



# Between a rock and a hard place: Conflict minerals and professional integrity



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**Abstract** Against the backdrop of integrity as put forth in the American Institute of CPAs' (AICPA) Code of Conduct, this article takes a close look at a section of the 2010 Wall Street Consumer Protection Act, commonly known as Dodd-Frank. Interestingly, Section 1502 of the Act contains a provision that puts forth new reporting and disclosure requirements for publicly traded companies that manufacture products consisting of 'conflict minerals' derived from the violence-ridden Congo region. Though the provision is unlikely to stop the violence, the cost of disclosure for publicly traded companies is frighteningly high. This article examines the Big 4 accounting firms' lobbying efforts that preceded passage of the Act and asks whether it is coincidental that Big 4 firms stand to gain from the Act's passage, as Section 1502 provides a new revenue stream that could potentially reach into the billions. This article also includes an examination of the origins of auditing, a very brief history of auditing in the U.S., and a look at the accounting industry's lobbying efforts in recent years. The article concludes with suggestions for the profession, firms, and individual auditors.

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## 1. The auditing profession: What a change a century can make

*The origin of auditing goes back to times scarcely less remote than that of accounting. . . . Whenever the advance of civilization brought about the necessity of one man being entrusted to some extent with the property of another the advisability of some kind of check upon the fidelity of the former would become apparent. (Brown, 1905, p. 75)*

The auditing profession has a rich history steeped in the strong moral character and values necessary to carry out such an important function. Existing since ancient times, auditing is still among the most critical corporate governance mechanisms for protecting shareholders and providing proper information disclosure. It plays a unique and vital role in our society, supporting the efficiency and effectiveness of our capital markets system. As noted by Chief Justice Warren Burger in *United States v. Arthur Young & Co. et al.* (1984), the auditor's special role must be supported by a special character:

By certifying the public reports that collectively depict a corporation's financial status, the

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independent auditor assumes a public responsibility transcending any employment relationship with the client. The independent public accountant performing this special function owes ultimate allegiance to the corporation's creditors and stockholders, as well as to the investing public. This "public watchdog" function demands. . . complete fidelity to the public trust.

Arthur Andersen, founder of the namesake firm, exemplified that character described by Chief Justice Burger. During the early days of the auditing profession in the United States, Andersen was known as an auditor's auditor; his motto was "think straight, talk straight" (Knapp, 2013, p. 4). A legendary story about the young Andersen describes a particular interaction with a client in 1914. Apparently, the client—a local railroad—pressured Andersen to approve questionable transactions that purposely understated expenses and therefore falsely boosted earnings. Despite the fact that the young Andersen was worried about making payroll at his own company, he stood up to the client, saying there was "not enough money in the city of Chicago" to make him approve the numbers (Brown & Dugan, 2002).

Fast forward a century from Andersen's bold declaration that he would not place profits ahead of principles and things seem quite different. The Big 4 accounting firms—the group of large organizations remaining since the demise of Andersen's firm—"completely dominate the industry" (big4accountingfirms.org). Together, Deloitte, PricewaterhouseCoopers (PwC), Ernst & Young (EY), and KPMG audit more than 80% of U.S. public companies. The perception is that these four firms uphold standards set by the American Institute of CPA's (AICPA) Code of Conduct, which is a collection of statements outlining a CPA's ethical and professional responsibilities. However, as will be detailed here, the Big 4 firms have assembled a political lobbying machine that increasingly appears as though its primary aim is to create new business opportunities. Given the clarity of the code—"Service and the public trust should not be subordinated to personal gain and advantage" (AICPA, 2014)—it is worth questioning if these firms' commitment to this code is what it should be.

