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## CASE 5.1

# Waverly Holland, Audit Senior

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Waverly Edward Holland, III, grew up in sunny Tucson, Arizona, but his heart was always in the mountains of Colorado. From the age of three, “Dutch” spent at least one week each winter at Aspen, Breckenridge, Vail, or some other Colorado ski resort with his family. He loved the weather and the quaint atmosphere of the small mountain resort towns, but mostly he loved to ski. By the age of 16, Dutch had decided that he would pursue a career that would allow him the opportunity to indulge the sport that he loved. Thanks to his pragmatic parents and a thoughtful high school counselor, Dutch’s career objective eventually evolved from being a “ski bum” to becoming involved in the management of a ski resort.<sup>1</sup>

During his annual ski excursions while in high school, Dutch discussed his career goal with several management personnel at major ski resorts. With those individuals’ help, Dutch developed a master plan for accomplishing that goal. Since one of the ski resort managers he interviewed had convinced him that a thorough knowledge of accounting would be extremely helpful in managing any business, including a ski resort, Dutch decided to major in accounting at the University of Arizona. Making that decision even easier was the fact that occupational aptitude tests he took in high school indicated he was well suited for accounting.

Dutch planned to take a one-semester “sabbatical” during his undergraduate program to work as an intern or “gopher” at a ski resort. After completing his accounting degree, Dutch would work for a few years in the accounting profession before returning to college to earn an MBA specializing in resort or hotel management. With that background, Dutch believed that he could obtain a management trainee position with a major ski resort.

### “Class-action” Headache

By the age of 26, Dutch was well on his way to completing his master plan. After earning an undergraduate degree in accounting at the U of A, Dutch accepted a staff auditor position with a major accounting firm. Dutch chose auditing because he believed it would give him a thorough understanding of “real world” accounting and internal control issues that he would need as a future business manager. During his third year in public accounting, Dutch took the GMAT exam and applied to several universities that had MBA programs tailored to his specific career interest. After being admitted to the program that was his top choice, Dutch gave his employer notice that he would be leaving the firm a few months later.

Midway through his first semester of graduate school, Dutch was elated when he learned that he had been accepted for a management internship program at a large ski resort he had visited several times in the past. Dutch realized that he would likely be offered a full-time job with the resort when he finished the three-month internship program the following summer. That full-time position would begin when he completed his MBA degree the following spring.

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1. The key facts presented in this case were provided by a former public accountant who is now an accounting professor. Dates, locations, and other background information have been changed to conceal the identities of the individuals and entities involved in the case.

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We have all known individuals who seem to lead charmed existences in which their lives unfold as they have scripted them. Dutch Holland was one of those individuals. But Dutch's charmed life suddenly became more complex and less predictable a few months after he left public accounting. One late November afternoon Dutch's phone rang while he was studying in his apartment. The caller identified himself as Robert Chope, an attorney for a law firm in a nearby metropolitan area. Chope told Dutch that his firm was representing the plaintiffs in a class-action securities lawsuit to be filed in a matter of days against Padova & Vicenza, a large public company involved in the apparel industry. The lawsuit would allege that Padova & Vicenza had intentionally and materially misrepresented its financial condition and operating results over the past three years. Dutch was well aware of Padova & Vicenza since the manufacturing company was one of the largest audit clients of his former employer. In fact, Dutch had spent three years assigned to the audit engagement team for Padova & Vicenza. The final year, Dutch had served as the principal audit senior on that team.

When Chope used the phrase "class-action," Dutch winced in pain. Among the greatest fears of an auditor is for a client or former client to be the target of a class-action lawsuit predicated on material financial statement misrepresentations. If the company's audit firm is named as a co-defendant in such a lawsuit, the audits of that client will be subjected to painstaking scrutiny by both plaintiff and defense attorneys.

Dutch had enjoyed the three years that he spent in public accounting. Unlike many of his college friends who had accepted entry-level positions in other fields following graduation, Dutch had seldom been bored as an auditor. He had found the wide range of businesses, accounting and control systems, and technical issues that he had been exposed to stimulating and rewarding. Granted, on many occasions he had felt as if he was "in over his head" given the challenging assignments that his firm continually gave him. He had subdued those brief anxiety attacks with the realization that his firm had an impressive support network that included both extensive technical resources and helpful, sympathetic, and encouraging colleagues and superiors. Dutch had enjoyed the challenges and camaraderie of public accounting so much that he had briefly reconsidered his planned career path as he neared completion of his three-year stint as an auditor. But the lure of Colorado's ski trails had prevailed and kept him from extending his time in public accounting.

