

UNITED STATES OF AMERICA
Before the
SECURITIES AND EXCHANGE COMMISSION

SECURITIES EXCHANGE ACT OF 1934
Release No. 72198 / May 20, 2014

ACCOUNTING AND AUDITING ENFORCEMENT
Release No. 3554 / May 20, 2014

ADMINISTRATIVE PROCEEDING
File No. 3-15876

In the Matter of

JAMES T. ADAMS, CPA,

Respondent.

**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**

I.

The Securities and Exchange Commission ("Commission") deems it appropriate that public administrative and cease-and-desist proceedings be, and hereby are, instituted against James T. Adams, CPA ("Respondent" or "Adams"), pursuant to Sections 4C(a)(2)¹ and 21C of the Securities Exchange Act of 1934 ("Exchange Act") and Rule 102(e)(1)(ii)² of the Commission's Rules of Practice.

¹ Section 4C(a)(2) provides, in relevant part, that:

The Commission may censure any person, or deny, temporarily or permanently, to any person the privilege of appearing or practicing before the Commission in any way, if that person is found . . . to have engaged in unethical or improper professional conduct.

² Rule 102(e)(1)(ii) provides, in relevant part, that:

The Commission may . . . deny, temporarily or permanently, the privilege of appearing or practicing before it . . . to any person who is found . . . to have engaged in unethical or improper professional conduct.

II.

In anticipation of the institution of these proceedings, Respondent has submitted an Offer of Settlement (the “Offer”) 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 him and the subject matter of these proceedings, which are admitted, Respondent consents to the entry of this 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 (“Order”), as set forth below.

III.

On the basis of this Order and Respondent’s Offer, the Commission finds³ that:

A. SUMMARY

This matter involves issues of auditor independence and improper professional conduct arising from the repeated acceptance of tens of thousands of dollars in casino markers by James T. Adams, CPA in 2009 from a casino gaming issuer (“Casino Gaming Issuer”). At the time, Adams was the Chief Risk Officer of Deloitte LLP and a partner of Deloitte & Touche LLP (“D&T”). The Casino Gaming Issuer was an attest client of D&T, and from January 20, 2009 until January 13, 2010, Adams served as the advisory partner on D&T’s audit engagements for that issuer. During the audit and professional engagement period for D&T’s audit of the Casino Gaming Issuer’s financial statements for its fiscal year ended December 31, 2009, Adams sought and received casino markers from a casino of the Casino Gaming Issuer. The transactions by which Adams received the casino markers were prohibited “loans” under Rule 2-01(c)(1)(ii) of Regulation S-X. These loans impaired D&T’s independence with regard to its audit client. Through his actions, Adams caused D&T to violate Rule 2-02(b)(1) of Regulation S-X and caused the Casino Gaming Issuer to violate Section 13(a) of the Exchange Act and Rule 13a-1 promulgated thereunder.

B. RESPONDENT

Adams was the Chief Risk Officer of Deloitte LLP (“Deloitte”) from September 2005 through May 29, 2010. Additionally, Adams was a partner of D&T, a Deloitte subsidiary, from June 1985 through May 29, 2010. Adams worked for Deloitte and/or D&T and their predecessor entities from June 1974 until he retired in May 2010. Adams,

³ The findings herein are made pursuant to Respondent’s Offer of Settlement and are not binding on any other person or entity in this or any other proceeding.

age 62, resides in California. He obtained a license as a Certified Public Accountant (“CPA”) in Georgia in November 1974 and in California in September 2002. At the time of his actions discussed herein, Adams was a licensed CPA in the States of Georgia and California. His licenses are currently inactive.

C. RELEVANT ENTITIES

1. Deloitte is a Delaware limited liability partnership. It is the U.S. member firm of Deloitte Touche Tohmatsu Limited, a U.K. private company limited by guarantee. Deloitte has four main subsidiaries – D&T, Deloitte Tax LLP, Deloitte Consulting LLP, and Deloitte Financial Advisory Services LLP – that provide audit and enterprise risk services, tax, consulting, and financial advisory services, respectively. Deloitte does not provide client services; services are performed by the subsidiaries.

