FOR IMMEDIATE RELEASE
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Washington D.C., May 20, 2014 — The Securities and Exchange Commission today charged the former chief risk officer at Deloitte LLP for causing violations of the auditor independence rules that ensure audit firms maintain their objectivity and impartiality with respect to their clients.

An SEC order finds that certified public accountant James T. Adams repeatedly accepted tens of thousands of dollars in casino markers while he was the advisory partner on subsidiary Deloitte & Touche’s audit of a casino gaming corporation. A marker is an instrument utilized by a casino customer to receive gaming chips drawn against the customer’s line of credit at the casino. Adams opened a line of credit with a casino run by the gaming corporation client and used the casino markers to draw on that line of credit. Adams concealed his casino markers from Deloitte & Touche and lied to another partner when asked if he had casino markers from audit clients of the firm.

Adams, who lives in California, agreed to settle the SEC’s charges by being suspended for at least two years from practicing as an accountant on behalf of any publicly traded company or other entity regulated by the SEC.

“The transactions by which Adams accepted the casino markers were loans from an audit client that are prohibited by the auditor independence rules,” said Scott W. Friestad, associate director in the SEC’s Division of Enforcement. “Auditor independence is critical to the integrity of the financial reporting process. Through his extensive use of casino markers, Adams clearly violated the rules and put his own desires ahead of his client’s interests.”

According to the SEC’s order instituting a settled administrative proceeding, Adams drew $85,000 worth of markers in July 2009 that remained outstanding for 43 days. In September, he drew $3,000 in markers that were outstanding for 13 days and $70,000 in markers that were outstanding for 27 days. In October, he drew $110,000 in markers that were outstanding for 38 days. In December, he drew $100,000 in markers that were outstanding for seven days, and later drew $110,000 in markers that remained outstanding when he retired from the firm in May 2010.

The SEC’s order requires Adams to cease-and-desist from causing violations of Rule 2-02(b)(1) of Regulation S-X, Section 13(a) of the Securities Exchange Act of 1934, and Exchange Act Rule 13a-1. Adams consented to the order without admitting or denying the SEC’s findings.

The SEC’s investigation was conducted by Steve Varholik, Kam Lee, Robert Peak, and Jeffrey Infelise. The case was supervised by David Frohlich.

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Related Materials

- SEC order