

The following ( <http://howardwolosky.blogspot.com/2009/05/auditors-doing-right-thing.html>) describes a request made to the AICPA on auditing firms.

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### **Auditors: Doing the Right Thing?**

Recently, I was surprised to see an older man walking in the street wearing a baseball-type cap that said, as I remember, "Special Forces." I stopped him and thanked him for his service and pointed to the cap. He quickly said he hadn't served with the Special Forces, but was recently honored by them for his service with the OSS in World War II.

Gus explained he had volunteered for the OSS after six months of service in the Army. He told me about his parachute training by the RAF, who took him and his colleagues up in an airplane, and when their number was called, each would move to the action station. Gus was No. 3. As he watched No. 1 and 2 each step up and be quickly sucked out of the airplane, Gus said that he found comfort in a quote from Mark Twain that "Courage is resistance to fear, mastery of fear--not absence of fear." He explained the training was necessary so they could parachute behind enemy lines. I thanked him again for his service, and told him of my son's gallant service in the Navy. He asked me to extend his gratitude to my son.

A couple of days later, as I was shopping in a fruit and vegetable store, I came across another individual walking with a cane and wearing a hat indicating he was a Korean War veteran. I asked if I could shake his hand to thank him for his service.

He was appreciative in a very kind and gentle way, and then told me he survived Pork Chop Hill, a battle of which I was probably aware because of the movie of the same name. He then said sadly that 2,000 of his colleagues were lost in that battle and he added that he survived a later battle on an unnamed hill in which another 2,000 lives were lost. I became even more upset when the veteran mentioned that second hill. But then he told me he had saved 161 lives in Korea for which he received the Silver Star.

We parted to get our fruits and vegetables. When I went to the cashier to pay, I saw the Korean War veteran again and asked him if he needed any help. He said no and indicated that he wasn't in a rush as all he had to do later today was go to a meeting of Korean War veterans. I asked that he extend my thanks to each of them for their service.

These two individuals and many others--scarred, injured and, may they rest in peace, those who have passed on--did the right thing in the most difficult of times. The times in which we live are also difficult, although in a much different way. Like these two fine human beings did, we should all step forward and do the right thing.

For example, although many already do, all CPAs and non-CPAs at firms should step forward and help one another, their clients, and their

fellow human beings in need. Just as importantly, they should examine closely what part, if any, they, as professionals, played in causing this economic crisis, the worst since the depression. In particular, CPAs should closely review and critically evaluate the way in which auditing of public companies is currently performed, beginning with the illusion of independence, rather than its actuality, that exists.

One commentator (at [http://www.rgemonitor.com/us-monitor/256477/todays\\_financial\\_crisis\\_corporate\\_governance\\_and\\_the\\_issue\\_of\\_third-party\\_liability](http://www.rgemonitor.com/us-monitor/256477/todays_financial_crisis_corporate_governance_and_the_issue_of_third-party_liability)) suggests that, rather than having public companies select their auditor, regulators instead should make the selection. Ethan S. Burger, adjunct professor at the Georgetown University Law Center, states:

"Imagine if the SEC or federal Public Company Accounting Oversight Board (PCAOB) assigned accounting firms to companies. Do you think that the auditors might have shown some skepticism when individuals were being approved for mortgages for amounts greatly exceeding three times their income? Would questions have been raised about "no doc" loans?"

I believe that this change is possible, and might even involve the regulator supplying a list of three to five auditing firms to the public company from which to pick based on industry expertise and the size of the company being audited. The auditing firm might serve for a stated term, say five years. There also could be a limitation of the damages that can be imposed in the event that an auditing firm is sued as a result of an audit of a public company.

Interestingly, I have heard about a bank that told a company which auditor it should use for audited financial statements, which needed to be submitted to obtain a loan. Adoption of this new auditing regime would allow auditors to be more aggressive, independent, and not to be fearful of losing an engagement because of its findings and statements.

In order to promote discussion, debate, and evaluation, I sent an e-mail to six individuals working at the AICPA, requesting the following:

"Because of these times in particular, I respectfully request the AICPA to consider doing the following two things:

1. Alert the appropriate AICPA members to the article.
2. Promote open discussion of this idea, with the AICPA not taking a position until the public discussion and debate has progressed significantly.

Thanks for the consideration of my request."

As of this writing, almost a month after I sent the e-mail, there has been no response from the AICPA. I do hope, however, that I will receive a response from the AICPA in the near future.

**Call to possible action:** I further hope that AICPA members consider asking the organization to honor (or at least acknowledge) my request, and to push for open discussion and debate in order to evaluate whether a seismic change in the performance of audits is desired, necessary, and will help limit the severity of this and any future economic crisis.