

NORTH CAROLINA
WAKE COUNTY

BEFORE THE NORTH CAROLINA STATE BOARD OF
CERTIFIED PUBLIC ACCOUNTANT EXAMINERS
CASE #: C2013045

IN THE MATTER OF:
Ernst & Young LLP
Respondent

CONSENT ORDER

THIS CAUSE, coming before the North Carolina State Board of CPA Examiners ("Board") at its offices at 1101 Oberlin Road, Raleigh, Wake County, North Carolina, with a quorum present. Pursuant to N. C. Gen. Stat. § 150B-41, the Board and Respondent stipulate to the following:

1. Ernst & Young LLP (hereinafter "E&Y" or "Respondent Firm") is a registered certified public accounting limited liability partnership in North Carolina.
2. Respondent Firm entered into a Non-Prosecution Agreement ("NPA") with the United States Department of Justice on February 26, 2013.
3. As described in the Statement of Facts attached to the NPA, from the period of 1999 through 2002, E&Y, in conjunction with various law firms, banks and investment advisors, developed, marketed, and implemented certain tax shelters that were intended to assist high net worth individuals to defer, reduce, or eliminate their income taxes. A small number of the tax shelters were sold to North Carolina clients.
4. Also, as set forth in the Statement of Facts:

A small group within E&Y known as the Strategic Individual Solutions Group ("SISG") was primarily responsible for supervising and coordinating the marketing, implementation and defense of E&Y's tax shelter products.

* * *

Unlike certain other accounting firms that marketed similar tax shelter products, the senior management of E&Y did not participate in the criminal wrongdoing of the SISG members. Indeed, certain members of SISG withheld important information from E&Y's senior management.

* * *

NC BOARD OF
OCT 15 2014
CPA EXAMINERS

The wrongdoing in this case by a small group of professionals at E&Y represented a deviation from the more than 100-year history of ethical and professional conduct by E&Y and its partners.

5. E&Y has confirmed that SISG was disbanded in early 2003 and that no North Carolina licensees were members of SISG.
6. E&Y has also produced evidence showing that it has undertaken an extensive program to ensure that similar conduct cannot be repeated. In fact the NPA notes that at the time that E&Y implemented its program, it "was praised by the IRS and recognized as a good working model for agreements with practitioners."
7. Respondent Firm wishes to resolve this matter by consent and agrees that the Board staff and counsel may discuss this Consent Order with the Board *ex parte*, whether or not the Board accepts this Consent Order as written. Respondent Firm understands and agrees that this Consent Order is subject to review and approval by the Board and is not effective until approved by the Board at a duly constituted Board Meeting.

BASED upon the foregoing, the Board makes the following Conclusions of Law:

1. Respondent Firm is subject to the provisions of Chapter 93 of the North Carolina General Statutes and Title 21, Chapter 08 of the North Carolina Administrative Code, including the Rules of Professional Ethics and Conduct promulgated and adopted therein by the Board.
2. The actions of the SISG members, as set forth above, violated 21 NCAC 08N .0201, .0203(a), .0207, .0211(b) and .0301(b). Although there is evidence in the record that SISG intentionally withheld material information from E&Y's senior management and none of those SISG members were North Carolina licensees, E&Y is nevertheless responsible for the actions taken by its employees per 21 NCAC 08N .0103.
3. Per N.C. Gen. Stat. § 93-12(9), and also by virtue of Respondent's consent to this order, Respondent is subject to the discipline set forth below.

BASED on the foregoing and in lieu of further proceedings, the Board and Respondent agree to the following Order:

1. Respondent Firm is censured.

NC BOARD OF

OCT 15 2014

CPA EXAMINERS

2. Respondent Firm shall remit, with this signed Order, a civil payment of twelve thousand dollars (\$12,000.00).
3. Respondent Firm shall reimburse the Board for one thousand seven hundred twenty-five dollars (\$1,725.00) in administrative costs incurred by the Board in its investigation of this matter. Said administrative costs must be remitted to the Board with this signed Order.

CONSENTED TO THIS THE 6th DAY OF October 2014.
(Day) (Month) (Year)

Bruce M. Cornier

Individual authorized to sign on behalf of Respondent Firm

APPROVED BY THE BOARD THIS THE 29 DAY OF OCTOBER,
(Day) (Month)
2014.
(Year)

NORTH CAROLINA STATE BOARD OF CERTIFIED
PUBLIC ACCOUNTANT EXAMINERS



BY: Miley W. Jones
President

NC BOARD OF
OCT 15 2014
CPA EXAMINERS