The only major downside of public accounting, at least in Dutch's mind, had been the ever-present fear of "screwing up" by overlooking material errors in a client's financial statements. That concern had loomed over every audit to which Dutch had been assigned. In looking back on his three years in public accounting, Padova & Vicenza was the only former client that Dutch had some lingering questions regarding the material accuracy or fairness of its periodic financial statements. Those lingering questions immediately flooded back into Dutch's mind that November afternoon when Robert Chope mentioned the lawsuit to be filed against Padova & Vicenza.

During the three years that Dutch had served on the Padova & Vicenza audit engagement team, the company had been in chronically poor financial condition. For more than a decade, the company's operating results had been deteriorating in the face of stiff competition from foreign companies. Those foreign competitors had a lower cost structure than Padova & Vicenza due to the considerably lower wages they paid to their non-union workers—each of Padova & Vicenza's four production facilities was unionized.

As Padova & Vicenza's profitability and liquidity steadily worsened each year, the company had made increasingly aggressive accounting decisions. Among other accounts, those decisions had affected the company's allowances for bad debts and inventory obsolescence and discretionary year-end expense accruals. In Dutch's final year on the Padova & Vicenza engagement, management had also made several



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dubious operating decisions to improve the company's apparent financial condition. Management had slashed the company's advertising and promotional budget, laid off dozens of salaried employees including two-thirds of the internal audit staff, and deferred periodic maintenance expenditures on production line equipment. The questionable accounting and operating decisions had been necessary because the company was dangerously close to violating several long-term debt covenants tied to key financial measures. If Padova & Vicenza had violated those debt covenants, the long-term debt would have become immediately due and payable, which would have forced the company to either obtain waivers of those covenants from its lenders or file for bankruptcy.

Dutch had spent his final few months in public accounting supervising the field work on the Padova & Vicenza audit—the company had a June 30 fiscal year-end and Dutch had completed his work on that audit the weekend before he began his MBA program in early September. During the nearly three months that had elapsed since completing that engagement, Dutch had not spoken to any of his former colleagues who had been assigned to the audit. So, the information that Robert Chope relayed to him during their phone conversation was the first update he had received regarding Padova & Vicenza's financial health since completing that audit.

Chope told Dutch that Padova & Vicenza would issue a press release within one week that would recall the company's audited financial statements for the past three years. According to Chope, management planned to announce that those financial statements would be restated due to several material but allegedly inadvertent misstatements. When Dutch asked which specific accounts had been misstated, Chope had refused to provide any additional details. By this point in the conversation, Dutch had gone from feeling stressed to feeling physically sick. He realized that if there were material errors in Padova & Vicenza's financial statements, he had probably signed off on workpapers relevant to the accounts affected by those errors.

### The "Go-to-Guy"

Near the end of their conversation, Chope finally told Dutch why he had called. Chope wanted to meet with Dutch and discuss several "unresolved issues" that he and his team of subordinates hoped to clarify before filing the class-action lawsuit on behalf of Padova & Vicenza's stockholders and former stockholders. Chope believed that Dutch could quickly explain those issues given the "in-depth knowledge" of the company he had acquired while auditing it for three years.

The fact that Chope knew exactly how long Dutch had worked on the Padova & Vicenza engagement was troubling to him. He wondered what else the articulate and self-assured attorney knew of his involvement in those audits. Dutch was aware that it was highly unlikely Chope's firm had copies of all the Padova & Vicenza workpapers since his former employer would not turn over those workpapers to a third party unless ordered to do so by a court.

Dutch could not overcome the temptation to ask Chope if his former employer would be named as a defendant in the lawsuit. The attorney's reply, "Not at the present time," was less than reassuring to Dutch. According to Chope, the principal defendants in the lawsuit would be the company itself, three senior company executives—the chief executive officer, the chief operating officer, and the chief financial officer, and several current and former board members.

Dutch reluctantly asked one final question of Chope, a question for which he already knew the answer. "Why did you call *me*? A lot of other people worked on that audit."



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“Waverly, you can understand that your former colleagues are not willing to speak to us.”

