
Joint Release

**Federal Deposit Insurance Corporation
Resolution Trust Corporation
Office of Thrift Supervision**

FOR IMMEDIATE RELEASE

March 14, 1994

DELOITTE & TOUCHE SETTLES WITH OTS, RTC & FDIC

WASHINGTON, D.C., March 24, 1994 -- Deloitte & Touche (D&T), a "Big Six" accounting firm, has agreed to pay \$312 million to the federal government to settle claims based on alleged accounting and auditing failures at banks and savings and loan institutions it audited.

In a global settlement of all claims and charges brought by federal regulators, the accounting firm has agreed to pay \$236.8 million to the Resolution Trust Corporation (RTC) and \$75.2 million to the Federal Deposit Insurance Corporation (FDIC) and consented to cease and desist order of the Office of Thrift Supervision (OTS). The settlement resolves 15 pending suits brought by the RTC, three suits brought by the FDIC and resolves all other potential RTC, FDIC and OTS claims as well concerning failed institutions.

The OTS cease and desist order mandates that Deloitte & Touche partners and managers have specified levels of training and experience for auditing insured depository institutions, orders them to comply with specific professional standards and defines quality control functions to be performed by partners on each insured depository institution audit. OTS also directs Henry Forer, a retired former partner and national director of D&T's savings and loan practice, not to perform any accounting services for thrifts for five years.

The OTS notice claimed that D&T's personnel failed to apply generally accepted accounting principles (GAAP) and generally accepted accounting standards (GAAS) in the audits of certain thrift institutions, their holding companies, subsidiaries and affiliates.

Specifically, OTS charged D&T with failure to disclaim or qualify its opinions because of its clients':

- Failure to account for hedges in accordance with GAAP in its audits of Franklin Savings and Loan Association, Ottawa, Kan.
- Failure to mark trading accounts to market in accordance with GAAP in its audits of Columbia Savings & Loan Association, Beverly Hills, Calif.
- Failure to audit allowances for loan losses in accordance with GAAP and GAAS in its audits City Federal Savings Bank, Piscataway, N.J.

- Failure to account for loans to facilitate the sale of real estate owned for in-substance foreclosures in accordance with GAAP in its audits of Sun Savings & Loan Association, Parker, Colo.
- Failure to account for sale/leaseback transactions in accordance with GAAP in its audits of First America Savings Bank, FSB, Longmont, Colo.
- In addition, OTS charged D&T with failure to properly document workpapers.

D&T had denied the claims made by the RTC and FDIC, and stipulated in its offer of settlement to the OTS order that it neither admitted nor denied the OTS charges.

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