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United States Senate

COMMITTEE ON
HOMELAND SECURITY AND GOVERNMENTAL AFFAIRS
WASHINGTON, DC 20510-6250

November 7, 2011

Joe Echevarria
Chief Executive Officer
Deloitte LLP
2 World Financial Center
New York, NY 10281-1414

Dear Mr. Echevarria:

As part of the Subcommittee's ongoing oversight of government contracts, I am writing to request information regarding audits performed by Deloitte for the federal government.

In 2010, the last year for which complete data is available, the federal government spent more than \$958 million on contracts with Deloitte LLP.¹ This includes contracts to perform audits for the federal government, including independent audits of the financial statements of the Federal Reserve Board and the Reserve Banks.²

On October 17, 2011, the Public Company Accounting Oversight Board (PCAOB) released a 2008 inspection report regarding Deloitte & Touche, a subsidiary of Deloitte LLP. In the report, the PCAOB found multiple deficiencies in Deloitte's audits, including, on 9 of 61 audits reviewed, Deloitte's failure to provide sufficient evidence to support its findings.³ The PCAOB found that these problems raised concerns regarding Deloitte's quality controls for audits. According to the PCAOB:

The nature and number of the reported deficiencies ... suggest that important issues may exist regarding: the design, adequacy ... and implementation of [Deloitte's] audit methodology and other audit policies; the sufficiency of [Deloitte's] emphasis on the critical need to exercise due care and professional skepticism when performing audits; [Deloitte's] supervision and review activities to ensure that the audit is performed thoroughly and with due care; the enforcement ... of compliance with [Deloitte's] policies and procedures; and the

¹ Federal Procurement Data System (online at fpds.org) (accessed Oct. 24, 2011).

² Board of Governors of the Federal Reserve System, *Oversight of the Federal Reserve System* (online at www.federalreserve.gov/monetarypolicy/bst_oversight.htm) (accessed Oct. 24, 2011).

³ Public Company Accounting Oversight Board, *Report on 2007 Inspection of Deloitte & Touche* (May 19, 2008) (online at http://pcaobus.org/Inspections/Reports/Documents/2008_Deloitte.pdf).

quality, delivery, relevance, and timeliness of [Deloitte's] training programs for audit personnel.⁴

The report is the first report critical of a "Big Four" accounting firm to be publicly released by the PCAOB, which keeps confidential reports critical of a firm's system of quality control if the firm adequately addresses the PCAOB's concerns within one year. The PCAOB released this report because it concluded that Deloitte has failed to implement sufficient changes to improve its quality controls.⁵

Although the PCAOB report does not reach conclusions regarding any audits other than those reviewed, the issues raised in the report raise serious questions regarding the integrity of all audits conducted by Deloitte. In order to better understand how the PCAOB's findings may affect the federal government, I request that you provide the information listed below for all audits performed under contracts with the federal government from 2006 through the present, including all audits that are currently underway:

- (1) The federal agency for which the audit was prepared;
- (2) The contract number of the contract under which the work was performed and the relevant task order, if appropriate;
- (3) The date of contract award;
- (4) The amount that was paid by the government to Deloitte to perform the audit;
- (5) The date the audit was initiated;
- (6) The date the audit was issued;
- (7) The type of audit (e.g. financial or program); and
- (8) A brief description of the scope.

Please submit your response in electronic format using the spreadsheet provided.

We request that you provide this information as soon as possible, but in no case later than **Friday, November 18, 2011**. If you determine that you will be unable to make a complete production by this date, please contact Subcommittee staff to discuss possible modifications to this schedule.

⁴ *Id.*

⁵ Public Company Accounting Oversight Board, *Firms that Failed to Address Quality Control Criticisms Satisfactorily* (online at pcaobus.org/Inspections/Reports/Pages/FirmsFailedToAddressQCSatisfactorily.aspx) (accessed Oct. 20, 2011).

Joe Echevarria
November 7, 2011
Page 3

The jurisdiction of the Subcommittee on Contracting Oversight is set forth in Senate Rule XXV clause 1(k); Senate Resolution 445 section 101 (108th Congress); and Senate Resolution 73 (111th Congress). An attachment to this letter provides additional information on how to respond to the Subcommittee's request.

Please contact Margaret Daum with the Subcommittee staff at (202) 224-4462 with any questions. Please send any official correspondence related to this request to Kelsey_Stroud@hsgac.senate.gov.

Sincerely,



Senator Claire McCaskill
Chairman
Subcommittee on Contracting Oversight

cc: Rob Portman
Ranking Member
Subcommittee on Contracting Oversight

Enclosures (2)

**Responding to Document Requests from
the Subcommittee on Contracting Oversight**

In responding to the document request from the Subcommittee on Contracting Oversight, please apply the instructions and definitions set forth below.

Instructions

1. In complying with the request, you should produce all responsive documents in your possession, custody, or control.
2. Documents responsive to the request should not be destroyed, modified, removed, transferred, or otherwise made inaccessible to the Subcommittee.
3. In the event that any entity, organization, or individual denoted in the request has been, or is currently, known by any other name than that herein denoted, the request should be read also to include them under that alternative identification.
4. Each document produced should be produced in a form that renders the document capable of being copied.
5. When you produce documents, you should identify the paragraph or clause in the Subcommittee's request to which the documents respond.
6. Documents produced in response to this request should be produced together with copies of file labels, dividers, or identifying markers with which they were associated when this request was issued. To the extent that documents were not stored with file labels, dividers, or identifying markers, they should be organized into separate folders by subject matter prior to production.
7. Each folder and box should be numbered, and a description of the contents of each folder and box, including the paragraph or clause of the request to which the documents are responsive, should be provided in an accompanying index.
8. It is not a proper basis to refuse to produce a document that any other person or entity also possesses a non-identical or identical copy of the same document.
9. If any of the requested information is available in machine-readable or electronic form (such as on a computer server, hard drive, CD, DVD, memory stick, or computer backup tape), you should consult with Subcommittee staff to determine the appropriate format in which to produce the information. Documents produced in electronic format should be organized, identified, and indexed electronically in a manner comparable to the organizational structure called for in (6) and (7) above. Documents produced in an electronic format should also be produced in a searchable format.

