



PROJECT ON GOVERNMENT OVERSIGHT

October 25, 2011

Deloitte LLP
2 World Financial Center
New York, NY 10281-1414

Dear Sir or Madam:

The Project On Government Oversight (POGO) has updated its Federal Contractor Misconduct Database (<http://www.contractormisconduct.org/>), a compilation of information from public resources regarding government contractors, including Deloitte. I have enclosed the findings relevant to your company, and I am seeking verification of this data.

Any response would be greatly appreciated, as the accuracy of this information is in the best interest of all parties. Out of fairness to Deloitte, please be assured that any response received by POGO will be posted on the website along with the data. Please note that the database includes pending instances, but these are kept separate from resolved instances and are not included in the totals.

If you have any questions, I can be reached at (202) 347-1122. Thank you for your time and consideration.

Sincerely,

A handwritten signature in blue ink, appearing to read 'Neil Gordon', written over a light blue horizontal line.

Neil Gordon
Investigator

Enclosure

Instances

Improper Professional Conduct (Delphi)

Date: 02/26/2008 (Date of Settlement)

Misconduct Type: Ethics

Enforcement Agency: SEC

Contracting Party: None

Court Type: Administrative

Amount: \$0

Disposition: Settlement

Synopsis: The U.S. Securities and Exchange Commission (SEC) settled administrative proceedings finding that Nicholas Difazio and Duane Higgins, Deloitte & Touche engagement partners on the 2000 and 2001 audits of the financial statements of Delphi Corporation, engaged in improper professional conduct on those audits. The SEC found that Difazio, the lead engagement partner, and Higgins, the audit engagement partner, failed to exercise due professional care in the planning and performance of the audit. Difazio and Higgins settled without admitting or denying the SEC's findings. Both men were temporarily denied the privilege of appearing or practicing before the SEC as an accountant. See related Deloitte LLP instance, "Delphi Corporation Securities Litigation".

Adelphia Recovery Trust v. Deloitte & Touche

Date: 08/03/2007 (Date of Settlement Announcement)

Misconduct Type: Securities

Enforcement Agency: Non-Governmental

Contracting Party: None

Court Type: Civil

Amount: \$167,500,000

Disposition: Settlement

Synopsis: The Adelphia Recovery Trust reached a \$167.5 million settlement of its claims against Adelphia's former auditor, Deloitte & Touche LLP. The trust was formed after Adelphia Communications Corporation collapsed in 2002 as the result of an accounting fraud that led to the criminal convictions of its founder, John J. Rigas, and his son Timothy. Deloitte served as Adelphi's audit firm from the mid-1980s to May 2002, when Deloitte suspended its work based on the belief that Adelphia's books and records had been falsified. Deloitte denied any wrongdoing. See related Deloitte instance, "SEC v. Deloitte & Touche (Adelphia Communications Audit)"

SEC v. Deloitte & Touche (Adelphia Communications Audit)

Date: 04/26/2005 (Date of Settlement Announcement)

Misconduct Type: Securities

Enforcement Agency: SEC

Contracting Party: None

Court Type: Civil

Amount: \$50,000,000

Disposition: Settlement

Synopsis: Deloitte & Touche agreed to pay \$50 million to settle U.S. Securities and Exchange Commission (SEC) charges stemming from Deloitte's audit of Adelphia Communications Corporation's fiscal year 2000 financial statements. The SEC found that Deloitte engaged in improper professional conduct and caused Adelphia's violations of the securities law

recordkeeping provisions because it failed to detect a massive fraud perpetrated by Adelphia. Deloitte agreed to the settlement without admitting or denying the SEC's allegations. See related Deloitte instance, "Adelphia Recovery Trust v. Deloitte & Touche."

Just For Feet, Inc. Audit

Date: 04/26/2005 (Date of Settlement Announcement)

Misconduct Type: Securities

Enforcement Agency: SEC

Contracting Party: None

Court Type: Administrative

Amount: \$375,000

Disposition: Settlement

Synopsis: The U.S. Securities and Exchange Commission (SEC) issued an order instituting public administrative proceedings against Deloitte & Touche LLP based on its failed audit in 1999 of the fiscal 1998 financial statements of Just for Feet, Inc., a now-defunct shoe and sports apparel retailer, for which the firm received audit fees of approximately \$361,000. The engagement partner, Steven H. Barry, and the audit manager, Karen T. Baker, were also charged. The SEC found that Just for Feet falsified its financial statements, and 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 SEC also found that Deloitte, Barry and Baker did not comply with generally accepted auditing standards in the conduct of their audit and engaged in improper professional conduct. Without admitting or denying the SEC's findings, Deloitte agreed to accept a censure and pay \$375,000 to settle the charges, while Barry and Baker each consented to a temporary denial of the privilege of appearing or practicing before the SEC as an accountant.

Micrel v. Deloitte & Touche (Malpractice)

Date: 04/21/2003 (Date of Complaint)

Misconduct Type: Securities

Enforcement Agency: Non-Governmental

Contracting Party: None

Court Type: Civil

Amount: \$15,500,000

Disposition: Settlement

Synopsis: Semiconductor manufacturer Micrel Inc. filed a malpractice lawsuit against its former accountant, Deloitte & Touche, alleging it approved a stock option pricing program that amounted to backdating. The lawsuit settled in 2007 with Deloitte agreeing to pay Micrel \$15.5 million.