Dutch hated to be called “Waverly,” but even more so he hated to be tabbed as the “go-to-guy” in a major class-action lawsuit. With the exception of the tough final exams that he faced over the next two weeks, his life was perfect. He had no interest whatsoever in rehashing the details of the Padova & Vicenza audits, especially with a team of attorneys whose intentions were at best unclear. He simply wanted to be left alone. In his mind, he had no responsibility to become involved in the pending lawsuit—on either side. He had completed all of the procedures that he had been assigned on the Padova & Vicenza audits to the best of his ability. That was what had been expected of him and that was exactly what he had done.

When Dutch failed to respond to Chope's previous statement, the attorney continued, “We will be more than happy to meet you at a time and place that is most convenient with you. Can we arrange that meeting now?”

Upset and flustered, Dutch responded with a stammering reply. “Well, uh, you see, I . . . I'm really busy right now. I'm in the middle of a couple of big projects and then I have final exams coming up. You know, I would like to help you, but I . . . I just don't have the time.” Notwithstanding the white lie that he had slipped in, Dutch was pleased with his off-the-cuff, under-pressure response. But he wasn't pleased with Chope's comeback.

“I understand your hesitance to meet with us. But you should understand that you will have to meet with us sooner or later. It would be much better for you to meet with us now. If you cooperate with us, we assure you that you have nothing to worry about from us.”

Suddenly, Dutch felt very lonely and extremely apprehensive. He felt as if he was trying to hold off a man-eating tiger with a paper sword. Chope was not going to accept a wishy-washy response. Before he could muster the courage and brainpower to construct a more substantive reply, Chope spoke once more.

“Mr. Holland, you have my word. If you cooperate with us now, we will never name you as a defendant in the lawsuit that we are going to file.”

Chope's pledge was both frightening and heartening to Dutch. There was no longer any need to wonder if he might be named in the lawsuit. He was certain that he would be named if he didn't, at a minimum, agree to meet with Chope.

Without giving any more thought to the matter, Dutch heard the words “okay, I will meet you” come out of his mouth.

### **“With Friends Like These . . .”**

The telephone conversation between Dutch and Robert Chope occurred on a Thursday afternoon. Dutch had agreed to meet with Chope the following Monday afternoon. By Sunday evening, Dutch was having second thoughts regarding that decision. Finally, he came up with what seemed to be a great idea. He would call Clayton Morris, an audit partner with his former employer, and ask for his advice.

Morris had served as the audit engagement partner for each of the three Padova & Vicenza audits to which Dutch had been assigned. Although Dutch did not have a close relationship with Morris, he trusted the partner's judgment. Morris was well respected within the practice office in which Dutch had worked. He was a young partner with a brash, outgoing personality who was the office's principal “rainmaker”—he brought in more new clients than any other partner in the office.

Before Dutch could finish relaying all of the details of his conversation with Robert Chope to Clayton Morris, the partner cut him off.

“The nerve of that guy! Calling you out of the blue. Who does he think he is?”



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The tone of Morris's interjection made Dutch hesitant to proceed. He realized now that Morris would almost certainly be upset that he had agreed to meet with Cho

When Dutch failed to continue, Morris prodded him, "Go ahead, Dutch. Tell me how you told this guy off."

"Well . . . actually . . . actually, I didn't know what to tell him." Dutch paused once more to muster the strength to blurt out the words that he didn't want to say and that Morris certainly didn't want to hear. "So, I told him that I would meet with him. Tomorrow. At 5:00 P.M. In my apartment."

For several awkward moments, the other end of the line was silent. But, in his mind's eye, Dutch could picture Morris sitting there dazed and dumbfounded and becoming angrier with each passing moment. Finally, Morris spoke.

"You did what?"

"Well, I didn't know what to . . . he was just so persistent, that I—"

"You agreed to meet with him? Are you out of your mind?"

"Clayton, I didn't know what to do. I've never been in a situation like that." Dutch wasn't angry but he was indignant by this point. The change in his tone prompted a change in Morris's tone as well.

"Dutch. I understand. Those plaintiff attorneys are shock jocks. They can put you on the spot and keep applying the pressure. But now listen to me. Listen to me closely. I want you to call this guy back and tell him that you are not going to meet with him." Morris paused, expecting Dutch to respond. When Dutch didn't, Morris continued. "When he starts applying the pressure, just tell him courteously that he is to call T.J. Gillette in our headquarters office. Gillette is one of our best in-house attorneys. He will deal with this guy. I promise you that you won't hear from him again."

