

UNITED STATES OF AMERICA
before the
SECURITIES AND EXCHANGE COMMISSION

SECURITIES EXCHANGE ACT OF 1934
Release No. 55310 / February 16, 2007

ACCOUNTING AND AUDITING ENFORCEMENT
Release No. 2560 / February 16, 2007

ADMINISTRATIVE PROCEEDING
File No. 3-12569

In the Matter of

RICHARD A. CAUSEY, CPA,

Respondent.

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

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 Richard A. Causey (“Respondent” or “Causey”) pursuant to Rule 102(e)(3)(i) of the Commission’s Rules of Practice.¹

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

¹ 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.

herein, except as to the Commission's jurisdiction over him and the subject matter of these proceedings, and the findings contained in Section III.3 below, which are admitted, Respondent consents to the entry of this Order Instituting Administrative Proceedings Pursuant to Rule 102(e) 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. Causey, age 47, of The Woodlands, Texas, joined Enron Corp. in 1991. In 1998, Causey became Chief Accounting Officer of Enron and retained that position until he left Enron in 2002. At all relevant times, Causey was a certified public accountant licensed to practice in the State of Texas. Causey signed Enron's annual reports on Form 10-K and its quarterly reports on Form 10-Q filed with the Commission.

2. Enron was, at all relevant times, an Oregon corporation with its principal place of business in Houston, Texas. Until its bankruptcy filing in December 2001, Enron was the seventh largest corporation in the United States based on reported revenue. In the previous ten years, Enron had evolved from a regional natural gas provider to a commodity trader of natural gas, electricity, and other physical commodities with retail operations in energy and other products. At all relevant times, the common stock of Enron 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.

3. On January 22, 2004, the Commission filed a complaint against Causey in Securities and Exchange Commission v. Richard A. Causey, Civil Action No. H-04-0284 (S.D. Tex.). The Commission filed its second amended complaint against Causey on July 8, 2004. On February 8, 2007, the court entered its Final Judgment against Causey, which, among other things, permanently enjoined Causey, by consent, from violating, and aiding and abetting the violation of, Sections 10(b) and 13(b)(5) of the Exchange Act and Exchange Act Rules 10b-5, 13b2-1 and 13b2-2, and from aiding and abetting the violation of Sections 13(a), 13(b)(2)(A) and 13(b)(2)(B) of the Exchange Act and Exchange Act Rules 12b-20, 13a-1 and 13a-13. The court also prohibited Causey from acting as an officer or director of any issuer of securities that has a class of securities registered pursuant to Section 12 of the Exchange Act or that is required to file reports pursuant to Section 15(d) of such Act.

4. The Commission's complaint alleged that Causey, along with others, engaged in a wide-ranging scheme to manipulate Enron's publicly-reported earnings through a variety of devices designed to produce materially false and misleading financial results. As alleged, Causey and others fraudulently manipulated Enron's merchant asset portfolio; improperly used "off-balance-sheet" special purpose entities (SPEs); manipulated Enron's "business segment reporting" to conceal losses at Enron's retail energy business, Enron Energy Services (EES); manipulated expenses to conceal losses at Enron's broadband unit, Enron Broadband Services (EBS); and manipulated reserves in Enron's wholesale energy trading business to conceal earnings

volatility and losses. The complaint also alleged that Causey and others made false and misleading statements concerning Enron's financial results and the performance of its businesses, and that these misrepresentations were reflected in Enron's public filings with the Commission.

5. On December 28, 2005, in a parallel criminal proceeding brought in the United States District Court for the Southern District of Texas, captioned United States v. Richard A. Causey, CR-H-04-25(S-2), Causey pleaded guilty to one count of violating 15 U.S.C. §§ 78j(b) and 78ff, a felony that carries a ten-year maximum sentence, by knowingly and willfully conspiring to commit securities fraud. Under the plea agreement, Causey will forfeit \$1.25 million, relinquish any claim he may have to deferred compensation in the Enron bankruptcy,² and cooperate with the ongoing investigation being conducted by the Commission and Task Force.³

IV.

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

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

By the Commission.

Nancy M. Morris
Secretary

² In return for Causey relinquishing any claim he may have to deferred compensation, the Task Force will credit him with giving up \$250,000. This number approximates the value of Causey's claim to deferred compensation from his work at Enron. Thus, with Causey's forfeiture of \$1.25 million in other assets, the Task Force is crediting Causey with giving up a total of \$1.5 million.

³ On November 15, 2006, Causey was sentenced to 66 months in prison. Pursuant to the plea agreement, Causey's potential sentence ranged from 60-84 months, subject to the Court's ultimate discretion.