2. D&T is a Delaware limited liability partnership. It is a subsidiary of Deloitte that provides audit and other attest services and enterprise risk services to clients. D&T is registered with the Public Company Accounting Oversight Board (“PCAOB”). At all relevant times, D&T provided auditing and other services to a variety of casino entertainment and hospitality companies, including companies whose securities are registered with the Commission and trade on the U.S. markets.

3. Casino Gaming Issuer is incorporated in Delaware and is a casino entertainment and hospitality provider. At all times relevant to these proceedings, Casino Gaming Issuer was an attest client of D&T. At the time of Adams’ conduct described herein, the common stock of the Casino Gaming Issuer was registered with the Commission pursuant to Section 12(g) of the Exchange Act, and the issuer filed periodic reports with the Commission pursuant to Section 13 of the Exchange Act.

D. FACTS

1. From January 20, 2009 until January 13, 2010, Adams served as the advisory partner on D&T’s attest engagements of Casino Gaming Issuer. He worked on the firm’s audits of the issuer’s financial statements for its fiscal years ended December 31, 2008 and December 31, 2009. An advisory partner is a senior partner who is part of the audit engagement team. As the advisory partner on the Casino Gaming Issuer audit engagements, Adams primarily served as a liaison between D&T and the issuer’s management and audit committee.

2. Adams had regular contact with Casino Gaming Issuer’s management and the audit committee of its board of directors. Adams was invited to, and attended, certain of the issuer’s audit committee meetings and participated in audit committee conference calls and the review of audit committee materials.

3. While Adams was serving as the advisory partner on D&T’s 2009 Casino Gaming Issuer audit, he sought and received casino markers from a casino operated by the issuer. He visited the casino at least five times during this period and signed a number of

casino “markers.” A casino 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 had opened a line of credit with the casino on June 9, 2004 and increased that line of credit from \$100,000 to \$110,000 on December 16, 2009.

4. Adams drew down his line of credit by using markers at the Casino Gaming Issuer’s casino while he was the advisory partner for D&T’s Casino Gaming Issuer 2009 audit engagement. Specifically, on July 29, 2009, Adams drew markers, \$85,000 of which remained outstanding for a period of 43 days. On September 15, 2009, he drew markers, \$3,000 of which remained outstanding for a period of 13 days and \$70,000 of which remained outstanding for a period of 27 days. On October 13, 2009, Adams drew markers, \$110,000 of which remained outstanding for a period of 38 days. On December 8, 2009, he drew markers, \$100,000 of which remained outstanding for seven days. On December 16, 2009, Adams drew markers, \$110,000 of which remained outstanding.

5. On January 13, 2010, D&T removed Adams from the Casino Gaming Issuer 2009 audit engagement, for reasons that were not based on his use of casino markers. Adams subsequently defaulted on the \$110,000 of outstanding markers that he drew on December 16, 2009.

6. Adams concealed from D&T the fact that he had drawn casino markers from Casino Gaming Issuer and in fact lied to a D&T partner when he was asked generally if he had casino markers from attest clients of the firm. Accordingly, at the time that Adams retired, D&T was not aware of his casino markers from Casino Gaming Issuer.

7. On March 9, 2010, Casino Gaming Issuer filed its annual Report on Form 10-K for its fiscal year ended December 31, 2009. The annual report included a D&T audit report that stated that its audit of the financial statements of Casino Gaming Issuer had been conducted in accordance with the standards of the PCAOB. Because of Adams’ conduct described above, that statement was incorrect.

8. Adams retired from D&T on May 29, 2010.

E. LEGAL ANALYSIS

Basic Principles

1. “Public faith in the reliability of a corporation’s financial statements depends upon the public perception of the outside auditor as an independent professional.” SEC v. Arthur Young, 465 U.S. 805, 819 n.15 (1984).

2. The Commission has stated that it “will not recognize an accountant as independent, with respect to an audit client, if the accountant is not, or a reasonable investor with knowledge of all relevant facts and circumstances would conclude that the

accountant is not, capable of exercising objective and impartial judgment on all issues encompassed within the accountant's engagement." Rule 2-01(b) of Regulation S-X.

3. "In considering this standard, the Commission looks in the first instance to whether a relationship or the provision of a service: creates a mutual or conflicting interest between the accountant and the audit client" Preliminary Note to Rule 2-01 of Regulation S-X, ¶ 2.

