Division of Corporation Finance on

March 11, 2022 relating to IEH's late periodic filings (the "SEC Staff Letter"). After receipt of the SEC Staff Letter, corporate counsel for IEH reached out to the SEC's Staff and talked with Ms. Marva Simpson about its response. IEH responded to the SEC Staff Letter on April 1, 2022 (the "IEH Letter"), explained some of the circumstances related to its inability to file its periodic reports that are included in this Answer, and reiterated that resolving this issue remains IEH's top priority. After submitting the IEH Letter, IEH's corporate counsel called the SEC Staff to discuss the response several times and did not receive a reply. Since receiving the Order on August 17, 2022, IEH's corporate counsel has called the SEC Staff several times in order to try to further discuss IEH's plans and efforts to become current in its reporting obligations, but has not received a response. As noted in the IEH Letter, IEH continues to work on the Inventory Reconciliation and to complete its outstanding periodic filings so that it can file them with the Commission. Since receiving the Order, IEH has also hired Goodwin Procter LLP to assist it in responding to the Order and to become current in its SEC periodic reports.

As of the date of this Answer, IEH has not filed an annual or periodic report since its Annual Report on Form 10-K for the fiscal year ended March 31, 2020, though it has issued press releases to provide updates on its efforts to become current in its SEC periodic reports. IEH's Board of Directors and management team remain committed to making these filings and plans to bring IEH's filing obligations current with the Commission as soon as possible. As shown by the attached letter from Marcum, Marcum was engaged beginning in August 2019 to complete quarterly reviews and annual audits for IEH and this engagement is ongoing. IEH is moving forward in good faith to complete its deficient filings and remedy issues related to the Inventory Reconciliation.

## **RESPONDENT'S ANSWER**

Respondent's headings correlate to the section headings supplied by the Order.

### **I .**

IEH states that the first Section of the Order is an introductory paragraph to which no response is required. To the extent a response is required, IEH denies that there is a basis for any public administrative proceeding to be instituted against IEH.

### **II.**

#### **A. RESPONDENT**

1. IEH admits in part and denies in part the allegations in Section II.A of the Order. IEH denies that it is an inactive New York Corporation. As noted above, IEH is an operational and growing company.

#### **B. DELINQUENT PERIODIC FILING**

2. IEH admits in part and denies in part the allegations in Section II.B.2 of the Order. IEH denies that it failed to heed a delinquency letter sent to it by the SEC's Division of Corporation Finance. As discussed above, corporate counsel for IEH reached out to the SEC Staff many times in the past year and almost all of its calls have not been returned. IEH responded in writing to the SEC Staff's letter on April 1, 2022 and did not hear back from the Staff after submitting the IEH Letter.

In addition, IEH has dedicated an extensive amount of time, money and internal and external resources to repair the Inventory Reconciliation and optimize its use of the SAP System, regain compliance with its Exchange Act filing obligations, and establish processes that will assist IEH in remaining compliant in the future.

3. IEH responds that this allegation is a statement of law and does not allege a violation of law, and, as such, does not require a response.

4. IEH admits in part and denies in part the allegations in Section II.B.4 of the Order.

IEH admits that it is deficient in its filing obligations pursuant to Rules 13a-1 and 13a-13 of the Exchange Act. However, the foregoing allegation is denied to the extent that it suggests IEH's failure to comply with Rules 13a-1 and 13a-13 is a result of the foregoing allegations that IEH failed to heed the SEC Staff Letter. As described above, IEH heeded the SEC Staff Letter, tried to contact the SEC Staff multiple times, has expended considerable time and resources towards preparing its late periodic filings, and intends to become current in its Exchange Act filings as soon as possible.

### **III.**

A. As set forth above in Section II, IEH admits in part and denies in part the allegations in Section II of the Order.

B. IEH denies that it would be necessary or appropriate for the protection of investors to either suspend or revoke the registration of each class of its securities registered pursuant to Section 12 of the Exchange Act.

### **AFFIRMATIVE DEFENSES**

As described above, IEH has undertaken extensive efforts to remedy past violations and undertaken efforts to ensure future compliance. Prior to the discovery of the Inventory Reconciliation issue, IEH was working to strengthen its accounting and related resources through the hiring of a new CFO, upgrading its software, and hiring Marcum. Following the discovery of the Inventory Reconciliation issue, IEH has engaged in an extensive review process internally, engaged several consulting firms that are familiar with the SAP System to fix its processes, and provided extensive documentation to Marcum. Marcum has provided a letter attached to this Answer.

IEH also has the financial ability and resources to dedicate to becoming current in its reporting obligations and to make timely filings with the SEC in the future. Unlike

many companies that have failed to timely file periodic reports that are either “shell companies”, operate at a loss, or are defunct and have no intention of becoming current in their reporting obligations, IEH is an 80-year old New York based manufacturing company that generates revenue and profits. In addition, IEH does not expect the confluence of events leading to the Inventory Reconciliation which has caused IEH to delay filing its periodic reports until the issue is remediated, including the switch to a new reporting system, operating in a global pandemic, and bringing on a new accountant and several new accounting personnel on a short time-frame, to reoccur.

