

UNITED STATES OF AMERICA
before the
SECURITIES AND EXCHANGE COMMISSION

SECURITIES EXCHANGE ACT OF 1934
Release No. 54197 / July 24, 2006

ACCOUNTING AND AUDITING ENFORCEMENT
Release No. 2463 / July 24, 2006

ADMINISTRATIVE PROCEEDING
File No. 3-12374

In the Matter of	:	
	:	
	:	
Weston L. Smith, CPA	:	ORDER INSTITUTING ADMINISTRATIVE
	:	PROCEEDINGS PURSUANT TO RULE
	:	102(e) OF THE COMMISSION'S RULES OF
Respondent.	:	PRACTICE, MAKING FINDINGS, AND
	:	IMPOSING REMEDIAL SANCTIONS
	:	
	:	
	:	
	:	

I.

The Securities and Exchange Commission (“Commission”) deems it appropriate and in the public interest that public administrative proceedings be, and hereby are, instituted against Weston L. Smith (“Respondent” or “Smith”) pursuant to Rules 102(e)(2) and 102(e)(3)(i) of the Commission’s Rules of Practice.¹

¹ Rule 102(e)(2) provides, in relevant part, that:

Any . . . person who has been convicted of a felony or a misdemeanor involving moral turpitude shall be forthwith suspended from appearing or practicing before the Commission.

Rule 102(e)(3)(i) provides, in relevant part, that:

The Commission, with due regard to the public interest and without preliminary hearing, may, by order, . . . suspend from appearing or practicing before it any . . . accountant . . . who has been by name . . . permanently enjoined by any court of competent jurisdiction, by reason of his or her misconduct in an action brought by the Commission, from violating or aiding and abetting

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 him and the subject matter of these proceedings, and the findings contained in Sections III, 3 and III, 5 below, which are admitted, Respondent consents to the entry of this Order Instituting Administrative Proceedings Pursuant to Rule 102(e) of the Commission's Rules of Practice, Making Findings, and Imposing Remedial Sanctions ("Order"), as set forth below.

III.

On the basis of this Order and Respondent's Offer, the Commission finds that:

1. Smith, age 44, is and has been a certified public accountant licensed to practice in the State of Alabama. Smith was an officer in the Reimbursement Department of HealthSouth Corporation ("HealthSouth") from 1987 through March 2000. Smith was the Controller of HealthSouth from March 2000 to August 2001 and was Chief Financial Officer of HealthSouth from August 2001 to August 2002.

2. HealthSouth was, at all relevant times, a Delaware corporation with its principal place of business in Birmingham, Alabama. HealthSouth was in the business of, among other things, providing outpatient diagnosis and surgery. At all relevant times, HealthSouth's common stock was registered with the Commission pursuant to Section 12(b) of the Securities Exchange Act of 1934 ("Exchange Act"), and traded on the New York Stock Exchange.

3. On March 31, 2003, the Commission filed a complaint against Smith in SEC v. Weston L. Smith, et al., (Civil Action No. CV-03-C-0720-S, amended to CV-03-CO-0720-S). On July 14, 2006, 2006, the court entered an order permanently enjoining Smith, by consent, from future violations of Section 17(a) of the Securities Act of 1933 and Sections 10(b) and 13(b)(5) of the Exchange Act and Rules 10b-5 and 13b2-1 thereunder, and from aiding and abetting violations of Sections 10(b), 13(a), 13(b)(2)(A) and 13(b)(2)(B) of the Exchange Act and Rules 12b-20, 13a-1 and 13a-13 thereunder.

4. The Commission's complaint alleged, among other things, that Smith and other senior officers of HealthSouth, engaged in a fraudulent scheme which resulted in HealthSouth filing materially false and misleading financial statements in the company's annual reports on Forms 10-K and periodic reports on Forms 10-Q from 1997 through 2002. Among other

the violation of any provision of the Federal securities laws or of the rules and regulations thereunder.

things, the complaint alleged that Smith directed other HealthSouth employees to make entries on the company's books which fraudulently overstated income and reflected fictitious assets in amounts which matched generally the fraudulent overstatements of income. The complaint alleged that the fraudulent entries were designed to avoid detection by HealthSouth's independent auditors.

5. On September 23, 2005, a judgment of conviction was entered against Smith in United States v. Smith, CR-03-PT-0126-S, in the United States District Court for the Northern District of Alabama, finding him guilty of one count of conspiracy to commit wire fraud and securities fraud, one count of filing false reports with the Commission and one count of filing a false certification of financial information with the Commission.

6. As a result of this conviction, Smith was sentenced to 27 months incarceration followed by one year of supervised release, and was ordered to forfeit \$1.5 million.

IV.

In view of the foregoing, the Commission finds that Smith has been convicted of a felony within the meaning of Rule 102(e)(2) of the Commission's Rules of Practice. The Commission deems it appropriate and in the public interest to impose the sanction agreed to in Respondent Smith's Offer.

Accordingly, it is hereby ORDERED, effective immediately, that:

Smith is forthwith suspended from appearing or practicing before the Commission as an accountant.

By the Commission.

Nancy M. Morris
Secretary