Parmalat v. Deloitte & Touche

Date: 01/12/2007 (Date of Settlement Announcement)

Misconduct Type: Securities

Enforcement Agency: Non-Governmental

Contracting Party: None

Court Type: Civil

Amount: \$149,000,000

Disposition: Settlement

Synopsis: Italian dairy company Parmalat SpA and Deloitte & Touche SpA and Dianthus SpA (which operated in Italy under the Deloitte & Touche name until July 2003) settled a lawsuit

filed by Parmalat and counterclaims filed by Deloitte and Dianthus over an accounting scandal that led Parmalat to file for bankruptcy in December 2003. Parmalat blamed Deloitte, which was its principal auditor at the time.

Reliance Insurance Company Audit

Date: 05/07/2011

Misconduct Type: Securities

Enforcement Agency: State/Local

Contracting Party: None

Court Type: Civil

Amount: \$40,000,000

Disposition: Settlement

Synopsis: The Pennsylvania Insurance Department filed a lawsuit against Deloitte, the auditor of Reliance Insurance Company, which was liquidated in 2001 after a shortfall of over \$1 billion in assets was discovered. The civil suit accused Deloitte Touche LLC and Deloitte principal actuary Jan A. Lommele of professional negligence and malpractice, misrepresentation, breach of contract, and aiding and abetting breaches of fiduciary duties by Reliance chairman Saul P. Steinberg and other former officials. In November 2008, Deloitte settled the lawsuit for \$40 million.

General Motors Securities Litigation

Date: 07/21/2008 (Date of Settlement)

Misconduct Type: Securities

Enforcement Agency: Non-Governmental

Contracting Party: None

Court Type: Civil

Amount: \$26,000,000

Disposition: Settlement

Synopsis: A securities class-action lawsuit alleged that General Motors, aided by its outside auditor, Deloitte, filed misleading financial statements between 2002 and 2006 that covered up earnings shortfalls through accounting manipulations. Under the terms of a settlement, Deloitte agreed to pay \$26 million, while GM agreed to pay \$277 million.

Beazer Homes Securities Litigation

Date: 06/27/2008 (Date of Amended Complaint)

Misconduct Type: Securities

Enforcement Agency: Non-Governmental

Contracting Party: None

Court Type: Civil

Amount: \$950,000

Disposition: Settlement

Synopsis: Deloitte & Touche agreed to pay investors of Beazer Homes USA \$950,000 to settle claims that Deloitte, Beazer's outside auditor, should have noticed the homebuilder was issuing inaccurate financial statements during the housing market decline in 2005-2006. Deloitte, Beazer, and former Beazer executives settled the securities fraud class-action lawsuit for a total of \$30.5 million.

Delphi Corporation Securities Litigation

Date: 12/27/2007 (Date of Settlement)

Misconduct Type: Securities
Enforcement Agency: Non-Governmental
Contracting Party: None
Court Type: Civil
Amount: \$38,250,000
Disposition: Settlement

Synopsis: Investors in auto parts manufacturer Delphi Corporation filed a class-action securities fraud lawsuit against Deloitte & Touche for its role as outside auditor of Delphi, which in 2005 had to restate of all of its financial statements for the previous five years. In December 2007, Deloitte agreed to pay \$38.25 million to settle the lawsuit. See related Deloitte LLP instance, “Improper Professional Conduct (Delphi)”.

Review of USAID Bank Supervision Assistance in Afghanistan

Date: 03/16/2011 (Date of USAID IG Report)
Misconduct Type: Poor Contract Performance
Enforcement Agency: USAID
Contracting Party: USAID
Court Type: N/A
Amount: \$0

Disposition: Investigative Finding

Synopsis: Beginning in 2003, BearingPoint (and later Deloitte, which acquired BearingPoint) provided technical assistance at the Afghanistan Central Bank, which supervised Kabul Bank, Afghanistan’s largest private bank. An investigation by USAID’s Inspector General found that BearingPoint and Deloitte advisers failed to aggressively investigate or report serious problems, including fraudulent activities, at Kabul Bank over a span of 2 years before the bank collapsed in September 2010. USAID subsequently terminated the bank supervision component of its contract with Deloitte, but did not hold Deloitte responsible for the fraud or the bank’s failure.

Pending Instances

Enterprise Resource Planning Project Lawsuit

Date: 05/28/2010 (Date of State Complaint)
Misconduct Type: Government Contract Fraud
Enforcement Agency: State/Local
Contracting Party: State/Local
Court Type: Civil
Amount: \$0

Disposition: Pending

Synopsis: Marin County, California filed state and federal lawsuits alleging that Deloitte Consulting LLP and others engaged in a pattern of racketeering activity designed to defraud the County of more than \$20 million. The county claims Deloitte botched the SAP Enterprise Resource Planning (ERP) financial management, payroll and HR systems project, accusing Deloitte of misrepresenting its skills and capabilities when bidding on the project in 2004.

Bear Stearns Derivative Litigation

Date: 02/27/2009 (Date of Complaint)
Misconduct Type: Securities
Enforcement Agency: State/Local

Contracting Party: None

Court Type: Civil

Amount: \$0

Disposition: Pending

Synopsis: Michigan Retirement System filed a securities class-action lawsuit against investment bank Bear Stearns and its outside auditor, Deloitte & Touche, alleging Bear Stearns' executives made misleading statements regarding the firm's financial stability in the leadup to the 2008 financial crisis. The plaintiffs claim Bear Stearns, aided by Deloitte, inflated its stock price through several misrepresentations in the valuation of its mortgages that eventually hid the losses in the housing market. Several pending class actions related to the March 2008 collapse of Bear Stearns were consolidated into a single case in 2009.