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ACCESS

INVESTMENT  
ADVISORS  
INCORPORATED

21Maritime Drive  
Manitowoc, WI  
54220-4624

www.access-advisors.com

920.683.9901

toll free

888.426.8426

fax

920.332.0004

## Arthur Andersen

*What has not been examined impartially has not been well examined. Skepticism is therefore the first step toward truth.* Denis Diderot

The accounting profession's dirty little secret is out. Arthur Andersen just happened to be the one holding the bottle of Jack Daniels when the parents came home. For years now, large accounting firms, in search of incremental revenues, have strayed from their role as unbiased auditors into investment advice, product sales and "consulting".

Shortly after the Enron story broke and the finger pointing began, I watched an interview with the head of the American Institute of CPA's (AICPA). When asked about the obvious conflict of interest in Andersen's providing both audit and consulting services to Enron, he replied (straight-faced I might add) that the partners of Arthur Andersen would certainly not jeopardize the future of their own company for a few million dollars of consulting revenue (don't look for this guy on any fortune telling info-mercials any time soon). The partners at Andersen apparently saw no problem acting as the firm hired to give an unbiased opinion of the accounting practices that they themselves had recommended. This is like asking a drunk to tell you when he's had enough.

Since that interview, the accounting profession has been on the hot seat. Congress quickly rounded up the usual suspects in a very sour and predictable display of outrage. Arthur Andersen is losing clients faster than a 16-year-old boy in a Ferrari. Buttoned down companies like IBM and GE are under fire because of suspected dubious accounting methods. The number one question at recent stockholder meetings is, "Who does our accounting?"

Of course, there is ample blame to go around. In recent years, corporate chiefs have put increasing pressure on their advisors to come up with creative ideas to "manage earnings". It seems many CEO's are more interested in managing their stock price than their operations.

When the smoke clears, the current mess will be good for the accounting profession, corporations, and the investing public. Congress is talking tough about additional legislation, while the AICPA is lobbying hard for continued self-regulation (don't bet on it). Savvy accounting firms are already reverting to specialization in *either* consulting or audit work, and will carve out successful and profitable niches. Corporations will return to profitability measured by their success in the marketplace rather than by arithmetic gymnastics; and we won't have to worry about what we'll find the next time we come home and turn the lights on.