SEC CHARGES DELOITTE & TOUCHE AND TWO OF ITS PERSONNEL FOR FAILURES IN THEIR AUDIT OF JUST FOR FEET

FOR IMMEDIATE RELEASE
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Washington, D.C., April 26, 2005 - The Securities and Exchange Commission today issued an Order instituting public administrative proceedings against Deloitte & Touche LLP based upon its failed audit in 1999 of the fiscal 1998 financial statements of Just for Feet, Inc., a now-defunct shoe and sports apparel retailer once headquartered in Birmingham, Alabama, for which the firm received audit fees of approximately $361,000. The engagement partner, Steven H. Barry, CPA, and the audit manager, Karen T. Baker, CPA, were also charged. Without admitting or denying the Order's findings, Deloitte agreed to accept a censure and pay $375,000 to settle the charges, while Barry and Baker each consented to a denial of the privilege of appearing or practicing before the Commission as an accountant. They can apply for reinstatement after two years and one year, respectively.

Richard P. Wessel, District Administrator of the Commission's Atlanta District Office, said, "Auditing firms and their personnel are responsible for exercising professional care and maintaining skepticism in auditing financial statements, particularly when the company is identified as having a high risk of potential fraud."

Katherine S. Addleman, Associate Director for Enforcement in the Atlanta District Office, stated, "Shareholders depend on auditing firms as a check on the honesty of management. They are expected to respond appropriately to wrongdoing, adequately test the claims made by management and complete the work supporting the audit before issuing an audit report."

The Order finds that Deloitte formerly served as the auditing firm for Just for Feet and assigned Barry and Baker to serve as the engagement partner and audit manager, respectively, for its audit of the company's 1998 financial statements. Just for Feet falsified its financial statements by (1) improperly recognizing unearned and fictitious receivables and revenue from its vendors, (2) failing to properly account for excess, worthless and obsolete inventory and to disclose problems with excess inventory, and (3) improperly recording as income the value of display booths provided by its vendors. These fraudulent financial statements were included in the company's annual report for fiscal 1998 and in two registration statements for the offering of securities filed with the Commission in 1999.

The Order finds that Deloitte, Barry and Baker reasonably should have known that Just for Feet's 1998 financial statements had not been prepared in accordance with generally accepted accounting principles. The Order further finds that Deloitte, Barry and Baker did not comply with generally accepted auditing standards (GAAS) in the conduct of their audit and engaged in improper professional conduct within the meaning of Rule 102 (e)(1)(ii) of the Commission's Rules of Practice through repeated instances...
of unreasonable conduct.

Specifically, the Order finds that Deloitte, Barry and Baker did not respond adequately to indications that the company was recognizing unearned and fraudulent vendor allowances as income. The Order also cited Deloitte, Barry and Baker for failing to test adequately the company's reserve for obsolete or excess inventory and failing to respond adequately to indications that Just for Feet was fraudulently increasing its income through fictitious purchases of display booths from its vendors. The Order also finds that Deloitte's National Risk Management Program identified Just for Feet as a high-risk client, but Deloitte did not carry out the responsibilities required by such a designation.

The Order censures Deloitte pursuant to Rule 102(e)(1)(ii) of the Commission's Rules of Practice. Deloitte agreed to pay $375,000, to the U.S. Treasury. The Order further notes that, in determining to accept Deloitte's offer, the Commission considered Deloitte's willingness to undertake measures to address deficiencies in its National Risk Management Program as detailed in another order issued simultaneously concerning Deloitte's audit of the financial statements of Adelphia Communications Corporation. The Order also denies Barry and Baker the privilege of appearing or practicing before the Commission as accountants with a right to apply for reinstatement, with respect to Barry, in two years, and, with respect to Baker, in one year.

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