10. In the event that a responsive document is withheld on any basis, you should provide the following information concerning the document: (a) the reason the document is not being produced; (b) the type of document; (c) the general subject matter; (d) the date, author, and addressee; and (e) the relationship of the author and addressee to each other.
11. If any document responsive to this request was, but no longer is, in your possession, custody, or control, you should identify the document (stating its date, author, subject and recipients) and explain the circumstances by which the document ceased to be in your possession, custody, or control.
12. If a date or other descriptive detail set forth in this request referring to a document is inaccurate, but the actual date or other descriptive detail is known to you or is otherwise apparent from the context of the request, you should produce all documents which would be responsive as if the date or other descriptive detail were correct.
13. This request is continuing in nature and applies to any newly discovered document. Any document not produced because it has not been located or discovered by the return date should be produced immediately upon location or discovery subsequent thereto.
14. All documents should be bates-stamped sequentially and produced sequentially.
15. Two sets of documents should be delivered, one set to the majority staff and one set to the minority staff. The majority set should be delivered to the majority staff in Room 613B of the Hart Senate Office Building, and the minority set should be delivered to the minority staff in Room 442 of the Hart Senate Office Building. You should consult with Committee staff regarding the method of delivery prior to sending any materials.
16. Upon completion of the document production, you should submit a written certification, signed by you or your counsel, stating that: (1) a diligent search has been completed of all documents in your possession, custody, or control which reasonably could contain responsive documents; and (2) all documents located during the search that are responsive have been produced to the Subcommittee or identified in a privilege log provided to the Subcommittee.

Definitions

1. The term “document” means any written, recorded, or graphic matter of any nature whatsoever, regardless of how recorded, and whether original or copy, including, but not limited to, the following: memoranda, reports, expense reports, books, manuals, instructions, financial reports, working papers, records notes, letters, notices, confirmations, telegrams, receipts, appraisals, pamphlets, magazines, newspapers, prospectuses, interoffice and intra-office communications, electronic mail (email), contracts, cables, notations of any type of conversation, telephone calls, meetings or other communications, bulletins, printed matter, computer printouts, teletypes, invoices, transcripts, diaries, analyses, returns, summaries, minutes, bills, accounts, estimates, projections, comparisons, messages, correspondence, press releases, circulars, financial statements, reviews, opinions, offers, studies and investigations, questionnaires and surveys, and work sheets (and all drafts, preliminary versions, alterations, modifications, revisions, changes, and amendments of any of the foregoing, as well as any attachments or appendices thereto). The term also means any graphic or oral records or representations of any kind (including without limitation, photographs, charts, graphs, voice mails, microfiche, microfilm, videotape, recordings and motion pictures), electronic and mechanical records or representations of any kind (including, without limitation, tapes, cassettes, disks, computer server files, computer hard drive files, CDs, DVDs, memory sticks, and recordings), and other written, printed, typed, or other graphic or recorded matter of any kind or nature, however produced or reproduced, and whether preserved in writing, film, tape, disk, videotape or otherwise. A document bearing any notation not a part of the original text is to be considered a separate document. A draft or non-identical copy is a separate document within the meaning of this term.
2. The term “documents in your possession, custody, or control” means (a) documents that are in your possession, custody, or control, whether held by you or your past or present agents, employees, or representatives acting on your behalf; (b) documents that you have a legal right to obtain, that you have a right to copy, or to which you have access; and (c) documents that you have placed in the temporary possession, custody, or control of any third party.
3. The term “communication” means each manner or means of disclosure or exchange of information, regardless of means utilized, whether oral, electronic, by document or otherwise, and whether face-to-face, in a meeting, by telephone, mail, telexes, discussions, releases, personal delivery, or otherwise.
4. The terms “and” and “or” shall be construed broadly and either conjunctively or disjunctively to bring within the scope of the request any information which might otherwise be construed to be outside its scope. The singular includes plural number, and vice versa. The masculine includes the feminine and neuter genders.

5. The terms “person” or “persons” means natural persons, firms, partnerships, associations, corporations, subsidiaries, divisions, departments, joint ventures, proprietorships, syndicates, or other legal, business or government entities, and all subsidiaries, affiliates, divisions, departments, branches, and other units thereof.
6. The terms “referring” or “relating,” with respect to any given subject, means anything that constitutes, contains, embodies, reflects, identifies, states, refers to, deals with, or is in any manner whatsoever pertinent to that subject.

CERTIFICATION

I, *(insert name)*, am the *(insert title)* of *(Company name)* (“the Company”), and have served in this position for *(number of years)* years. I am authorized by the Company to provide this certification to the U.S. Senate, Committee on Homeland Security and Governmental Affairs, Subcommittee on Contracting Oversight regarding the Company’s production of documents responsive to the Subcommittee’s document request letter of *(insert date)*.

I hereby certify that the Company has conducted a diligent search of all files and places under its custody and control, including computer servers and other electronic storage media, which reasonably could contain documents responsive to one or more of the enumerated requests in the Committee’s document request letter. I certify that as of the date listed below, the Company has produced to the Subcommittee, in accordance with the instructions and definitions provided by the Subcommittee with the document request letter, all documents located during the search that are responsive to one or more of the enumerated requests.

Under the pains and penalties of perjury, I attest that the foregoing is true and accurate to the best of my knowledge.

Name

Date