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UNITED STATES OF AMERICA
Before the
OFFICE OF THRIFT SUPERVISION

In the Matter of COOPERS & LYBRAND, AND ARTHUR L. KNIGHT The Former Independent Auditor, and Engagement Partner, Silverado Banking, Savings and Loan Association Denver, Colorado.	Order No. 90-3036 Dated: December 11, 1990

OPINION AND ORDER ACCEPTING
OFFER OF SETTLEMENT BY
COOPERS & LYBRAND AND ARTHUR L. KNIGHT

Respondents Coopers & Lybrand and Arthur L. Knight ("Knight") have submitted an Offer of Settlement ("Offer") in the above-captioned proceeding. Upon consideration, the Office of Thrift Supervision ("OTS") has determined to accept the Offer.[1] Solely on the basis of the consent evidenced by the Offer, and without any adjudication on the merits, OTS HEREBY ORDERS that:[2]

[1]In the Offer, without admitting or denying the allegations of the Notice of Charges ("Notice") in this proceeding, Coopers & Lybrand and Knight acknowledge service of the Notice, admit the jurisdiction of OTS with respect to the matters set forth in the Notice; waive a hearing, all post-hearing procedures, judicial review of OTS's Order by any court, and any objection to the staff's participating in OTS's consideration of the Offer; and stipulate that the record basis for this proceeding consists of the Notice and the Offer.

[2]Solely by virtue of the Offer and not by any adjudication on the merits, the Order may be used in proceeding brought by OTS to enforce the Order; provided, however, that there shall be no use of the Notice in such a proceeding except in connection with a proceeding to enforce paragraph 6 of this Order. The Notice, the Offer, this Order or the relief consented to by virtue of the Offer shall not be used by OTS for any other purpose.

1. Arthur L. Knight shall not participate in any audit of an insured depository institution.

2. Coopers & Lybrand shall require for five (5) years from the date of this Order, and in connection with audit examinations of insured depository institutions commencing on or after January 1, 1991, that:

(a) Concurring partners assigned to such audit examinations possess the requisite background and experience with respect to insured depository institutions;

(b) Each engagement partner, manager and lead senior associate assigned to such audit examinations undergo training totaling 20 hours per year in one or more subjects relevant to audits of insured depository institutions;

(c) Each manager and lead senior associate assigned to such audit examinations (i) have completed a basic Coopers & Lybrand audit course relating to insured depository institutions or (ii) possess the equivalent background and have had at least 300 chargeable hours in connection with insured depository institution audits; and

(d) In the case of audit examinations of savings and loan associations with total assets that exceed $300,000,000, either the engagement partner or the manager assigned to each such audit, or the two of them together have had a total of at least 1000 chargeable hours of relevant audit experience immediately preceding three (3) year period, at least 300 of which were in connection with insured depository institution audits.

3. For five (5) years from the date of this Order as part of its annual national quality control program, Coopers & Lybrand shall include a sample of partners assigned to audit examinations of insured depository institutions, and the quality control review with respect to those partners shall include the audits of insured depository institutions performed by those partners. That sample shall include in each year at least twenty-five (25%) percent of the partners assigned to such audits, and result in the inclusion of one hundred (100%) percent of such partners over the course of any successive three (3) years. Such quality control review shall be performed by qualified personnel.

4. Prior to agreeing to provide audit services for the first time to an insured depository institution audit client, Coopers & Lybrand shall:

(a) Determine the reasons for the change in auditors, including the specific nature of disputes, if any, between the predecessor auditor and the prospective audit client;

(b) Comply with the applicable professional standards with respect to evaluating accounting principles or determining the type of opinion that Coopers & Lybrand may render (the current standards are Paragraph 7 of Statement of Auditing Standards No. 59 (AU ¶ 625.07) and Accounting Principles Board Opinion No. 20);

(c) Document and retain a preliminary assessment of audit risks and the hours of work required to perform the audit in light of these risks; and

(d) Determine whether the objectives of the services are compatible with Coopers & Lybrand's policies, and critically evaluate whether the required technical competence is available within Coopers to perform the necessary services. If the required expertise is not available at a given local office, arrangements shall be made to utilize resources from other offices, and thus ensure that the proper technical expertise is available. If the proper technical resources are still not available, then the engagement shall not be accepted.

5. Coopers & Lybrand shall perform audits of insured depository institutions in accordance with generally accepted auditing standards ("GAAS") as promulgated by the American Institute of Certified Public Accountants ("AICPA"), making appropriate use (consistent with GAAS) of:

(a) Appraisals and/or analyses of the cash flow characteristics of the underlying collateral in evaluating the carrying value of loans and accounts receivable and the appropriateness of the related allowance for loan losses;

(b) A review of the effectiveness of the institution's loan underwriting policies in determining the nature and extent of audit procedures;

(c) Audit procedures relating to the identification, evaluation, classification and disclosure of related party transactions (the auditor should be aware that the substance of a particular transaction could be significantly different from its form and that financial statements should recognize the substance of particular transactions rather than their legal form); and

(d) Audit procedures relating to the identification and evaluation of the financial statement classification of substantial capital contributions that may have been funded by simultaneous loans or other transactions with the same party.

6. For five (5) years from the date of this Order, Coopers & Lybrand shall require each partner, manager, and lead senior associate at the time he or she is assigned to an audit examination of an insured depository institution to read a copy of the Notice and this Order and acknowledge that he or she has done so. In applying paragraph 5 of this Order, such personnel shall document their consideration of the views of the OTS as set forth in the Notice, and to the extent those views are not followed, document the reasons therefore.

7. For three (3) years from the date of this Order, Coopers & Lybrand shall provide to the OTS, on or before the 31st of March, a written report setting forth in detail the manner and form in which it has complied with Paragraphs 2 and 3 of the Order.

8. For three (3) years from the date of this Order, Coopers & Lybrand shall submit to OTS a description of any modification of its training program relating to auditing insured depository institutions and a copy of any modification of its Accounting and Auditing Manual sections relating to any of the matters addressed in the Order.

9. For five (5) years from the date of this Order, Coopers & Lybrand shall promptly respond to any request from OTS for documents that OTS reasonably requires to demonstrate compliance with this Order.

10. Coopers & Lybrand shall retain (i) all working papers that refer or relate to audits for both current and former insured depository institution clients and (ii) administrative papers relating to acceptance and retention of insured depository institution audit clients for a period of not less than five (5) years.

11. For the purpose of this Order, the phrase "relevant audit experience" may have been obtained in connection with audits of insured depository institutions and their non-diversified holding companies and real estate companies, investment companies, insurance companies, securities companies, investment banking companies and similar companies whose principal business involves utilizing funds obtained from and held for the public.

12. For the purpose of this Order, the phrase "insured depository institution" is defined to include savings and loan associations, commercial banks, credit unions and other similar entities that hold federally insured deposits, and their non-diversified holding companies.

13. This Order constitutes the final disposition of all allegations in the Notice, and all further OTS proceedings related to the Notice herein against Coopers & Lybrand and Arthur Knight are hereby terminated.

14. Unless another date is specifically provided for in this Order, all terms of this Order, other than paragraphs 1 and 13 and note 2, shall cease five years from the date of this Order.

A copy of this Order shall be served upon Respondents Coopers & Lybrand and Arthur L. Knight at the addresses set forth in the Notice.

/S/

T. Timothy Ryan
Director
Office of Thrift Supervision