

The Broadband Collapse: March and April 2001

... Bass, as a member of Arthur Andersen's powerful PSG, continued to challenge Enron executives. He refused to sign off on the current structure of the Raptors, and instructed Duncan to inform Enron's board of directors about the problem. Duncan, once again, ignored the recommendation from Andersen's Chicago headquarters. Causey complained to senior Andersen partners that Bass was being unfair. He claimed that Bass lacked the creativity Enron needed, and tried to impose his "play by the rules" attitude on Duncan. Back in 1998, Andersen partners had defended Bass on the grounds that a client should not dictate the composition of its accounting team. Bass had transferred to the PSG to reduce his involvement in the Enron account, though he still provided recommendations and criticisms of how the audit was being conducted. Now Causey and other Enron executives requested that Bass be prevented from commenting on Enron transactions from this position as well.

DECISION CHOICE. *If you were a senior Arthur Andersen partner and Enron requested that someone other than Carl Bass from your PSG be assigned to review the audit team's work would you:*

- (1) defend Bass and risk losing the Enron account,*
- (2) request that Bass behave in a more collegial manner with Enron, or*
- (3) remove Bass from the Enron account? Why?*