



Educating Andersen

Tony Tinker

The Enron-Andersen debacle is degenerating into an exercise in finger-pointing and scape-goating. The lynching of Andersen may provide instant gratification for legislators, who can declare a quick victory and then vacate the field of combat, however, they may come to rue the day of their sound-bite policy-fixes. Does anyone serious believe that disemboweling Andersen, and forcing the remaining 'Fat 4' to disgorge their consulting services, will remedy the problem?

Less than a year ago, Andersen was, by common consent, 'The Marines' of the accounting profession. They were the best of the bunch. Their bad luck was to be caught standing when the game of musical chairs at Enron stopped. But for the grace of God, any other Big 5 firm could now be standing in the dock. Ironically, today, partners at the Fat 4 are dancing in the streets at the prospect of picking-clean Andersen's client carcass.

Beyond the Fat 4, there are a raft of conflicts of interest that make Enron-Andersen sequels inevitable, ranging from Congressional and Bush Administration campaign finance support, Investment banking versus client advisory, legal services, a compromised SEC and other oversight agencies, dilatory press scrutiny, and last but not least the complicity by academics and teachers, whose acquiescence ranges from benign neglect to deep complicity.

Academics are also on the front-line of public concern regarding conflicts of interest. They staffed the Enron boardroom and Audit Committee. Big 5-funded chaired professors dominate the American Accounting Association (AAA), the premier association in the U.S. for professors, educators and researchers. Many colleges are now heavily bankrolled by the 'Big 5-and-friends' to such an extent that there is a prima facie question about the independence of accounting research and teaching. The AAA's membership has plummeted from 13,000, to around 8,000 over a decade when accounting has been booming. The flight of small practitioner members is explained by their antipathy towards the takeover by the Big 5. The Big 5 now match member dues, dollar for dollar, in terms of their financial contributions. The AAA now distinguishes itself, as a prestigious academic institution, by the questions it fails to ask about education, training, recruitment, and placement practices at the Big 5.

Enron, Global Crossings, and Waste Management Inc. are simply the most recent fiascos in a long series of audit failures over the years. If we knew the profiles of the audit teams in terms of length of experience and educational background, educators and colleges could begin to take remedial action. The AAA, and the accounting research community, have never investigated the composition and background of audit teams who worked on debacles like ESM, ZZZ Best, Lincoln Savings & Loans, Wedtech, or Regina. Indeed, the Big 5's penchant for settling out of court, and agreeing to SEC for 'cease and desist orders', often results in vital information, about the anatomy of audit failures, being sealed and removed from the public realm.

How many audit failures were staffed by auditors were 'Audit Lite': graduates from a celebrity MBA program, with a mere 6 credit hours of accounting under their belts; compared with a 'Real-Audit' training of 50 credit hours from an accredited institution? Sending an MBA audit-lite to do battle with Enron-type management is like sending Long Island High up against the New York Yankees. If these 'audit-liters' were destined for the lucrative pastures of management advisory employment (the audit serving as a fast-food induction to business) it is conceivable that they never actually acquired a CPA audit license (and never intended to do so). The Big 5's hiring, placement, and promotion practices are vital concerns for accounting educators and researchers. The AAA's acquiescence on these matters is only likely to perpetuate the blight on financial markets that is attributable to the dubious quality of (audited) financial information.

At the 2003 AGM of the AAA, a motion will be put before the members, asking that the institution to adopt a more progressive stance in three respects: The AAA should publish annually, all support (financial and otherwise) received by AAA, its officers, editors, and editorial board members, from any accounting firm or corporation, in excess of \$5000. The AAA should request that each Big 5 firm publish annually, details of new hires, in terms of schools, years of accounting education, and their entry positions (departmental destinations) within the firm. In the event of an audit failure, the AAA should request an audit firm to make available to researchers, on request, the educational background of members of the audit team involved.

But beside these urgent necessities, we can learn something from the Enron affair that goes beyond the pleasantries currently presented in the media. Enron says something about contemporary capitalism and its ideology, and about the accounting profession and its practices. Enron is not an isolated case of accounting or auditing malpractice. On the contrary, it discloses the lie of normal accounting practice today.

the author

Tony Tinker is a Professor of Accountancy at Baruch College, City University of New York, Visiting Professor at the University of Leicester (UK) and the University of South Australia (Adelaide); member of the CUNY Faculty for the Development of On-line Programs, and Fellow of the Chartered Association of Certified Accountants (national prizewinner). He is ex-council member of the American Accounting Association and past-chair of the AAA. He is the author and co-author of several books (*Social Accounting For Corporations*, 1984; *Papers Prophets*, 1985, and *Policing Accounting Knowledge*, 1995) and has published numerous academic articles. He is co-editor of *Critical Perspectives On Accounting* and the *Accounting Forum*, editorial board member of several major accounting journals, and has

contributed to various public policy discussions for the BBC, CNN, CBC, Pacifica Public Radio, New York Public Radio, *Newsweek*, and the *Wall Street Journal*.

Address: Professor and Editor, Critical Perspectives on Accounting, The Accounting Forum, Baruch College: CUNY Box B12-225, 17 Lexington Avenue, New York, NY 10010

E-mail: TonyTinker@msn.com