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U.S. watchdog finds deficiencies in BDO audits

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* BDO faulted for audit deficiencies by PCAOB

* BDO one of six largest US accounting firms

(Reuters) - The U.S. auditing industry watchdog faulted major accounting firm BDO USA LLP on Monday for numerous deficiencies found in some 2010 audit inspections, the latest of several negative reports on U.S. accounting firms.

BDO's auditors failed to identify or address financial misstatements and in some cases failed to get enough evidence to support audit opinions, the Public Company Accounting Oversight Board said in an inspection report.

BDO, the sixth-largest U.S. accounting firm, declined comment beyond its official response to the PCAOB.

In a Jan. 16 letter to the PCAOB, BDO said it evaluated the PCAOB's report and instituted additional procedures where necessary. It said none of the items identified by the PCAOB had an impact on the firm's audit opinions.

The PCAOB said that in one case, BDO auditors did not properly test fair-value measurements for mortgage-backed securities and other hard-to-value securities.

For another company, inspectors could not find enough evidence that auditors had correctly tested provisions for income tax, the PCAOB said.

The PCAOB did not name or identify companies involved in the report.

The PCAOB, created by the 2002 Sarbanes-Oxley Act to oversee auditors after the Enron and Worldcom accounting scandals, inspects the largest accounting firms each year.

BDO is one of the six largest accounting firms, which also include Grant Thornton, Deloitte, Ernst & Young, KPMG and PricewaterhouseCoopers. (Reporting By Dena Aubin; Editing by Kevin Drawbaugh, Bernard Orr)

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- The man accused of gunning down former U.S. Navy SEAL Chris Kyle, a prominent military sniper, and a second man at a Texas shooting range has been arraigned on two counts of capital murder, the Texas Department of Public Safety said on Sunday.

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