

## Press Releases

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December 24, 2004

### OTS 04-55 - OTS Announces Resolution of Charges Against Auditor of Closed Superior Bank FSB

#### Office of Thrift Supervision

FOR RELEASE at 10:00 A.M. EST

For further information

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OTS 04-55

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### OTS Announces Resolution of Charges Against Auditor of Closed Superior Bank FSB

WASHINGTON, D.C. - The Office of Thrift Supervision (OTS) announced today that it has resolved charges against Ernst & Young LLP, the former independent auditor of Superior Bank, FSB, Hinsdale, IL, through issuance of a Consent Order.

The Consent Order requires that Ernst & Young adopt and implement specific internal controls and policies concerning its audits of federally-insured savings associations, and provide periodic reports concerning such audits to the OTS. In addition, the Consent Order requires that Ernst & Young pay \$85,000,000 to the Federal Deposit Insurance Corporation (FDIC) as receiver for Superior Bank. Ernst & Young agreed to issuance of the Consent Order without admitting or denying that its conduct in auditing Superior Bank did not comply with any professional accounting standards.

OTS closed Superior Bank in July 2001 after the thrift became critically undercapitalized, largely due to incorrect accounting treatment and aggressive assumptions in its valuation of residual assets in the securitization of subprime mortgage loans. In December 2001, OTS and the FDIC reached an agreement with the owners of Superior Bank, who agreed to pay FDIC \$460 million over 15 years to resolve potential claims arising out of the operation and failure of Superior Bank. OTS also issued cease and desist orders against the former chairman of the board and chief financial officer of Superior in August 2001, and against the former president of Superior in October 2001.

OTS said that Ernst & Young had cooperated in resolving these matters. OTS further noted that while the Consent Order addresses problems specifically present in the Superior Bank matter, the potential for such problems exists in the audits of other financial institutions. CPA firms that audit federally insured depositories should give consideration to adopting most, if not all, of the practices required of E&Y in the Consent Order.

A copy of the Consent Order issued against Ernst & Young is available on the OTS website, [www.ots.treas.gov](http://www.ots.treas.gov), under "What's New."

Ernst & Young LLP Consent Order - <http://www.occ.gov/static/news-issuances/ots/press-releases/ots-pr-2004-55a.pdf>

Ernst & Young LLP Stipulation and Consent to Issuance of Consent Order - <http://www.occ.gov/static/news-issuances/ots/press-releases/ots-pr-2004-55b.pdf>

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The Office of Thrift Supervision, an office of the Department of the Treasury, regulates and supervises the nation's thrift industry. OTS's mission is to ensure the safety and soundness of, and compliance with consumer protection laws by, thrift institutions, and to support their role as home mortgage lenders and providers of other community credit and financial services. OTS also oversees the activities and operations of thrift holding companies that own or control thrift institutions. Copies of OTS news releases and other documents are available at the OTS web page at [www.ots.treas.gov](http://www.ots.treas.gov).