

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

**SECURITIES EXCHANGE ACT OF 1934**  
**Release No. 57234 / January 30, 2008**

**ACCOUNTING AND AUDITING ENFORCEMENT**  
**Release No. 2778 / January 30, 2008**

**ADMINISTRATIVE PROCEEDING**  
**File No. 3-12942**

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**In the Matter of**

**DAVID B. DUNCAN, CPA,**

**Respondent.**

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: **ORDER INSTITUTING**  
: **ADMINISTRATIVE PROCEEDINGS**  
: **PURSUANT TO RULE 102(e) OF THE**  
: **COMMISSION'S RULES OF**  
: **PRACTICE, MAKING FINDINGS, AND**  
: **IMPOSING REMEDIAL SANCTIONS**  
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**I.**

The Securities and Exchange Commission (“Commission”) deems it appropriate and in the public interest that public administrative proceedings be, and hereby are, instituted against David B. Duncan (“Respondent” or “Duncan”) pursuant to Rule 102(e)(3)(i) of the Commission’s Rules of Practice.<sup>1</sup>

**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, and the findings contained in Section III.4 below, which are admitted, Respondent consents to the entry of this Order Instituting Administrative Proceedings Pursuant to Rule 102(e)

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<sup>1</sup> Rule 102(e)(3)(i) provides, in relevant part, that:

The Commission, with due regard to the public interest and without preliminary hearing, may, by order, . . . suspend from appearing or practicing before it any . . . accountant . . . who has been by name . . . permanently enjoined by any court of competent jurisdiction, by reason of his or her misconduct in an action brought by the Commission, from violating or aiding and abetting the violation of any provision of the Federal securities laws or of the rules and regulations thereunder.

of the Commission's Rules of Practice, Making Findings, and Imposing Remedial Sanctions ("Order"), as set forth below.

### III.

On the basis of this Order and Respondent's Offer, the Commission finds that:

1. Duncan, age 48, resides in Houston, Texas. Duncan served as the global engagement partner for Arthur Andersen LLP's ("Andersen") audits of Enron Corp. ("Enron") from 1997 until January 2002. During the relevant time period, Duncan was a certified public accountant licensed in the State of Texas. As the global engagement partner, Duncan was ultimately responsible for determining whether an unqualified opinion should be issued within the auditor's report.

2. Enron was an Oregon corporation with its principal place of business in Houston, Texas. During the relevant time period, Enron's common stock was registered with the Commission pursuant to Section 12(b) of the Securities Exchange Act of 1934 ("Exchange Act") and traded on the New York Stock Exchange. Among other operations, Enron was the nation's largest natural gas and electric marketer, with reported annual revenue of more than \$100 billion. In 2000, Enron rose to number seven on the *Fortune* 500 list of public companies. By December 2, 2001, when it filed for bankruptcy, Enron's stock price had dropped in less than one year from more than \$80 per share to less than \$1.

3. Andersen once was one of the so-called "Big Five" accounting firms in the United States and had its headquarters in Chicago, Illinois. Andersen personnel performed work for Enron during the relevant time period in several cities, including Chicago, Houston and London.

4. On January 28, 2008, the Commission filed a complaint against Duncan in Securities and Exchange Commission v. David B. Duncan, Civil Action No. 4:08-CV-00314 (S.D. Tex.). On January 29, 2008, the court entered its Final Judgment against Duncan, which, among other things, permanently enjoined Duncan, by consent, from violating Section 10(b) of the Exchange Act and Rule 10b-5 thereunder.

5. The Commission's complaint alleged that Enron's senior executives engaged in and presided over a wide-ranging scheme to defraud the investing public by materially overstating the company's earnings and cash flows, and concealing debt in periodic reports filed with the Commission. The fraudulent scheme was carried out through a variety of complex structured transactions, off-balance sheet financings, related party transactions, misleading disclosures, and a widespread abuse of GAAP. As the global engagement partner responsible for the Enron audits, Duncan was ultimately responsible for determining whether an unqualified opinion should be issued within the auditor's report. The complaint also alleged that for years 1998 through 2000, Duncan was reckless in not knowing, that the unqualified audit reports he signed on behalf of Andersen were materially false and misleading. These auditor's reports were part of Enron's annual reports on Forms 10-K filed with the Commission in 1998, 1999 and 2000.

**IV.**

In view of the foregoing, the Commission deems it appropriate and in the public interest to impose the sanction agreed to in Respondent Duncan's Offer.

Accordingly, it is hereby ORDERED, effective immediately, that Duncan is suspended from appearing or practicing before the Commission as an accountant.

By the Commission.

Nancy M. Morris  
Secretary