4. Rule 2-01(c) of Regulation S-X sets forth a "non-exclusive specification of circumstances inconsistent with" the general standard. Among the listed circumstances is "[a]ny loan . . . to or from an audit client." Rule 2-01(c)(1)(ii)(A) of Regulation S-X.

Violations

5. As a result of the conduct described above, Adams caused D&T to violate Rule 2-02(b)(1) of Regulation S-X, which requires that an accountant's report state whether the audit was conducted in accordance with generally accepted auditing standards. Exchange Act Release No. 49708 provides that, for financial statements dated after May 24, 2004, the Rule's reference to "generally accepted auditing standards" means the standards of the PCAOB and the applicable Commission regulations, both of which require an auditor to be independent of its client. Adams knew or should have known that his conduct would cause the firm to violate the Rule.

6. As a result of the conduct described above, Adams caused Casino Gaming Issuer to violate Section 13(a) of the Exchange Act and Rule 13a-1 promulgated thereunder, which require that financial statements included in annual reports filed with the Commission be audited by an independent accountant. Adams knew or should have known that his conduct would cause the issuer to violate those provisions.

7. As a result of the conduct described above, Adams engaged in improper professional conduct, as defined by Exchange Act 4C(a)(2) and Rule 102(e)(1)(ii) of the Commission's Rules of Practice.

F. FINDINGS

Based on the conduct described above, Adams caused a violation of Rule 2-02(b)(1) of Regulation S-X by D&T, caused violations of Exchange Act Section 13(a) and Exchange Act Rule 13a-1 by Casino Gaming Issuer, and engaged in improper professional conduct within the meaning of Exchange Act Section 4C(a)(2) and Rule 102(e)(1)(ii) of the Commission's Rules of Practice.

IV.

In view of the foregoing, the Commission deems it appropriate to impose the sanctions agreed to in Respondent Adams' Offer.

Accordingly, it is hereby ORDERED, effective immediately, that:

A. Adams shall cease and desist from committing or causing any violations and any future violations of Rule 2-02(b)(1) of Regulation S-X and Section 13(a) of the Exchange Act and Rule 13a-1 promulgated thereunder.

B. Adams is denied the privilege of appearing or practicing before the Commission as an accountant.

C. After two years from the date of this Order, Respondent may request that the Commission consider his reinstatement by submitting an application (attention: Office of the Chief Accountant) to resume appearing or practicing before the Commission as:

1. a preparer or reviewer, or a person responsible for the preparation or review, of any public company's financial statements that are filed with the Commission. Such an application must satisfy the Commission that Respondent's work in his practice before the Commission will be reviewed either by the independent audit committee of the public company for which he works or in some other acceptable manner, as long as he practices before the Commission in this capacity; and/or
2. an independent accountant. Such an application must satisfy the Commission that:
 - (a) Respondent, or the public accounting firm with which he is associated, is registered with the PCAOB in accordance with the Sarbanes-Oxley Act of 2002, and such registration continues to be effective;
 - (b) Respondent, or the registered public accounting firm with which he is associated, has been inspected by the PCAOB and that inspection did not identify any criticisms of or potential defects in the Respondent's or the firm's quality control system that would indicate that the Respondent will not receive appropriate supervision;
 - (c) Respondent has resolved all disciplinary issues with the PCAOB, and has complied with all terms and conditions of any sanctions imposed by the PCAOB (other than reinstatement by the Commission); and
 - (d) Respondent acknowledges his responsibility, as long as Respondent appears or practices before the Commission as an independent accountant, to comply with all requirements

of the Commission and the PCAOB, including, but not limited to, all requirements relating to registration, inspections, concurring partner reviews, and quality control standards.

D. The Commission will consider an application by Respondent to resume appearing or practicing before the Commission provided that his state CPA license is current and he has resolved all other disciplinary issues with the applicable state boards of accountancy. However, if state licensure is dependent on reinstatement by the Commission, the Commission will consider an application on its other merits. The Commission's review may include consideration of, in addition to the matters referenced above, any other matters relating to Respondent's character, integrity, professional conduct, or qualifications to appear or practice before the Commission.

By the Commission.

Jill M. Peterson
Assistant Secretary