"How do you know that he won't contact me again? How do you know that he won't include me as a defendant in the lawsuit?"

"Come on Dutch, he was just trying to bluff you into cooperating. Let's get real here. There's no doubt that we [Dutch's former employer] will be named as a defendant eventually. We're the ones with the deep pockets. Will they name you? Of course not. You know whose name will be in the spotlight. Mine, not yours. They don't go after the staff or seniors or managers in these cases. It's only the partners that they're interested in. They want to talk to you because they hope to squeeze information out of you that they might be able to use in building a case against the firm and me."

By this point, Dutch felt some sense of relief. He now had a more complete understanding of the circumstances he faced.

"Okay, Clayton. I will call him. I guess I will tell him that I won't meet with him tomorrow." Dutch had used the term "guess" loosely. In fact, he meant to convey that he would definitely not meet with Cho

"You 'guess'? You 'guess' that you won't meet with him?" Morris's tone was now derisive and angry. "Let me tell you this. And, I am only going to say it once. If you meet with Cho

Morris's response caused the normally good-natured Dutch to become angry. He had been bullied by Cho



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### Decision Time

The following morning, Dutch was awakened by a phone call. The caller was T.J. Gillette, the in-house attorney for his former employer. Gillette was civil but his message was the same as Morris's: Don't even consider cooperating with the plaintiff attorneys in the Padova & Vicenza case. Surprisingly to Dutch, Gillette did not ask him whether he still intended to meet with Chope later that day. Gillette ended the brief conversation with a terse "Good luck young man" before hanging up the phone.

For the next several minutes, Dutch sat on the side of his bed wondering what he should do. Should he call Robert Chope and cancel their five o'clock meeting? Should he call Clayton Morris once more? Finally, Dutch got up slowly from the bed and trudged to the kitchen to make his morning cup of coffee.

### Questions

1. How do you believe that Dutch Holland resolved the dilemma that he faced? Do you believe that he met with Robert Chope? Why or why not? Place yourself in Dutch's position. What would you have done? Explain.
2. Identify the ethical issues that Dutch faced. How should he have addressed or dealt with those issues?
3. Do you believe that Clayton Morris dealt appropriately with Dutch during their telephone conversation? Defend your answer.



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## CASE 5.2

# American International Group, Inc.

Cornelius Vander Starr wanted to see the world. In 1918, the 26-year-old Californian emptied his bank account to purchase a one-way ticket to the Far East on a steamship. After “bumming around” Japan for several months, Vander Starr traveled to Shanghai, China, where he landed a job working for an insurance company. Within a short period of time, Vander Starr realized that selling insurance was a low overhead business that was ideally suited for a young entrepreneurial type like himself so he quit his job and set up his own insurance agency, American Asiatic Underwriters. Vander Starr’s business grew rapidly. By the time of his death in the late 1960s, Starr’s one-man firm had become a multi-billion dollar international conglomerate with operating units in Europe, Latin America, the Middle East, and the United States. The Starr Foundation that he created before his death ranks among the world’s largest philanthropic organizations.

In 1948, the Chinese civil war forced Vander Starr to relocate his company’s headquarters from Shanghai to New York City. As he neared retirement, Vander Starr chose his protégé, Maurice “Hank” Greenberg, to replace him as his company’s chief executive officer. During the early 1960s, Greenberg had revamped the company’s business model. Instead of focusing on selling life insurance and other insurance products for individuals, Greenberg convinced Starr that the company’s principal line of business should be insurance and other financial services products designed for large corporations. In 1969, Greenberg took the company, which had been renamed American International Group, Inc. (AIG), public by listing its stock on the New York Stock Exchange.

Greenberg would serve as AIG’s top executive for nearly four decades. Under his leadership, the company became known worldwide for the new and innovative financial services products that it continually developed and the aggressive methods that it used to market those products. These efforts produced impressive financial results for the company. By the turn of the century, AIG was one of the ten largest companies in the United States and among the 20 largest companies worldwide.