Against the backdrop of integrity as put forth in the AICPA's code, this article takes a close look at a section of the Dodd-Frank Wall Street Reform and Consumer Protection Act, commonly known as Dodd-Frank, passed in 2010. Interestingly, Section 1502 of the Act contains a provision that puts forth new reporting and disclosure requirements for

publicly traded companies that manufacture products consisting of 'conflict minerals' potentially derived from the violence-ridden Congo region. These include gold and, among other substances, the 'three Ts': tungsten, tin, and tantalum. Companies whose production processes might somehow involve the use of these materials now have to report to the SEC whether or not their particular materials originated in the Democratic Republic of Congo or an adjoining country and, if they did, what the company did to oversee the handling of these materials from the point of origin forward. Regardless of one's thoughts on the merits of such regulation, it is worth wondering what this provision is doing in a congressional bill supposedly intended to crack down on corrupt lending and investing practices at too-big-to-fail financial institutions.

Section 1502 may seemingly be motivated by a concern that the sale of such minerals could be funding violence. However, given that the new reporting requirement covers substances that are widely used across many industries in everything from smartphones to jewelry, numerous companies will be required to comply, and parties involved in overseeing compliance will be presented with a considerable new revenue stream. Now consider that in 2008 during the run up to the 2010 passage of the Dodd-Frank legislation that included this conflict minerals provision, significant Big 4 political donations were directed toward Christopher Dodd, then-U.S. Senator from Connecticut and co-author of the law. While the law's passage represented a significant business opportunity for Big 4 firms, a Tulane University study commissioned by Senator Dick Durbin of Illinois found that the costs of implementing Section 1502 would be frighteningly high. This study estimated that the cost could reach \$7.93 billion, more than 100 times the cost originally estimated by the SEC. So, while Big 4 firms stand to gain, most companies stand to lose. Moreover, research indicates that Section 1502 is unlikely to stop violence in the region and could even make things worse (Seay, 2012).

Very pointedly: If the accounting profession endeavors to lobby lawmakers to craft laws that create more business for the industry at the expense of the public—who works for publicly owned companies, owns stock in or buys products from those companies, and/or works for other companies doing business with these publicly owned companies—is the profession remaining faithful to its oath of integrity?

In this article, we first consider the origins and purpose of auditing and briefly review the history of the profession in the United States. Next, we examine the AICPA's statement on integrity and the profession's commitment to the public trust, and we

consider evidence supporting the claim that audit firms' recent lobbying efforts have prioritized business growth ahead of the profession's commitment to integrity per the AICPA's professional code. After specifically exploring firms' lobbying efforts leading up to the passage of Dodd-Frank and its conflict minerals provision, we offer some final thoughts on where the profession might go from here.

## 2. Auditor as monitor: Yesterday and today

In an effort to consider today's audit profession, we need to first understand its origins. The need for auditing arose from the agency relationship in which one or more principals contract with one or more agents to provide some service on the principal's behalf. Due to this separation of ownership and control, agency costs result when self-interested agents prioritize maximizing their own personal wealth over the best interests of the principal (Jensen & Meckling, 1976). Agents' opportunistic behavior can take the form of investing in negative net present value projects, shirking, or consuming perquisites.

The principal-agent relationship is as old as commerce itself. In ancient Greece, the state's money handlers were agents of the people. During the days of European exploration, the ship captains were agents of the ship investors. Throughout history, as the principal-agent relationship has facilitated commerce, the audit function has existed to independently verify results of trade. As early as 500 to 300 B.C. in the Greek city-state of Athens, three boards of state accountants verified state revenues and expenditures (Costouros, 1978). Centuries later, during the days of European exploration, auditors confirmed whether the riches derived from trade were properly accounted for by the captains of the sailing ships. From around A.D. 1500 to 1850, auditing expanded in scope in an effort to accommodate the manufacturing activities of the Industrial Revolution. Then, in 1844, regulation was passed in the United Kingdom that required company audits; however, most corporations were already voluntarily undergoing audits at that time (Wallace, 1980).

