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Enron collapse: Andersen may face criminal charges

The accounting firm has admitted shredding documents, leaving it open to charges of obstruction of justice

WASHINGTON - The United States Justice Department is seriously considering bringing criminal charges against accounting firm Andersen for its role in the collapse of Houston-based Enron, federal law enforcement officials said on Thursday.

Some people had expected initially a development in the case on Thursday, but it failed to materialise and it may be some time before any action is taken, the officials said. Andersen, the embattled Big Five accounting firm headquartered in Chicago, had been the auditor for Enron until it was fired in January. Andersen has admitted shredding documents about Enron sought by investigators, leaving it open to charges of obstruction of justice. The government could either seek an indictment of Andersen by a grand jury or negotiate a settlement contingent on its co-operation in the Enron probe, experts say.

Enron filed the largest-ever US bankruptcy on Dec 2 amid questions over its accounting methods. Now industry experts say that in the face of possible indictment, accelerating client defections and lawsuits from 21 audits, Andersen may not survive the fallout. It has lost more than 30 clients which paid combined annual fees of almost US\$100 million (S\$182.5 million).

On Thursday, Delta Air Lines fired Andersen after 53 years. So have Freddie Mac, the nation's second-largest purchaser of home mortgages, after 32 years, and drugmaker Merck & Co after 31 years. Those three alone paid US\$22 million a year. Andersen officials said the firm remained strong. In a third of the 30 cases where clients left, Andersen had decided to end the relationship, said company spokesman Patrick Dorton. The firm has revenues of more than US\$9 billion and 85,000 employees worldwide. 'We're going to take some pain but we are going to be serving our many thousands of clients for a long time to come,' added Mr Dorton. 'The vast majority of Andersen's more than 100,000 clients around the world and more than 30,000 audit clients remain with the firm.'

Andersen is the smallest of the so-called Big Five accounting firms that audit 95 per cent of US listed firms. Its demise would limit competition and make it harder for firms to avoid conflicts such as having the same auditor as a competitor, accountants and lawmakers said. Separately, USA Today reported yesterday Enron spent nearly US\$2.5 million - and not US\$825,000 as it first reported - on efforts to influence the White House and other agencies early in the term of President George W. Bush, a top beneficiary of Enron campaign contributions. --Reuters, Bloomberg News

CRACKING THE WHIP

- The government could seek an indictment of Andersen by a grand jury.
- It could also negotiate a settlement contingent on Andersen's cooperation in the Enron probe.

LOSING ITS GRIP

Andersen has lost more than 30 clients which paid combined annual fees of nearly US\$100 million. They include:

- Delta Air Lines, which ditched Andersen on Thursday, after 53 years;
- Freddie Mac, the second-largest purchaser of home mortgages in the US, after 32 years; and
- Drugmaker Merck, after 31 years.