In early 2001, a group of AIG executives came up with an idea for a new financial service that they believed would appeal to a wide range of large corporations. This service would involve AIG creating customized “special purpose entities” or SPEs for such companies. An SPE is typically a limited partnership that two or more companies join together to form. Since an SPE is an unconsolidated subsidiary, a company can download or transfer underperforming assets and related liabilities to that entity to improve its apparent financial condition. This “balance sheet management feature” of SPEs was the principal selling point that AIG intended to use in marketing its new service.

In fact, many large corporations were already using SPEs “to perform cosmetic surgery on their balance sheets.”<sup>1</sup> Enron Corporation, a large Houston-based energy company, was among the most prolific users of SPEs.<sup>2</sup> Enron had significantly improved its apparent financial condition by “hiding” distressed assets and much of

1. J. Kahn, “Off Balance Sheet—And Out of Control,” *Fortune*, 18 February 2002, 84.

2. See *Enron Corporation*, Case 1.1.



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its outstanding debt in hundreds of SPEs that it had created. ~~created. AIG's management was~~ convinced that, unlike Enron, most companies did not have the in-house expertise to develop their own SPEs.

AIG's executives realized that their new SPE service, which was effectively an accounting mechanism, would be more credible if one of the major accounting firms was involved in its development and marketing. For that reason, AIG retained Michael Joseph, a partner in the national office of Ernst & Young (E&Y) and a "nationally recognized expert on the accounting for structured financial vehicles and SPEs,"<sup>3</sup> to help develop and market the new service. "To assist AIG in its marketing" of the new SPE service "Joseph caused E&Y to issue reports pursuant to *Statement on Auditing Standards No. 50*, 'Reports on the Application of Accounting Principles.'<sup>4</sup> These *SAS No. 50* reports indicated that the "nonconsolidation accounting treatment" for the assets and liabilities transferred to an SPE that had been designed by AIG "was an appropriate application of GAAP." In promoting its new SPE service, "AIG referred to E&Y's advice in its marketing materials and referred potential buyers directly to Joseph to answer accounting-related questions."

Among the first companies to express an interest in purchasing AIG's SPE service was PNC Financial Services Group, Inc. (PNC), a large financial services firm that operated the fifth-largest bank in the United States. During the negotiations with AIG, PNC consulted with its independent auditors to determine whether the accounting treatment for AIG's SPE product complied with GAAP. In fact, PNC's audit firm was E&Y, which meant that the company's auditors contacted Joseph to determine whether PNC's proposed SPE would be GAAP-compliant.

Joseph gave the PNC auditors a copy of a *SAS No. 50* report that he had written for AIG. The auditors relied on that report "without performing any meaningful separate analysis" in deciding that the accounting treatment for the proposed SPE was acceptable. Joseph billed the time that he spent interacting with the PNC auditors to the PNC audit engagement.

During July 2001, PNC transferred nearly \$100 million of nonperforming loans to an SPE that was created by AIG. A few months later, the company downloaded more than \$100 million of additional nonperforming loans to another AIG-created SPE. In an earnings press release in late 2001, PNC reported that it had \$361 million of nonperforming loans. That figure did not include the more than \$200 million of such loans that had been transferred to its SPEs.

Federal Reserve officials contacted PNC in November 2001 and inquired regarding the company's nonperforming loans. When those officials reviewed the transactions that had resulted in \$207 million of PNC's nonperforming loans being transferred to SPEs, they questioned whether those transfers were appropriate. At this point, PNC executives asked Michael Joseph to intercede on their behalf with the Federal Reserve. Joseph discussed the matter with the Federal Reserve and defended the accounting and financial reporting treatment for the loans that had been transferred to SPEs. The Federal Reserve disagreed with Joseph and in January 2002 ordered PNC to reverse the SPE transactions and include the \$207 million of nonperforming loans in the company's consolidated financial statements.

3. Securities and Exchange Commission, *Accounting and Auditing Enforcement Release No. 2523*, 11 December 2006. Unless indicated otherwise, subsequent quotes in this case were taken from this source.

4. Accounting firms typically prepare *SAS No. 50* reports to provide a third party, other than an audit client, with technical guidance on how "existing accounting principles apply to new transactions and financial products" (AU 625.01).



