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Enron, Global Crossing, WorldCom, Adelphia, Qwest. Not a day goes by when we don’t read about one of these companies and their public accounting woes.

For years, accountants toiled quietly, behind the scenes, conducting annual audits and preparing financial statements and tax returns. We can’t remember a time when we’ve seen this level of interest in our profession.

Even though some of us wince at the late-night talkshow jokes about our profession, the scrutiny of publicly held companies and accounting practices has produced some positive outcomes. The attention has caused the profession to return its focus to the importance of auditor competence, integrity and objectivity.

The recently enacted federal laws represent a critical step in restoring public confidence in the capital market system and accounting profession.

Investors must have accurate, clear, timely and relevant information. Anyone who intentionally deceives investors must be held accountable.

Many corporate boards recognize this and are determined to get more engaged in the governance process. Increasingly, we’re hearing from corporations who want help in educating their boards about corporate governance and their responsibilities in the audit process.

Typically when companies interview a prospective auditor, the audit committee and management are interested in an auditor’s experience working in the business’s industry. Whether your company is a “mom and pop” business or a Fortune 1000 firm, it’s important to know if the auditor understands your business.

But it’s equally important to know about their professional and personal integrity and competence. Does the prospective auditor work for a firm that has adopted a code of conduct or core values? Is your auditor involved in professional standards groups? How active is it in the American Institute of Certified Public Accountants? What about involvement in other professional organizations such as the Financial Accounting Standards Board or state CPA societies?

These organizations help establish professional standards, assist members in continually improving their conduct, performance and expertise, and they monitor performance to enforce current standards and requirements.

Auditors are human. They make mistakes. Ask your auditor about the quality controls that the firm has in place. This is especially important if your account represents a substantial portion of the auditor’s business. When a conflict occurs or a critical issue must get resolved, who resolves it?

Finally, find out how it addresses potential accounting irregularities and fraud. Does it promptly notify top management or the board of directors? Is it willing to make difficult decisions to protect the company’s stakeholders?

Four years ago our local office discovered evidence that a client had been improperly recognizing revenue and was altering company records to inflate its stock price. Our team sought the assistance of our national office, confronted the issue and researched the facts. We learned that top management was involved in the accounting irregularities. We reported the company to the Securities and Exchange Commission to ensure the stockholders’ rights were protected. Ultimately, our firm resigned the account.

The accounting profession is at a crossroads. It’s up to all of us to provide the leadership to place our professional responsibilities ahead of all other business considerations. In collectively doing that, we will regain the public’s trust and confidence.

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