FOR IMMEDIATE RELEASE
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Washington D.C., Jan. 18, 2017 — The Securities and Exchange Commission today announced that General Motors has agreed to pay a $1 million penalty to settle charges that deficient internal accounting controls prevented the company from properly assessing the potential impact on its financial statements of a defective ignition switch found in some vehicles.

According to the SEC’s order, when loss contingencies such as a potential vehicle recall arise, accounting guidance requires companies like General Motors to assess the likelihood of whether the potential recall will occur, and provide an estimate of the associated loss or range of loss or otherwise provide a statement that such an estimate cannot be made. The SEC’s order finds that the company’s internal investigation involving the defective ignition switch wasn’t brought to the attention of its accountants until November 2013 even though other General Motors personnel understood in the spring of 2012 that there was a safety issue at hand. Therefore, during at least an 18-month period, accountants at General Motors did not properly evaluate the likelihood of a recall occurring or the potential losses resulting from a recall of cars with the defective ignition switch.

“Internal accounting controls at General Motors failed to consider relevant accounting guidance when it came to considering disclosure of potential vehicle recalls,” said Andrew M. Calamari, Director of the SEC’s New York Regional Office. “Proper consideration of loss contingencies and assessment of the need for disclosure are vital to the preparation of financial statements that conform with Generally Accepted Accounting Principles.”

Without admitting or denying the charges, General Motors consented to the SEC’s order finding that the company violated Section 13(b)(2)(B) of the Securities Exchange Act by not devising and maintaining a sufficient system of internal accounting controls.

The SEC’s investigation was conducted by Peter Pizzani, Lisa Knoop, Scott York, and Thomas P. Smith Jr. The case was supervised by Sanjay Wadhwa.

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Related Materials

- SEC Order