Since its inception, the audit function has provided assurance to both principal and agent. In today's modern corporation, the independent audit is the primary way by which investors monitor the performance of management, due to the principal's constraint of not being able to observe the agent's day-to-day efforts. Evidence has long suggested the importance of the content of audited accounting information, as earnings are related to stock price

adjustments (Ball & Brown, 1968) and accounting ratios can predict both bankruptcy (Beaver, 1966) and shareholder risk (Beaver, Kettler, & Scholes, 1970). Therefore, the benefits of auditing to the principal (i.e., investor) are clear. Agency theory suggests that the agent, too, reaps benefits from the audit function. The agent understands that if there is a perception, right or wrong, of fraud embedded in the financial statements, he faces a potential pay cut. Therefore, he is incentivized to prove that the reported accounting figures are free of errors and fraud, expressed by the auditor's 'clean' opinion.

## 3. A look back at the history of auditing in the United States

In light of the centuries-old history of auditing, the profession in the United States is relatively young. In the U.S., the accounting and auditing professions took shape in the last quarter of the 19<sup>th</sup> century. Many of the professions' early leaders were Scottish and English Chartered Accountants who settled in the United States between 1870 and 1900. The U.S. economy experienced a shift during this time, and a professional middle class developed due to several factors, including population growth, industrialization, and an agricultural boom and decline (Lee, 1995). This American economic change facilitated opportunities for investment by overseas UK firms, and Scottish and English accountants soon arrived in the U.S. to perform much of the early auditing work (Zeff, 2003).

The UK accountants, accustomed to working within an established profession based on institutionalized entry requirements and professional designations, began to form U.S. institutions modeled on the accountancy groups they had left behind in the UK (Lee, 1995). The American Association of Public Accountants, predecessor to today's AICPA, was formed in 1886, and the first law recognizing the Certified Public Accountant (CPA) designation was enacted in 1896 in New York (Zeff, 2003). The passage of this law is viewed as marking the beginning of an accredited profession of accounting in the United States (Carey, 1969). It was during this time that early American public accountants began to emerge; most notable amongst these was Arthur E. Andersen, who founded the namesake firm in 1913.

Initial accounting rules and auditing procedures were developed in these early years. Specifically, Congress passed the first Revenue Act in 1913, which greatly increased the demand for accountants providing tax services (Carey, 1969). Soon after, company executives developed an interest in

recording depreciation because of its tax deductibility. These changes increased the demand for accounting work and correspondingly the CPA designation grew in reputation. From the outset, the character of the CPA and the public's perception of the profession were paramount. For example, in 1922, the American Institute of Accountants, another early professional group, banned certain forms of self-promotion by accounting firms. Zeff (2003) relates a story of A. C. Ernst and two of his partners in Ernst & Ernst—predecessor to today's Big 4 firm, EY—being accused of violating rules against soliciting and advertising. These three men immediately resigned their membership in the Institute, and even after his firm ceased any of these questionable practices, A. C. Ernst never rejoined the Institute.

Because of the respect garnered by CPA firms from the business world, the profession enjoyed self-regulation and several decades of peaceful progress. According to Zeff (2003, p. 193), from the 1940s until the mid-1960s, CPA professionals reached the “height of their standing and reputation.” CPAs received recognition not only for their technical training and expertise, but also for the perception of the moral compass and character that accompanied the designation. CPAs were increasingly tapped to play important roles in public affairs, serving in important government posts and providing expert witness testimony in court cases, “because of the increasing respect accorded to the profession” (Carey, 1969, p. 382). However, the profession began to face scrutiny in the latter half of the 1960s as the business world took note of the major firms' involvement in revenue-motivated activities: consulting, political lobbying, and gimmicky marketing practices. Fast forward to the end of the 20<sup>th</sup> century, and a sales culture spurred by the aforementioned factors had completely taken hold at the major audit firms (Earley, Odabashian, & Willenborg, 2002).

#### 4. The professional code and auditor integrity

Turning to the character promoted by the profession, the AICPA Code of Conduct is a collection of statements outlining a CPA's ethical and professional responsibilities. The code, issued in its initial form in 1917, is unmistakable in its oath (AICPA, 2014):

Integrity is an element of character fundamental to professional recognition. It is the quality from which the public trust derives and the benchmark against which a member must ultimately test all decisions. . . .Service and the public trust should not be subordinated to personal gain

and advantage. Integrity can accommodate the inadvertent error and honest difference of opinion; it cannot accommodate deceit or subordination of principle. . . .Integrity is measured in terms of what is right and just. In the absence of specific rules, standards, or guidance, or in the face of conflicting opinions, a member should test decisions and deeds by asking: “Am I doing what a person of integrity would do? Have I retained my integrity?” Integrity requires a member to observe both the form and the spirit of technical and ethical standards; circumvention of those standards constitutes subordination of judgment.

