

Conquering Checks and Balances: 1996 and 1997

... Fastow's creative SPE schemes saved Enron's fourth-quarter 1997 financial performance. Cash flow went from a negative \$588 million at the end of September to a positive \$501 million at the end of December, a \$1 billion tidal change for a company not dependent on Christmas sales.¹ Some Andersen accountants, led by Carl Bass, objected to Enron's accounting methods. Bass had been working on the Enron account for two years and had developed a low regard for both Fastow and Causey.² But Duncan, as the lead engagement partner, had the final say in the matter.

DECISION CHOICE. *If you were David Duncan, the engagement partner on the Enron account, would you:*

(1) risk losing the Enron account, which is the basis for your career path within Andersen, by demanding that Fastow and Causey follow more rigorous accounting standards; or

(2) risk your professional license by allowing Fastow and Causey to continually manipulate accounting standards? Why?

¹ Bryce, *Pipe Dreams*, 113.

² Eichenwald, *Conspiracy of Fools*, 140.