



Texas State Board of Public Accountancy

333 Guadalupe, Tower III Suite 900, Austin, Texas 78701-3900

William Treacy, Executive Director

FOR IMMEDIATE RELEASE
January 25, 2007

Contact: William Treacy, Exec. Dir.
(512) 305-7801

State Board Imposes Penalties On KPMG Accounting Firm

AUSTIN—In an Agreed Consent Order approved today by the Texas State Board of Public Accountancy, the accounting firm of KPMG, LLP's license was suspended for 5 years. The suspension, however, was stayed and KPMG was placed on probation for 3 years. Penalties were issued on 96 violations of the Public Accountancy Act at \$1000 per violation, which was the maximum fine permitted under Texas law at the time of the admitted violations. KPMG was also required to pay the Board \$3,842.45 in administrative costs.

The Board is the licensing and enforcement body for all Texas CPAs and CPA firms. KPMG is a financial services company with offices worldwide. KPMG employs over 400 Certified Public Accountants in 6 offices across Texas.

The Board's action is based on admissions made in a Deferred Prosecution Agreement with the U.S. Department of Justice on August 25, 2005, concerning tax shelters designed, implemented, and marketed by KPMG from 1996 until 2002.

If at any time during the probationary period KPMG is convicted of not complying with the terms of the U.S. Department of Justice agreement, KPMG's firm license to practice in Texas will be suspended.

In the Deferred Prosecution Agreement with the U.S. Department of Justice, KPMG admitted that through the actions of former partners and employees it prepared fraudulent tax returns for clients; drafted false statements to support the tax shelters; issued opinions that were false; concealed the tax shelters and the facts regarding them from the Internal Revenue Service; failed to locate and produce documents sought by the Internal Revenue Service, and misrepresented to the Internal Revenue Service KPMG's role in creating the tax shelters.