Given the profession's explicit commitment to integrity, public accounting's recent lobbying efforts and influence over the political process seem worthy of scrutiny. Of course, large corporate entities regularly engage in the political process to protect their market position, rent seek, and get around having to compete in the marketplace. As historian Burt Folsom (1991) explained, political entrepreneurship often trumps market entrepreneurship. But, especially in consideration of its oath of integrity, is it not reasonable to expect more from the accounting profession? It is worth noting a distinction between *defensive lobbying* and *offensive lobbying*. Whereas defensive lobbying includes efforts to protect the business against arbitrary regulation, offensive lobbying makes an effort to create additional business through arbitrary regulation. In an effort to move legislators to write new laws and regulations in line with the firm's self-interest, offensive lobbying seeks to use government to create new demand, acquire new markets, and gain share over smaller competitors. With respect to the Code, such behavior would not seem consistent with the definition of integrity.

Disappointingly, a stream of academic research (e.g., Thornburg & Roberts, 2008) posits that although the accounting profession was founded on an oath to serve the public, a self-serving bias actually motivates the current profession's politically related activity. Specifically, Dwyer and Roberts (2004, p. 868) empirically show that the CPA profession engages in the political process for “easy access to Congress,” as it seeks to support its own interest and the interests of its corporate patrons. The profession's political aggressiveness can be traced back to the Savings and Loan Crisis of the 1980s. Beginning in the early 1990s, the AICPA and the then-Big 5 firms (including Andersen) began establishing political action committees (PACs) to lobby specific congressional candidates in a position to affect legislation that directly impacted the profession



(Dwyer & Roberts, 2004). An 8-year effort by the big accounting firms culminated in the passage of the Private Securities Litigation Reform Act (PSLRA) of 1995, which significantly reduced audit firms' liability exposure (Roberts, Dwyer, & Sweeney, 2003).

And with the well-known Sarbanes-Oxley Act (SOX) of 2002, the big accounting firms lobbied hard to be able to maintain their ability to provide publicly traded audit clients with consulting services. This issue, of course, was at the heart of the Enron/Andersen debacle (Byrnes, McNamee, Brady, Lavell, & Palmeri, 2002): It is no secret that Andersen's integrity and independence were compromised largely due to the huge consulting fees paid by the energy giant to its auditor. In the year before the Enron bankruptcy, Enron paid a \$27 million consulting fee and \$25 million audit fee to Andersen. In the case of SOX, investor groups and others seeking public accounting industry reform—bolstered by the WorldCom and Xerox scandals that quickly followed Enron—ultimately won out over big accounting firms' efforts. The final version of the Act, which was stricter than the initial versions the auditing firms had heavily influenced (Roberts et al., 2003), prohibited auditors from providing consulting and auditing services to the same publicly traded client. However, it is worth noting that SOX set up an entirely new revenue stream for the Big 4: the Section 404 audit of internal controls. While the cost of abiding by 404 has been onerous for clients, it has meant more money for the biggest firms. Industry insiders affectionately refer to SOX as the 'accountants' full employment law.'

Stepping back from specific legislation, it is eye-opening to take a look at some figures. According to a 2012 Reuters study, the Big 4 altogether spent \$9.4 million in 2011; this was more than any year on record except for 2002, which was the last year that the group included a fifth firm, Arthur Andersen, and was, as mentioned, the year that firms were attempting to influence the content of SOX (Ingram & Aubin, 2012). Firms have increased their lobbying efforts markedly in recent years; Deloitte alone has doubled its number of lobbyists since 1999. And these foot soldiers are bringing more artillery to the fight. In 2010, PACs for the Big 4 gave \$8.7 million to candidates. The biggest recipient was Senator Chuck Schumer (D) of New York, a political ally of Dodd's, who was up for reelection that year.<sup>1</sup> Schumer received \$46,600 from executives at Deloitte; \$43,650 from executives at KPMG; \$43,500 from executives at EY; and \$36,000 from executives

