

» The **BIG** thinkers
behind the **BIG** ideas. »

Larry Katzen

Former partner,
Arthur Andersen LLP

KELLY » Why did you feel the need to write a book about something that happened more than a decade ago?

LARRY » The most important reason is that Arthur Andersen's image was tarnished as a result of Enron. If I asked most people about Arthur Andersen's role with Enron, they would say we messed up the audit, that it wasn't a quality audit. But the fact remains after 10 years and the government subpoenaing millions of documents from Arthur Andersen, there has not been one example showing Arthur Andersen messed up the audit, and I wanted to get the real story out.

KELLY » If, among all the pieces of paper the government had, there was nothing that showed Arthur Andersen messed up the audit, why did the government indict Arthur Andersen?

LARRY » The government indicted us because we were shredding documents and they thought we were defrauding them, but the fact of the matter is that all accounting firms are required to discard and shred drafts of documents that are not necessary to support the audit opinion. So that's what we were doing, and we were doing it in the middle of Enron's accounting department. If we were doing something devious, we certainly didn't do it in a devious way.



Larry Katzen worked at Arthur Andersen from 1967–2002, rising through the ranks to become a partner at age 30. His new memoir *And You Thought Accountants were Boring: My Life Inside Arthur Andersen* takes a look inside one of the world's most historically important accounting firms, including its indictment and subsequent Supreme Court vindication. It can be purchased at www.Larrykatzen.com.

KELLY » So there was a perception of misconduct because of the shredding and that's why the investigation began?

LARRY » Right, and that's what we were indicted on, but the Supreme Court ruling overturned it in a 9-0 verdict.

KELLY » Some people would say the government is not going to waste all that time and effort going after an organization like Arthur Andersen if there's not something there. Did Arthur Andersen have any culpability at all regarding Enron?

LARRY » If you mean by culpability doing a shoddy audit, then I would say "no." If you mean culpability by being associated with an unethical client, then I would say "yes."

KELLY » Given the situation you found yourself in during the Enron investigation, what message do you have for business owners when it comes to managing crisis?


LARRY » The leader has to stay positive and focused. We still had clients to serve and we still had to deal with everyday tasks, yet some of the things I would normally do had to be put aside so I could focus my energy on the crisis.

The Enron investigation started in December 2001, and by March of 2002, the largest accounting firm in the world was out of business. So, we not only had to finish audits during the busy season, but find new careers and jobs. I actually put in for my retirement in November 2001, before the Enron crisis, to be effective in February 2002. Even though my retirement went into effect, I still had to go into the office and do my job. No replacement was identified, and I couldn't tell clients "Hey, I'm retired. I'm out of here. Oops." I went in every day even though I may not have been paid, and I helped sell the office, and get people placed in other organizations, because it was the right thing to

do. The leader sets the example. There's nobody who's going to be more positive than the leader.

KELLY » What's the status of Arthur Anderson today?

LARRY » The training facility in St. Charles, Ill., still exists and is used to train other firms. It's a world-class facility. On September 26, the alumni in various cities celebrated the firm's 100th anniversary. ■

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