

UNITED STATES OF AMERICA
Before the
SECURITIES AND EXCHANGE COMMISSION

SECURITIES EXCHANGE ACT OF 1934
Release No. 55554 / March 29, 2007

ACCOUNTING AND AUDITING ENFORCEMENT
Release No. 2587 / March 29, 2007

ADMINISTRATIVE PROCEEDING
File No. 3-12603

In the Matter of

AMBER SCHATZ, CPA,

Respondent.

**ORDER INSTITUTING PUBLIC
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 that public administrative proceedings be, and hereby are, instituted against Amber Schatz, CPA ("Respondent" or "Schatz") pursuant to Rule 102(e)(1)(ii) 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 herein, except as to the Commission's jurisdiction over her and the subject matter of these proceedings, which are admitted, Respondent consents to the entry of this Order Instituting Public 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.

¹ Rule 102(e)(1)(ii) provides, in pertinent part, that:

The Commission may . . . deny, temporarily or permanently, the privilege of appearing or practicing before it . . . to any person who is found . . . to have engaged in unethical or improper professional conduct.

III.

On the basis of this Order and Respondent's Offer, the Commission finds² that:

A. SUMMARY

While employed by the auditing firm PricewaterhouseCoopers ("PwC"), Texas-licensed CPA Amber Schatz served as a senior associate on PwC's audit teams that conducted the independent audits of the 1998 and 1999 financial statements of Patterson-UTI, Inc. ("Patterson-UTI"). During the 1999 audit, Schatz received a \$40,500 personal loan from Patterson-UTI's chief financial officer ("CFO") at the time. As a result of receiving the loan, which Schatz concealed from PwC, Schatz engaged in improper professional conduct by failing to maintain strict independence from the audit client as required under generally accepted auditing standards ("GAAS").

B. RESPONDENT

Amber Schatz, a Texas-licensed CPA, was employed by PwC from 1996 through 2002. Schatz participated in PwC's audits of the 1998 and 1999 financial statements of Patterson-UTI, a public company based in Snyder, Texas. Currently, she is not employed.

C. FACTS

1. Schatz was a member of the PwC team that audited Patterson-UTI's financial statements for the fiscal years 1998 and 1999. During the 1999 audit, she served as a PwC senior associate, conducting audit work at Patterson-UTI's offices. As a senior associate, her duties included, among other things, working with other PwC staff in planning the audit process, reviewing certain audit work papers of subordinate associates, and participating in the testing of Patterson-UTI's accounting controls.

2. During the 1999 audit, Jonathan D. Nelson, Patterson-UTI's CFO at the time, gave Schatz a \$40,500 personal check dated December 16, 1999. The check reflected the notation "loan" in the memo block. Schatz did not execute a formal note, but ultimately paid off the loan in April 2005 after completing 59 monthly installments of \$850 each, which included annual interest of 9%. Nelson resigned from Patterson-UTI in October 2005.³

² The findings herein are made pursuant to Respondent's Offer of Settlement and are not binding on any other person or entity in this or any other proceeding.

³ On November 16, 2005, the United States District Court for the Northern District of Texas, Lubbock Division, entered orders freezing Nelson's assets and granting other relief in a Commission lawsuit against him. The Commission alleged that he embezzled more than \$69 million from Patterson-UTI and defrauded investors by, among other things, falsifying Patterson-UTI's financial statements and Commission filings over five years. *SEC v. Jonathan D. Nelson (Defendant), XIT Land & Energy, Inc., Chisum Travel Center, Ltd., Z8 Properties, Ltd., Three Stars Aviation, LLC, and Chisum Coach, Ltd. (Defendants Solely for Purposes of Equitable Relief)*, Case No. 5-05CV0266-C. (N.D. Tex., Lubbock Division, filed November 16, 2005). On October 10, 2006, Nelson was sentenced to 25 years in prison by the same court in a related criminal case brought by the United States Attorney for the Northern District of Texas. Neither case named Schatz or alleged misconduct against her.

