

Hearing before the Senate Subcommittee on Financial Institutions and Consumer
Protection:

“Outsourcing Accountability? Examining the Role of Independent Consultants”

Testimony of Owen Ryan, Deloitte & Touche LLP

April 11, 2013

Chairman Brown, Ranking Member Toomey, other members of the Subcommittee, good morning. My name is Owen Ryan and I lead the Advisory practice at Deloitte & Touche LLP (“Deloitte”). Our Advisory practice offers a wide range of services to clients in most major industries. Our services include:

- Cyber, security and privacy;
- Governance, regulatory and risk management;
- Finance operations and controls transformation;
- Financial accounting and valuation;
- Internal auditing; and
- Mergers and acquisitions.

I am a certified public accountant and have more than 28 years of professional experience. I serve on both the Deloitte & Touche LLP Board of Directors and its Executive Committee.

In your invitation you asked our Firm to discuss our role as independent consultant for financial institutions, and the role of independent consultants more generally. Before

I do so, I would note that we served as the independent consultant on the mortgage foreclosure review for JP Morgan Chase. My remarks, I believe, will be responsive to your invitation letter and generally be applicable to our foreclosure review engagement. I would also note that Deloitte is not a law firm, and therefore my testimony today is not based on legal analysis, but is instead based on my professional experiences.

Deloitte member firms employ more than 190,000 individuals globally and the United States firms employ almost 60,000 people. We provide professional services in four key areas – audit, advisory, tax and consulting. Our business framework allows us to provide a wide range of professional services, based on the needs of our clients. While independent consulting engagements do not represent a substantial portion of our business, I can assure you that we take our role seriously. We strive to fulfill our professional obligations to provide independent, objective and quality services, consistent with the highest standards of our profession.

Before accepting a role as independent consultant, our firm determines if we have the requisite experience, qualifications and appropriate number of professionals to execute our responsibilities. Our professionals serving on these types of engagements generally have auditing, consulting, industry or regulatory experience. Supplemental training on rules and regulations pertinent to each engagement may be necessary. In addition, it may be important for these professionals to have experience working on, or handling, large-scale, complex and evolving engagements. We believe we were well qualified to serve as the independent consultant for the foreclosure review.

We know from our experiences that it is important to maintain open communication and an appropriate working relationship among the independent consultants, the regulators and the institutions being monitored. Frequently scheduled meetings and timely reporting are important mechanisms for communicating our approach and progress.

Independent consulting engagements often result from regulatory directives. As such, these engagements are subject to the oversight of regulators, as determined by their requirements. These requirements generally include regulatory approval of the independent consultant and the scope and methodology to be used.

Given the relatively small number of firms with the scale and expertise required to serve as an independent consultant on large engagements, it is often the case that a firm will have some previous relationships with an institution. Our policies and procedures are designed to ensure that each engagement is approached with due professional care, objectivity and integrity, consistent with American Institute of CPAs Consulting Standards. These policies and procedures include disclosing to the regulator our previous relationships with the institution before accepting the engagement. Circumstances may also dictate the need for us to decline the engagement altogether.

The engagement letter generally defines our professional obligations. As part of our engagement acceptance procedures, we would identify any regulatory considerations that are not within our purview and expertise as an independent consultant. To the extent we

become aware of compliance issues outside the scope of our purview, we would obviously fulfill all reporting obligations to the regulator.

Deloitte policies and procedures promote the delivery of consistent, high quality services in our independent consulting engagements. Quality control and assurance are integral to the success of all of our engagements, and we take care to build them into the design, execution and review of our projects. We conduct mandatory training for our professionals and rigorously monitor the quality of our work on our independent consulting engagements.

As a firm, we have been in business for over 100 years. We know that our reputation is our most important asset. As such, independence, integrity and objectivity are of paramount importance to us. We take very seriously our professional obligations. We have an overriding commitment to excellence in everything we do.

I thank you for providing me with this opportunity to testify and would be happy to answer any questions you have.