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EXECUTIVE FOCUS: *Thomas Shroyer*

Accountant accountability

Attorney Thomas Shroyer has been representing accountants for more than two decades. He says auditor angst has risen with the parade of corporate scandals.

In recent months, the news about the accounting industry has been rife with larger-than-life scandals involving companies such as Enron and WorldCom.

On a smaller scale, individual accounting firms are trying to track what effect the deceptions might end up having on their business. Never known as a risk-taking bunch, accountants are now working in an atmosphere that heightens public awareness of their potential liability.

Thomas Shroyer, an attorney at the Moss & Barnett law firm in Minneapolis, is one of the people fielding legal questions from anguished accountants. For more than 20 years he's been defending accountants accused of malpractice and counseling them on how to avoid claims. He's the author of a book titled "Accountant Liability" and is also the CEO and president of Moss & Barnett. The firm represents accountants across the Upper Midwest, from one-person shops to top-tier firms that audit public companies. Moss & Barnett doesn't represent any of the Big Four accounting firms.

With legislation moving through the U.S. House and Senate that has the potential to change the accounting industry on several levels, business writer John Welbes sat down with Shroyer recently to find out what he's hearing from clients.

The interview has been edited for clarity and conciseness.

Q Have inquiries from your accounting clients changed since the Enron and Arthur Andersen cases came to light?

A I'm getting more inquiries from auditors in terms of the adequacy of the work they're doing, or disclosures, or seeking guidance in terms of dealing with a contentious audit client. Auditors are taking their work to an even higher level now. We have not seen an acceleration in the number of claims or lawsuits. But I would say, too, it's too early to tell very much.

Q Are there other changes auditors are making in the way they do business ahead of any legislative reform?

A I think they are taking extra time and an extra measure of attention and skepticism to what their clients are doing. There's also a sense among auditors that they may now be able to fairly price for their services. I do think we'll see higher prices for audits because there's an enhanced recognition that what they do is fraught with exposure and risk for the firms. The notion that a firm like Arthur Andersen could unravel in six months is just shocking to the profession.

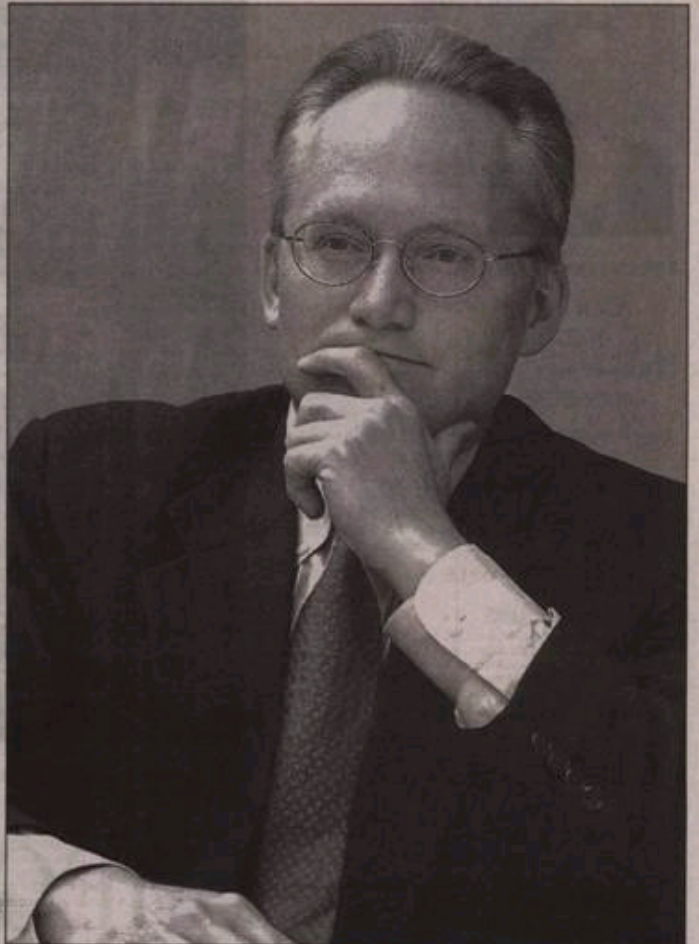
Q In cases where you've defended audit firms that were sued for failed audits, have their dual role as both an auditor and consultant to a company ever become an issue?

A I've represented accountants or auditors on claims of failed audits where the level of compensation (that the auditing firm could lose if they blew the whistle) was touted as a reason for the alleged audit failure.

But consulting per se, strictly speaking, does not create a "conflict of interest." That issue goes in accounting parlance to the question of independence. One thing lost in the dialogue over Enron is just the sheer difficulty that every auditor faces in terms of having to, in effect, "bite the hand that feeds them," whether they're doing consulting (for that company) or not.

Q Are there other changes resulting from Enron's collapse that you expect to see?

A Part of the legacy of Enron will be a tightened scrutiny and regulation of the attorneys working with public companies. There will also be much greater attention paid both at the shareholder level and regulatory level to the problem of "Rip Van Winkle" boards of directors.



JOE ODEN, PIONEER PRESS

Thomas Shroyer, an attorney with Moss & Barnett in Minneapolis, says auditors are taking their work to a higher level since their professional image has been marred by corporate scandals.