3. On May 15, 2000, Schatz signed an independence-certification letter to PwC that falsely stated that she had not received any loans from any Patterson-UTI officers during the 1999 audit work.

4. At the time of the events described above, the applicable Commission auditor-independence rule, Regulation S-X, Section 210.2-01, stated, in pertinent part:

b. The Commission will not recognize any certified public accountant or public accountant as independent who is not in fact independent

c. In determining whether an accountant may in fact be not independent with respect to a particular person, the Commission will give appropriate consideration to all relevant circumstances, including evidence bearing on all relationships between the accountant and that person or any affiliate thereof, and will not confine itself to the relationships existing in connection with the filing of reports with the Commission.⁴

5. GAAS requires auditors to maintain strict independence from their audit clients. Rule 101 of the Code of Professional Conduct of the American Institute of Certified Public Accountants (“AICPA”), states, in pertinent part, that a “member in public practice shall be independent in the performance of professional services.” Interpretation 101-1 of AICPA Rule 101 provides, among other things, that independence shall be considered impaired if, during the period of the professional engagement, a member “had any loan to or from the client [or] any officer or director of the client.”

6. Rule 102(e)(1)(ii) of the Commission’s Rules of Practice provides, in pertinent part, that the Commission may deny, temporarily or permanently, the privilege of appearing or practicing before it in any way to any person who is found by the Commission after notice and opportunity for hearing in the matter to have engaged in improper professional conduct.

D. FINDINGS

Based on the foregoing, the Commission finds that Schatz engaged in improper professional conduct within the meaning of Rule 102(e)(1)(ii) of the Commission’s Rules of Practice.

⁴ The current Regulation S-X, Rule 2-01(c)(1)(ii), explicitly prohibits loans or debtor/creditor relationships between auditors and audit clients. This rule became effective May 7, 2001, however, after the events that form the basis of this Order.

IV.

In view of the foregoing, the Commission deems it appropriate to impose the sanctions agreed to in Respondent Schatz's Offer.

Accordingly, it is hereby ORDERED, effective immediately, that:

A. Schatz is denied the privilege of appearing or practicing before the Commission as an accountant.

B. After one year from the date of this order, Respondent may request that the Commission consider her reinstatement by submitting an application (attention: Office of the Chief Accountant) to resume appearing or practicing before the Commission as:

1. a preparer or reviewer, or a person responsible for the preparation or review, of any public company's financial statements that are filed with the Commission. Such an application must satisfy the Commission that Respondent's work in her practice before the Commission will be reviewed either by the independent audit committee of the public company for which he/she works or in some other acceptable manner, as long as she practices before the Commission in this capacity; and/or

2. an independent accountant. Such an application must satisfy the Commission that:

(a) Respondent, or the public accounting firm with which she is associated, is registered with the Public Company Accounting Oversight Board ("Board") in accordance with the Sarbanes-Oxley Act of 2002, and such registration continues to be effective;

(b) Respondent, or the registered public accounting firm with which she is associated, has been inspected by the Board and that inspection did not identify any criticisms of or potential defects in the respondent's or the firm's quality control system that would indicate that the respondent will not receive appropriate supervision.

(c) Respondent has resolved all disciplinary issues with the Board, and has complied with all terms and conditions of any sanctions imposed by the Board (other than reinstatement by the Commission); and

(d) Respondent acknowledges her responsibility, as long as Respondent appears or practices before the Commission as an independent accountant, to comply with all requirements of the Commission and the Board, including, but not limited to, all requirements relating to registration, inspections, concurring partner reviews and quality control standards.

C. The Commission will consider an application by Respondent to resume appearing or practicing before the Commission provided that her state CPA license is current and that she has resolved all other disciplinary issues with the applicable state boards of accountancy.

However, if state licensure is dependent on reinstatement by the Commission, the Commission will consider an application on its other merits. The Commission's review may include consideration of, in addition to the matters referenced above, any other matters relating to Respondent's character, integrity, professional conduct, or qualifications to appear or practice before the Commission.

By the Commission.

Nancy M. Morris
Secretary