

CEASED TRADING · CASE FILE

ARTHUR ANDERSEN

The \$9 billion audit giant shut down by an overturned verdict

CEASED TRADING

ARTHUR ANDERSEN

1913-2002

DRAWING NO. 002

THE FILE

In 1913, a twenty-eight-year-old accounting professor in Chicago bought a small audit practice and built it on four words: think straight, talk straight. Eighty-nine years later, Arthur Andersen was one of the Big Five, and the auditor of the seventh-largest company in America. That company was Enron.

Within a year of the shredders starting in Houston, Andersen was indicted, convicted, and gone - because an audit firm is the one kind of company that cannot operate while accused. Its entire inventory was credibility, and hundreds of public clients left in the weeks after the indictment, before the trial ever started.

Three years after the funeral, the Supreme Court threw out the conviction, nine to nothing, over flawed jury instructions. The government never retried the case. There was nothing left to retry. The death came first; the verdict that caused it did not hold.

BUDINSKI SAYS

The greatest battles are fought over the nerdiest things.

CERTIFICATE OF CORPORATE DEATH

NAME: ARTHUR ANDERSEN

BORN: 1913, Chicago (as Andersen, DeLany & Co.)

DIED: August 31, 2002 (CPA licenses surrendered)

CAUSE OF DEATH: **REGULATORY KILL**

UNDERLYING: the product was trust - credibility does not wait for verdicts

TIMELINE

1913	Founded in Chicago by Arthur E. Andersen; 'think straight, talk straight'
AUG 2000	Arbitrator frees Andersen Consulting for ~\$1B and the name; it becomes Accenture
JUN 2001	\$7M SEC fine over Waste Management audits - largest ever on a Big Five firm at the time
2001	The summit: 85,000 people, 84 countries, \$9.34B revenue
OCT 2001 volume	Enron unravels; Andersen personnel in Houston shred documents in volume
NOV 8 2001	SEC subpoenas Andersen; the shredding stops the following day
MAR 14 2002	The firm itself is indicted for obstruction of justice; clients leave in waves
JUN 15 2002	Convicted by a Houston jury
AUG 31 2002	CPA licenses surrendered; the Big Five become the Big Four
MAY 31 2005	Supreme Court overturns the conviction 9-0; the case is never retried

SOURCES

- > Arthur Andersen LLP v. United States, 544 U.S. 696 (2005)
- > SEC press release 2001-62 and settlement documents, June 2001
- > U.S. Department of Justice indictment of Arthur Andersen LLP, March 2002
- > The Wall Street Journal and The New York Times, Enron and Andersen coverage, 2001-2002
- > en.wikipedia.org/wiki/Arthur_Andersen