

Arthur andersen's legal ethical issues

[Sociology](#), [Ethics](#)



Describe the legal and ethical issues surrounding Andersen's auditing of companies accused of accounting improprieties. The largest bankruptcy of a non-profit organization, the investors of Baptist Foundation of Arizona sued Andersen which served as the auditor for \$217 million for issuing false and misleading approvals of BFA financial statements and also lost \$570 million donor funds. BFA management allegedly took money from other investors to pay off the current investors which the court held that there is a Ponzi scheme going on.

Here, the auditors of Arthur Andersen has clearly compromising their integrity and honesty by issuing a false information to the public. The next company up in the sacks is Sunbeam whereby Arthur Andersen audits failed to address serious accounting errors while they issued an unqualified opinion. Losses to the shareholders amounting to well over \$4.4 billion and 1,700 people was jobless. Andersen paid \$110 million out of an approved \$141 million for the settlement of the case which they resolve the claims without admitting fault or liability.

Andersen was also named in the case of Waste Management where they could earn additional fees in some "special work" which in this case overstating nearly \$1.4 billion earnings. At first, Andersen identified those improper accounting practices and presented them but both Waste Management and Andersen went into a closed-door engagement with Andersen to write off those accumulated errors. Here there is a Self-Interest threat.

In the case of Enron, Andersen admitted that they had destroyed a number documents concerning its audit on Enron which had filed bankruptcy in late
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2001. The destroyed documents had led to an indictment for obstruction of justice on March 14, 2004. Further scandals surfaced and this time is WorldCom where they blame Andersen for failing to find the accounting irregularities however Andersen blame for the scandal insisting that the expense irregularities had not been disclosed to them and it had complied SEC standards in its auditing for WorldCom