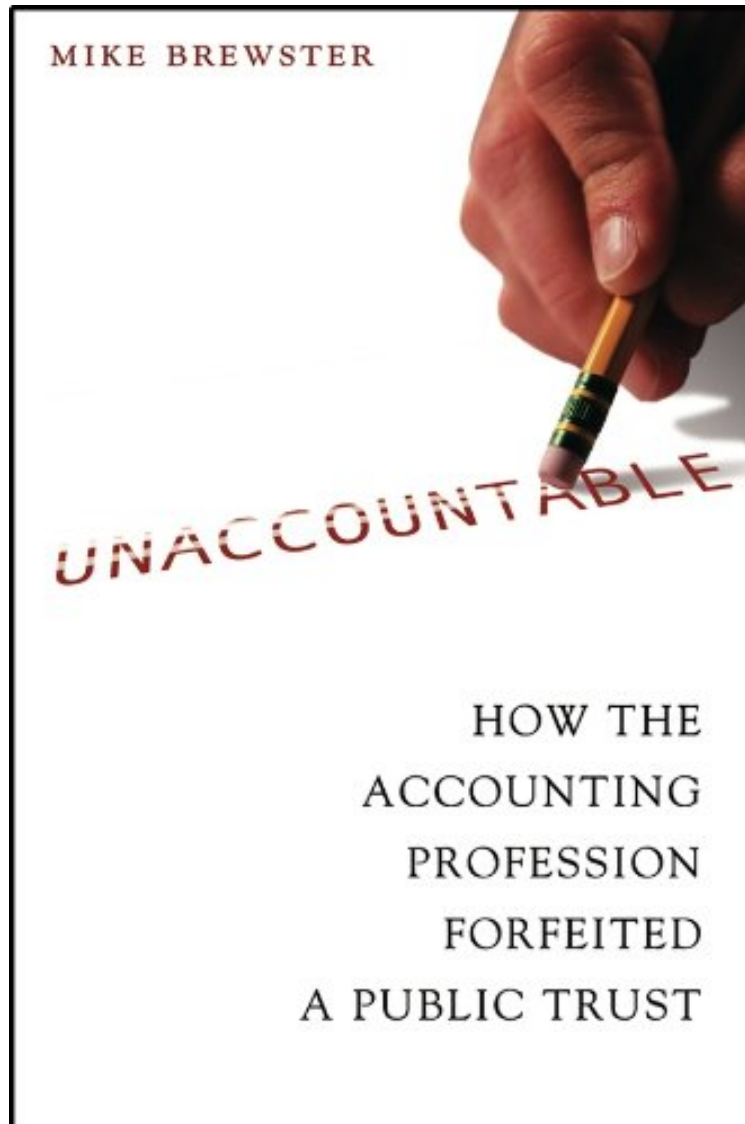


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# Unaccountable: How the Accounting Profession Forfeited a Public Trust

*Mike Brewster*

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**Mike Brewster : Unaccountable: How the Accounting Profession Forfeited a Public Trust** before purchasing it in order to gauge whether or not it would be worth my time, and all praised Unaccountable: How the Accounting Profession Forfeited a Public Trust:

5 of 5 people found the following review helpful. the way of all businessBy M. S. ButchI found this book very interesting, despite some minor errors. After all, it is a big subject. The book is the best explanation I've yet seen of the transformation of the professions into businesses like any other, and the absolute dichotomy between what the public

thinks auditors do and what the auditors actually do. Unfortunately, I think what one takes away from this is: don't buy stocks, you can't know what's going on with them. Although "Unaccountable" makes the accounting profession look bad, absent a complete restructuring for the financial markets accountants will continue to work to please the management rather than the investors, because that is the only way the accountants can survive. The same is true for lawyers, bankers, and rating agencies. 13 of 13 people found the following review helpful. I worked for KPMG By Big 4 Escapee and bought the book, because that's where Brewster worked as a communications guy (spinmaster). Despite the fact that he was not an auditor (or perhaps because he wasn't) I found the book to be an excellent analysis of what STILL troubles the Big 4. Mr. Brewster knows of what he speaks and wrote the book before KPMG was almost "Andersenized" in the Summer of 2005. Absent a government concern warning of further reductions in big accounting firms - It might be the "Big 3" now. These firms advertise their work as the Good Housekeeping Seal of approval to the public, but the truth is that the public would be shocked to see how little value is added by the outside auditors. A modern organization is simply too complicated and produces too much data to allow anything more than a very limited review of the financial data, focused on areas of greatest risk. The direct relationship between the auditor and the management inevitably means following professional standards is an objective subordinated to pleasing the client and meeting the time budget. Large companies aren't paying for anything more than a clean bill of health and partners are somewhere between hairdressers and pimps to a big company. They are of course, well paid for their "services". An example of what I mean would be the common practice of SALY (Same As Last Year), when the bright-eyed young auditor finds out that the wily old Controller they think they are smarter than runs rings around them. This usually comes as a surprise to staff, since they've been told they are the "best and brightest" since they were recruited, usually as juniors. Not one wonders if they were the "best and brightest" would they instead have been at Harvard Med School. Ironically, KPMG managers and partners often gave little value to an MBA degree, mostly because they rarely get them. Unless the error (misstatement) or potential for misstatement is so egregious as to be a great big red flag to the PCAOB, the SEC or a jury, a great deal of the errors are simply written off as I/M (immaterial). A large audit's "workpapers" fills tens or even hundreds of binders and they know screwups will have to be frequent or huge to be spotted. Until auditors are hired by, and paid by, the SEC or an organization that provides insurance that the financial statements are "fairly stated", this situation will persist. The American economy spends BILLIONS to support the lavish lifestyles of Big 4 partners and we still have mal- and misfeasance. If you want more information about KPMG, read the inspection report issued last year by the PCAOB, or the issues related to audits where KPMG was sued (Fannie Mae, Rite Aid, now Ahold) 6 of 7 people found the following review helpful. valuable historical overview of a profession in crisis By Robert J. Crawford This provided to be an extremely valuable wider context to research that I was doing on Arthur Andersen's demise. It begins with the ancient Greeks and their Venetian counterparts during the Renaissance(!), and progresses to the present-day crisis in the accounting profession. Brewster writes about it all as clearly as a professional writer-reporter would, which is enjoyable considering how many dry and self-serving academic books there are on the subject today. While he does not add anything all that original about the present time, his book does convincingly demonstrate that AA was not any worse than the other firms, though with a series of missteps and its involvement with Enron it made itself, in Brewster's words, "an ideal target" of the government. But all the big acct firms desired to make money from their insider knowledge: they lost their ideal of public service, i.e. guarantors of the underpinnings of the capitalist system. This bears out my own research and as such is an extremely useful book for anyone attempting to put this arcane and vital-for-capitalism discipline - accounting - in context. Recommended as an ideal introduction to those who are interested. Admittedly, that is a rather important caveat.

