



Chicago Tribune

SOUTHWEST
FINAL

155TH YEAR — NO. 27 © CHICAGO TRIBUNE ★

SUNDAY, JANUARY 27, 2002

\$1.75

Trail of complaints about Andersen

THE FALLOUT

The Enron effect shakes nation's investor culture

By Flynn McRoberts
Tribune staff reporter

HOUSTON — The financial damage from Enron Corp.'s implosion extends far beyond the thousands of Enron employees who lost their jobs.

It touches New York, where the pension fund for firefighters and other city workers took a \$109 million hit, and Milwaukee, where a non-profit philanthropy lost \$70,000.

Enron's bankruptcy is likely to raise garbage-disposal costs in Connecticut, where a state agency stands to eat as much as \$220 million from a deal in which Enron had committed to

buying power from a Hartford trash-to-energy plant.

And cautious investors with no appetite for individual stocks might still feel the Enron pinch, because many of the country's most popular mutual funds held Enron shares, once touted as a must-have engine of corporate profits.

But for all the spectacular tales of investor losses when Enron's stock price collapsed, the more significant impact may be psychological, some experts say.

The breakdown of oversight in Enron's case—from its outside auditors to government reg-

PLEASE SEE **INVESTORS**, PAGE 15



Tribune photo by Pete Souza

C.E. Andrews, the global managing partner for Andersen, answers questions Thursday during hearings of a House subcommittee investigating the Enron debacle.

MORE IN BUSINESS

- Emphasis on consulting comes at the expense of auditing.
- **David Greising:** Congress is off to a good start, setting the proper tone in its investigations of Enron. Now what?

Problems preceded Enron

By Sam Roe, Cam Simpson and Andrew Martin
Tribune staff reporters

Even before it became embroiled in the unfolding Enron debacle, Chicago-based accounting firm Andersen had been battered by allegations of bogus audits, conflicts of interest and document destruction in a handful of high-profile cases.

While the cases reflect a tiny portion of Andersen's audits, they represent some of the most egregious allegations of accounting fraud in history, according to court records and interviews.

In one instance, Andersen approved audits for a company that overstated its earnings by \$1.4 billion over five years. In another, Andersen signed off on the books for a church foundation that allegedly defrauded investors out of \$590 million.

The cases share the same underlying theme that is alleged in the Enron collapse: that Andersen, formerly known as Arthur Andersen, approved audits that misled investors about the financial condition of their clients.

Andersen's previous problems also highlight the dramatic shifts in the accounting industry that have prompted calls in Congress and from federal regulators for stricter standards.

Once confined to the buttoned-down world of auditing, accounting firms now offer more lucrative financial services, such as consulting.

The additional work raises questions about whether the firms can objectively scrutinize the books of corporations that are also paying them millions in

PLEASE SEE **ANDERSEN**, PAGE 16