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The Federal Reserve's decision to force PNC to reverse its SPE transactions triggered an investigation of the company by the Securities Exchange Commission (SEC). In reviewing PNC's SPE transactions, the SEC discovered that they were not in compliance with GAAP. GAAP dictates that for a company to treat an SPE as an unconsolidated subsidiary, an external entity must have a minimum capital investment of 3 percent in the SPE. The external entity that had invested in PNC's SPEs was AIG. However, AIG's investments in the SPEs had not met the required 3 percent threshold, meaning that the financial data for PNC's SPEs should have been included in the company's consolidated financial statements.

## EPILOGUE

In July 2002, PNC executives agreed to cease and desist from any future violations of federal securities laws to settle charges pending against the company by the SEC. One year later, PNC agreed to pay \$115 million to settle related fraud charges filed against the company by the U.S. Justice Department.

In December 2006, the SEC issued an accounting and auditing enforcement release focusing on Michael Joseph's role in PNC's SPE transactions. In this release, the SEC reported that "Joseph was a cause of PNC's violations" of federal securities laws. The SEC maintained that Joseph should have known that PNC's SPE transactions were not in compliance with GAAP. In this same enforcement release, the SEC alleged that Joseph's dual role with AIG and PNC had been improper and had posed a conflict of interest for him.

*Joseph was involved in the development and marketing of the AIG [SPE] accounting product. He advised AIG on the structure, he prepared several SAS 50 letters used in marketing the product, he participated in conference calls with potential purchasers . . . Consequently, Joseph was invested both financially and reputationally in the success of the [SPE] product and therefore had a conflict of interest when he later evaluated the accounting for the product by E&Y's audit client, PNC.*

The SEC went on to observe that Joseph's conduct was "highly unreasonable" and undermined the independence of E&Y's PNC

audit engagement team. An accounting professor interviewed by the *Los Angeles Times* used an analogy to describe the likely impact that Joseph's conduct had on the PNC audit engagement team. "Did it bias the individual auditors in this particular case? It's like asking whether 40 years of smoking led to someone's lung cancer."<sup>5</sup>

The SEC suspended Joseph for three years from being involved with audits of public companies. In March 2007, the SEC fined E&Y \$1.6 million for the firm's independence violations stemming from Joseph's conduct. The following month, E&Y agreed to pay approximately \$9 million to settle a class-action lawsuit filed against it for its role in the PNC accounting scandal.

In late 2004, AIG agreed to pay \$126 million in fines and restitution for its involvement in PNC's improper SPE accounting. That amount would be dwarfed by the \$1.6 billion fine that AIG agreed to pay in late 2005 to settle charges that it had intentionally misrepresented its own accounting records. Among many other allegations, AIG had reportedly recorded bogus sales of insurance policies to inflate its earnings and understated its loss reserves. In addition to the huge fine, Hank Greenberg was forced to resign as AIG's chief executive as a result of the massive accounting fraud.<sup>6</sup>

AIG was front and center in news headlines once more in late 2008 when the largest

5. *Los Angeles Times* (online), "Ernst & Young in SEC Probe of PNC's Books," 8 December 2004.

6. In August 2009, Greenberg agreed to pay a \$15 million fine to settle civil fraud charges filed against him by the SEC. The settlement also prohibited Greenberg from serving as an officer of a public company for three years.

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economic crisis, since the Great Depression, erupted in the United States and quickly spread around the globe. In September 2008, the federal government seized control of AIG to prevent the company from collapsing. The company had such an extensive role in global credit and insurance markets that financial experts maintained that its collapse would cause a worldwide

economic calamity. In exchange for approximately \$85 billion of capital, the federal government received an 80 percent equity interest in the company. In the following months, tens of billions of dollars of additional federal “bailout” money was invested in AIG to keep the company afloat. AIG would ultimately receive more federal bailout funds than any other U.S. company.

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### Questions

1. Is it ethical for a CPA or CPA firm to help companies “manage” their reported earnings and financial condition? In responding to this question, first assume that the CPA or CPA firm is serving as a consultant, and then assume that the CPA or CPA firm is serving as the given entity’s independent auditor. Defend your answers.
2. When a dispute arises between an audit client and its auditor regarding the proper accounting treatment for a transaction or other item, the audit client will sometimes retain another accounting firm to issue a *SAS No. 50* report on the proper accounting treatment for the given item. Identify the potential ethical dilemmas that may result from allowing accounting firms to issue *SAS No. 50* reports to non-audit clients.

