

**UNITED STATES OF AMERICA**  
**Before the**  
**SECURITIES AND EXCHANGE COMMISSION**

**SECURITIES EXCHANGE ACT OF 1934**

**Release No. 58309 / August 5, 2008**

**ACCOUNTING AND AUDITING ENFORCEMENT**

**Release No. 2858 / August 5, 2008**

**ADMINISTRATIVE PROCEEDING**

**File No. 3-13114 / August 5, 2008**

**In the Matter of**

**ERNST & YOUNG LLP,  
JOHN F. FERRARO, CPA, and  
MICHAEL G. LUTZE, CPA,**

**Respondents.**

**ORDER INSTITUTING ADMINISTRATIVE  
AND CEASE-AND-DESIST PROCEEDINGS  
PURSUANT TO SECTIONS 4C AND 21C  
OF THE SECURITIES EXCHANGE ACT  
OF 1934 AND RULE 102(e) OF THE  
COMMISSION'S RULES OF PRACTICE,  
MAKING FINDINGS, AND IMPOSING  
REMEDIAL SANCTIONS AND A CEASE-  
AND-DESIST ORDER**

**I.**

The Securities and Exchange Commission ("Commission") deems it appropriate that public administrative and cease-and-desist proceedings be, and hereby are, instituted pursuant to Sections 4C and 21C of the Securities Exchange Act of 1934 ("Exchange Act"), and Rule 102(e)(1)(ii) of the Commission's Rules of Practice, against Ernst & Young LLP ("E&Y") and John F. Ferraro, CPA ("Ferraro"), and pursuant to Exchange Act Section 4C and Rule 102(e)(1)(ii) of the Commission's Rules of Practice against Michael G. Lutze, CPA ("Lutze") (collectively "Respondents").

**II.**

In anticipation of the institution of these proceedings, Respondents have submitted Offers of Settlement ("Offers"), which the Commission has determined to accept. Solely for the purpose of these proceedings and any other proceedings brought by or on behalf of the Commission, or to which the Commission is a party, and without admitting or denying the findings herein, except as to the Commission's jurisdiction over them and the subject matter of these proceedings, which are admitted, Respondents consent to the entry of this Order Instituting Public Administrative and Cease-and-Desist Proceedings Pursuant to Sections 4C and 21C of the Securities Exchange Act of 1934 and Rule 102(e) of the Commission's Rules of Practice, Making Findings, and Imposing Remedial Sanctions and a Cease-and-Desist Order ("Order"), as set forth below.

### III.

On the basis of this Order and Respondents' Offers, the Commission finds<sup>1</sup> that:

#### A. Overview

This matter arises from an independence-impairing business relationship between E&Y and Mark C. Thompson, while Thompson was a member of the board of directors of three of its audit clients. The E&Y/Thompson relationship involved their collaboration in creating a series of audio CDs called *The Ernst & Young Thought Leaders Series*. The relationship spanned 19 months—October 2002 through early May 2004—during the entirety of which Thompson served as a director of E&Y audit client Company A, and during parts of which Thompson also served (i) as a member of Company A's Audit Committee; and (ii) as a director of two other E&Y audit clients: Company B and Company C. As detailed below, through their acts and omissions in this matter, all three Respondents engaged in improper professional conduct; Respondents E&Y and Ferraro were each a cause of certain issuer-reporting violations; and E&Y also violated, and Ferraro was a cause of E&Y's violations of, Rule 2-02(b) of Regulation S-X.

#### B. Respondents

**Ernst & Young LLP** ("E&Y") is a professional services firm, headquartered in New York City, with offices located throughout the United States. At all relevant times and continuing to the present, E&Y has provided auditing, consulting, and tax services to a variety of companies, including companies whose securities are registered with the Commission and trade in the U.S. markets.

**John F. Ferraro, CPA**, a resident of Magnolia, Massachusetts, has been a CPA for over twenty-seven years; he has been licensed as a CPA by the state of Wisconsin since May 1980. He currently also has an active license in Ohio, and inactive or expired licenses in New York, Illinois, Kansas and Missouri. Ferraro was at all relevant times an E&Y partner and Vice-Chairman of the firm whose title was Americas Vice-Chair of Markets, with oversight responsibility for the firm's sales organization. Ferraro first joined the firm in 1977, and by October 2002 had at least 19 years of public-company audit experience. He has not practiced as an auditor for at least the last five years.

**Michael G. Lutze, CPA**, a resident of Brookfield, Wisconsin, has been a licensed CPA for over twenty-four years; he has been licensed as a CPA by the state of Wisconsin since January 1984. He currently also has active licenses in Illinois, Minnesota and Pennsylvania, and an expired license in Maine. Lutze was at all relevant times an E&Y audit partner. Lutze became the coordinating partner on E&Y's Company A audit engagement in April 2003 and served in that role until May 2005.

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<sup>1</sup> The findings herein are made pursuant to Respondents' Offers of Settlement and are not binding on any other person or entity in this or any other proceeding.