Suspending or revoking the registration of each class of IEH’s securities registered pursuant to Section 12 of the Exchange Act would not be in the public’s interest, or the best interests of current shareholders or prospective shareholders of IEH. Such suspension would effectively result in current shareholders of IEH not being able to freely liquidate their holdings, and prospective shareholders not being able to freely purchase shares in IEH’s growing business. Additionally, if the Commission suspends or revokes the registration of IEH’s securities, shareholders of IEH would no longer be required to receive material information regarding IEH’s operations and financial condition, which could materially adversely affect the value of IEH’s securities and would prevent current and prospective shareholders receipt of information necessary to ascertain the true value of such securities. IEH remains committed to becoming current in its filings with the Commission and is continuing to work towards that goal expeditiously.

Imposing a sanction against IEH would be counterproductive to considerations of investor protection that take into account “the broader systemic harm.” IEH is not filing its periodic reports because it is working to remedy its reporting system after discovering an error and is undertaking a robust process to ensure ongoing compliance. It

is not in the interest of IEH or its current or potential investors to file prematurely. IEH has invested significant resources before and after receiving both the March 11, 2022 SEC Staff letter and the issuance of the Order to strengthen its financial reporting systems and is close to completing the Inventory Reconciliation. If the Commission were to impose a sanction on IEH, it would signal to reporting companies that the Commission will impose a sanction regardless of a company's efforts to regain compliance, and would discourage other companies from trying to remedy an accounting error if it could not be fixed expeditiously. Imposing a sanction on IEH when it is working diligently to strengthen its reporting and controls, resolve its Inventory Reconciliation issue, and working to ensure the SAP System will function properly in future periods, all with the intended purpose of becoming current in its SEC filings and remaining in compliance with the reporting provisions of the Exchange Act thereafter, does not benefit investors.

### **CONCLUSION**

For the reasons above, IEH requests that:

- (a) The Commission not suspend or revoke the registration of any class of its securities registered pursuant to Section 12 of the Exchange Act; and
- (b) IEH be given a reasonable period of time to complete the filing of its late periodic reports.

RESPECTFULLY SUBMITTED, this 3rd day of October 2022.

GOODWIN PROCTER LLP

*/s/ Sean M. Donahue*

Sean M. Donahue

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Washington, DC 20036

(202) 346-4207

*Attorney for Respondent IEH  
Corporation*

## **RESPONDENT'S INDEX OF ATTACHMENTS**

Letter dated October 3, 2022, From Marcum LLP

October 3, 2022

To whom it may concern:

On August 14, 2019, Marcum LLP (“Marcum”) and IEH Corporation (“IEH”) executed an engagement agreement pursuant to which Marcum would provide audit and review services to IEH for the fiscal year ended March 27, 2020.

The Company filed their 10-K for the year ended March 27, 2020 on October 8, 2020.

On October 8, 2020 IEH filed an 8-K disclosing that the previously issued 10-Qs for the quarters ended September 27, 2019 and December 31, 2019 should no longer be relied upon.

In that 8-K, the Company disclosed that inventory balances for those periods were misstated in connection with its migration from its prior accounting software.

IEH is in the process of remedying the inventory issue. Marcum has been engaged to complete quarterly reviews and audits of the years ended March 31, 2021 and 2022 to be included in a Super 10-K filing for IEH.

Very truly yours,

*Marcum LLP*

EB/mp

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## CERTIFICATE OF SERVICE

In accordance with SEC Rules of Practice 150 and 151, 17 C.F.R. §§ 201.150 & .151, I certify that a copy of the Answer to Order Instituting Administrative Proceedings and Notice of Hearing Pursuant to Section 12(j) of the Securities Exchange Act of 1934 relating to IEH Corporation, was (a) filed on October 3, 2022, through the Commission's Electronic Filings in Administrative Proceedings (eFAP) system; and (b) was served on the following person on October 3, 2022, via email at the email address indicated:

Sandhya C. Harris, Esq.  
Samantha Williams, Esq.  
Harrissan@sec.gov  
Williamssam@sec.gov  
Counsel for Division of Enforcement  
U.S. Securities and Exchange Commission

Respondent and Respondent's legal counsel, Sean M. Donahue, agree to waive all paper service of all opinions and orders, and agree to accept service of all opinions and orders by email delivery. Their email addresses are: [bcraig@iehcorp.com](mailto:bcraig@iehcorp.com) and [SDonahue@goodwinlaw.com](mailto:SDonahue@goodwinlaw.com).

/s/ Sean M. Donahue  
Sean M. Donahue  
Goodwin Procter LLP  
Counsel for Respondent