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Local author says Arthur Andersen got bad rap

Katzen describes human toll of firm's collapse.

Call it a vanity book if you like, but Larry Katzen thinks his self-published autobiography has some important lessons to impart.

The most important ones come at the end. Katzen ran Arthur Andersen's St. Louis office when the venerable accounting firm collapsed in the wake of the Enron scandal, putting him in a good position to see the human toll behind the headlines.

Katzen said he wrote "And You Thought Accountants Were Boring: My Life Inside Arthur Andersen" partly to help restore the firm's reputation and partly to share what he learned during a 35-year career at a firm that had a reputation as the Marine Corps of the accounting business: well trained and highly regimented.

Katzen isn't the first Andersen partner to write about the firm's demise. "Final Accounting," a 2003 book by former Andersen consultant Barbara Ley Toffler, described how the firm's culture of conformity started it down a road to disaster.

Katzen doesn't ignore the firm's failings. He spends several chapters on the bitter and damaging divorce between Andersen's accounting and consulting practices, and he's critical of a few Andersen executives.

He does, however, think the firm got a bad rap. Andersen fell apart in 2002 after the Justice Department accused it of fraud in connection with its Enron audit. The firm was convicted, but the Supreme Court unanimously overturned the conviction in 2005.

The government looked at millions of records and ultimately could not cite one audit deficiency," Katzen says. Enron's infamous off-the-books subsidiaries were actually audited by other firms.

When the big energy firm hit the headlines, Katzen and his St. Louis colleagues were only vaguely aware of how damaging the scandal would be. They knew little except that Enron was a client of Andersen's Houston office, Katzen says.

Katzen writes that he hadn't even read an especially damning Wall Street Journal story about Enron until it was pointed out to him by Randy Baker, chief financial officer at Anheuser-Busch. Both A-B and Emerson, where August Busch III was head of the board of directors' audit committee, would quickly end all the relationships they had with Andersen.

Katzen, 56 years old at the time, had al-

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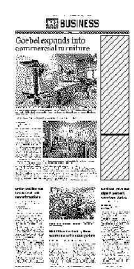
ready decided to retire before the scandal hit. He ended up delaying his retirement, working six months without pay to help his employees find jobs. He says proudly that most of them were successful and that some rose to leadership positions at other firms.

Much of the book is highly personal, but along with family stories Katzen shares a few pieces of St. Louis business intrigue. He recounts how his team predicted the demise of Venture Stores, for instance, and got into a dispute with Anheuser-Busch over a speedboat giveaway in which a printer printed too many winning numbers. He also has a good description of the stodgy but hard-driving corporate culture at May Department Stores, a longtime audit client.

Enron, though, is the client whose name will be linked with Andersen's in the history books.

Andersen's collapse may seem like ancient history, but



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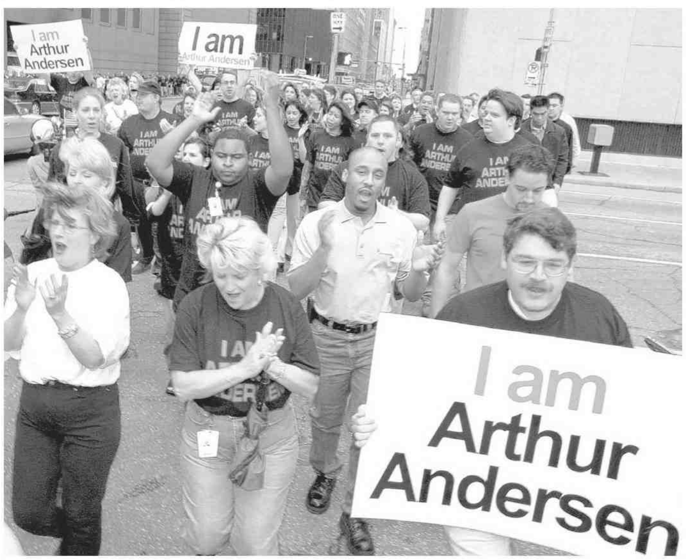
it still has plenty of relevance. A reluctance to shut down a big employer may be one reason the government didn't aggressively prosecute major financial firms in the wake of the 2008-09 crisis.

After all, 85,000 Andersen employees lost their jobs, and many former employees lost their retirement income, although the firm's conviction eventually was reversed. Larry Katzen doesn't want that injustice to be forgotten, and he's done his part to keep Andersen's memory alive.



DAVID J. PHILLIP

Hundreds of Arthur Andersen employees make their way to the federal courthouse to show support for their employer in 2002 in Houston. The firm's fraud conviction was overturned by the U.S. Supreme Court in 2005.