

# Of accounting ethics assignment

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Spas are expected to have integrity in their work, confidentiality in their findings, honesty in their decisions, and exemplify professional behavior as a part of CPA ethics. There are standards, regulations and codes that must guide professional Spas in their jobs to insure companies and investors are protected. One of these is the International Ethics Standards Board for Accountants. If and when professional accounting ethics lines are crossed, Spas may and should accept the fact that they can lose their jobs and their livelihoods.

They may also find themselves enjoying some quality time in jail depending on the crime like the auditor in the Bernard Maddox case. When Bernard Maddox filed false reports and made misleading statements, his accountant David Fringing backed him 100%. This went on for roughly 17 years and \$65 billion in stolen funds. It is during that time the Madam's Opinion scheme went unnoticed affecting the lives of many swindled investors. Mr.. Madam's financier and longtime CPA Mr.. Fringing routinely rubber-stamped Mr.. Madam's cooked books while reaping millions from their illegal so called investments.

According to James Clarion, who is the acting head of the Securities and Exchange Commission's in the New York office, Mr.. Fringing sold his accountant's license to Bernard Maddox. Mr.. Fringing was responsible for auditing financial statements, including balance sheets, income statements and internal control reports. He instead failed to examine a bank account through which billions of dollars of Mr.. Madam's client funds went to. Mr.. Fringing routinely failed to make inquiries about the paperwork or request backup documents. If this CPA had done his job, Mr..

Madam's scam and his company's insolvency would have been obvious. However, since Mr.. Fringing was complicit in this crime, as in a lot of asses where the top is completely corrupt there was no way to see through the smoke and mirrors. Also, in a glaring conflict of interest, Mr.. Fringing and his relatives had more than \$14 million invested with Mr.. Maddox two months before his confession to the largest financial fraud in United States history. According to the SEC, since 2000, Mr.. Fringing withdrew about \$5. 5 million from those accounts.

He also got \$186, 000 a year from Mr.. Maddox for doing nothing except for acting his part. Not once did he conduct a legitimate audit. Not once did he confirm the company's securities existed and he never examined Mr.. Maddox accounts where billions of Mr.. Madam's investor's dollars were funneled. If just one slightly curious person on their staff had performed a cursory audit it could have exposed Mr.. Madam's swindle and spared his nearly 5, 000 swindled clients. " Mr.. Furnishing's deception helped foster the illusion that Mr.. Maddox legitimately invested his clients' money".

Despite all that's been written about the Bernard Maddox scandal, what's remarkable to most is how much we don't know about the fraud allegedly committed by this respected philanthropist and former chairman of the NASDAQ. Many wonder just how many dollars did Bernard L. Maddox Investment Securities LLC lose? " In a Securities and Exchange Commission complaint against Mr.. Maddox, the former NASDAQ chairman says the firm is liable for \$50 billion in losses. Investors who have come forward say they had given \$35 billion to Mr.. Maddox, according to a tally by Bloomberg.

All of that money is assumed to be gone". Others try to pinpoint just how did Mr.. Maddox lose all of that money? Most really don't know and can't say for sure. According to the Wall Street Journal, Mr.. Maddox indicated that he traded stocks and options through European counterparts, instead of his own trading firm,. But the records reveal that investigators don't believe that to be true. There is no evidence that Mr.. Maddox lost or made large sums of money on good or bad trades, or that he traded at all. In some recent cases of spectacular losses, the causes were clear.

There were wrong-way bets on oil prices, for instance, or mortgages that turned out to be toxic, but there is no indication that Mr.. Maddox made any such bets. Nor are there signs that he simply wasted the money on a lavish life style. While he did enjoy a lifestyle of the rich and famous life, he owned a stock-trading business that could have provided him with enough none to fund it. Many have asked if there is any money left over to repay all of the swindled investors. Since most don't know if he lost any money or how much he ever had, investigators don't know what might be leftover, or where it might be.

Investigators in the SEC and in the Securities Investor Protection Corp.. Are looking for the money by trying to follow the money trail. However it is probably safe to say if he was smart enough to outsmart thousands of investors out of their money, he is probably smart enough to keep it hidden from them as well. Through it all greed is more than likely the motivating factor for not only Mr.. Maddox and Mr.. Fringing but for the investor as well. This led some to wonder if the investors who withdrew their money before it

was too late, knew something was wrong with the Maddox investments and were just waiting for the right time to jump ship.

In an SEC complaint, Mr.. Maddox said that the approximately \$7 billion of payouts to the accounts that he managed forced him to reveal that the investments were indeed a Opinion scheme. One would think that those investors suspected that there was a problem with Mr.. Madam's firm. It is possible however that those investors needed cash in those times of economic unrest. A lot of investors were taking money out of their hedge funds, but those hedge funds showed sharp losses. Whereas, Mr.. Madam's accounts continued to show steady gains which probably indicated warning signs to some of the saws investors.

It is very curious how Mr.. Maddox could have maintained his fraud for such a long period of time without someone suspecting foul play. Over the years, his investors stated that they were always able to withdraw any or all of their money out on a moment's notice. This is only possible assuming that Mr.. Maddox did not suffer any big losses, and that he was able to continue to attract a steady flow of money. He would always have enough cash to give some of the investors some or if not all of their money back to keep thing going. In the end the big question is why did he do it?

It is the question asked of many criminals that commit crimes with such devastating impact. And it is a big mystery that deserves investigating. This Opinion scheme scandal has negatively affected his family and his close friends as well as many of their closest friends. It has also devastated beloved nonprofit charities, in Palm Beach, Los Angels, Boston, and New

York. It was said that Bernard Maddox had it all. He had the trust of many, a spotless reputation, the aspect of those that knew him or knew of him, and influence over the financial world. Now all that Mr..

Maddox possesses are a money trail of secrets and a jail cell. In the end, to avoid being a victim of the Madam's and Frillings of the world you have to dig deep into your common senses. You must put on your gumshoes and find out how long the adviser has been in the business. Ask to see his or her DVD Form, Part II, which a planner files with the Securities and Exchange Commission. It contains information about the adviser's background, services, and fees. You have to check for complaints filed though your state's securities regulator. You need to understand the difference between a manager and a custodian.