For thousands of years, those who controlled and monitored society's finances - accountants - were often the most powerful, respected, and influential members of the community. From the collectors at communal granaries in the ancient Middle East to the scribes who monitored Queen Victoria's Exchequer, the accountant's role has been to preserve the integrity of financial systems. In the United States, twentieth-century accountants played a vital role in shaping the transparency of U.S. capital markets, counseling the Allies on financial matters in both world wars, advising Congress on the creation of the federal income tax, and inventing the concept of the gross national product. Yet by 2003, the reputation of the public accountant was in tatters. How did the accounting profession in America squander its legacy of public service? What happened to the accountants that presidents, senators, and captains of industry turned to for advice? Why did auditors stop looking for fraud? How did this once revered profession find itself in this unlikely and humiliating state?

From the Inside Flap The most recent round of accounting scandals has shaken our economy and tarnished the reputation of a once-respected profession. The inherent conflicts within the flawed U.S. auditing system - where auditors are paid by the companies they audit and financial reports are now viewed as having little more veracity than press releases - have stunned a public that once believed auditors were their eyes and ears inside the country's biggest corporations. Now, renewed public interest has prompted the government and investors to once

again ask: Where were the auditors? In *Unaccountable: How the Accounting Profession Forfeited a Public Trust*, former communications director for KPMG and business journalist Mike Brewster explores the fascinating transformation of CPAs from independent voices on behalf of the shareholder to close allies of Corporate America. This vivid snapshot of the twenty-first-century accounting firm clearly examines the implications of this shift for investors, the industry, and the overall economy. Brewster's exploration of the key issues facing accounting traces the profession from its birth in the Middle East, to its rise as one of the most universally respected in the Western world, to the calamitous scandals of the past two years, to the fall of Andersen and passage of the Sarbanes-Oxley law. Shaped by the author's own experiences in the industry, primary research of accounting documents going back hundreds of years, and exclusive interviews with the Big 5's major players, advocates, and detractors, *Unaccountable* questions the practices of the nation's leading accounting firms, including . . . Their history of providing consulting services to the same firms they audit Their push in the 1990s to open investment banking and law practices Their push for double-digit growth with no regard to the ramifications of this growth on their public mandate Their resistance to change, even in the face of overwhelming public criticism . . . and discusses the recent reforms that might lead to better accounting practices and more reliable financial reporting. From the first accountants to the future of accounting, *Unaccountable* offers an up-close and personal view of the accounting industry. *Unaccountable* turns up the heat on an already beleaguered profession, but also shows how the best and brightest within the profession can still save the day by implementing much-needed reforms.

**From the Back Cover**For thousands of years, those who controlled and monitored society's finances—accountants—were often the most powerful, respected, and influential members of the community. From the collectors at communal granaries in the ancient Middle East to the scribes who monitored Queen Victoria's Exchequer, the accountants' role has been to preserve the integrity of financial systems. In the United States, twentieth-century accountants played a vital role in shaping the transparency of U.S. capital markets, counseling the Allies on financial matters in both world wars, advising Congress on the creation of the federal income tax, and inventing the concept of the gross national product. Yet by 2003, the reputation of the public accountant was in tatters. How did the accounting profession in America squander its legacy of public service? What happened to the accountants that presidents, senators, and captains of industry turned to for advice? Why did auditors stop looking for fraud? How did this once revered profession find itself in this unlikely and humiliating state?

**About the Author**MIKE BREWSTER is the coauthor of *King of Capital: Sandy Weill and the Making of Citigroup*, also published by Wiley, and a former sportswriter in upstate New York. Formerly the editor of *LeadersOnline*, Brewster spent seven years as the communications director at KPMG. He is a graduate of the Columbia University Graduate School of Journalism.