at PwC (Ingram & Aubin, 2012). Interestingly, Schumer is a member of the powerful Senate Banking Committee that has jurisdiction over auditing matters, including the controversial Public Company Accounting Oversight Board (PCAOB), which was created as part of SOX. With SOX and the creation of the PCAOB, the profession lost the self-rule it had enjoyed for almost a century. The PCAOB now sets audit standards for the audits of publicly traded companies and monitors the work of audit firms, and is hence referred to as 'peekaboo' by insiders because of its far-reaching authority over the accounting profession as much as the acronym's resemblance to the word.

## 5. The Big 4 and conflict minerals

The Big 4's lobbying efforts were seemingly behind the conflict minerals provision being inserted into the Dodd-Frank legislation. According to research supported by the Center for Global Development (Seay, 2012), Section 1502 of Dodd-Frank, the conflict minerals provision, actually originated as singular legislation devoted to ending violence in the Congo. A 2009 bill written by Congressman James McDermott of Washington State entitled The Conflict Minerals Trade Act was supported by the Center for American Progress and a wing of that organization called the Enough Project, along with some prominent corporations—most notably, Hewlett Packard. Together, these groups believed that The Conflict Minerals Trade Act would help defund militias and end civilian-directed violence in the Democratic Republic of Congo. The bill, which never made it out of committee, was attached to Dodd-Frank 8 months later. How?

Consider this: The primary author of Dodd-Frank—Christopher Dodd (D), former United States Senator from Connecticut—enjoyed considerable financial support from big accounting firms over the course of his career. In 2008, the last election cycle prior to the 2010 bill, the [Center for Responsive Politics \(2008\)](#) reported that KPMG gave more money to Dodd than to any other politician besides Barack Obama and Hillary Clinton, who were both running for president that year. And, while many other lawmakers were up for re-election in 2008, Senator Dodd was not. PwC and Deloitte did the same thing in 2008: these firms gave more money to Dodd than they did any other lawmaker. In fact, these firms only gave more money to presidential candidates Obama, Clinton, McCain, and Romney. Finally, the other Big 4 firm, EY, followed suit in the same year, donating the most money to Dodd after presidential candidates Giuliani, Clinton, Obama,

<sup>1</sup> Incidentally, Dodd opted not to run for reelection in 2010, leaving office after Dodd-Frank's passage.

and McCain. And Senator Dodd's relationship with Big Accounting dated back well before Dodd-Frank was being crafted. Charles Lewis of the Center for Public Integrity told PBS Frontline that as chairman of the Democratic Party back in the 1990s, Dodd was the "leading advocate in the U.S. Senate on behalf of the accounting industry." Furthermore, he added, "Dodd might as well have been on the accounting industry's payroll. He couldn't have helped them any more than he did as a U.S. Senator" (PBS, 2002).

Considering the exceptional nature of these donations, the fact that the Big 4 directed these to Dodd in 2008, and that the conflict minerals provision became law with the passage of Dodd-Frank in 2010, it is interesting to also note that the Big 4 did not waste much time positioning itself to capitalize on the law's passage. Between the years 2011 and 2013, Deloitte, KPMG, EY, and PwC each provided a thorough explanation of Rule 1502 on its website and advertised how its services could help companies navigate and comply with new conflict minerals reporting requirements. In August of 2012, *Accounting Today* reported that a senior manager of Ernst & Young's climate change and sustainability practice in Chicago admitted that not only was his firm considering getting involved in offering the new Dodd-Frank mandated services, but also that he saw this as an emerging business opportunity for the auditing profession. Following the August 2012 SEC ruling detailing the enforcement of this provision in Dodd-Frank, the senior manager explained, "If you look at the SEC's economic analysis, they assume that 75% of the respondents will require an independent audit of the conflict minerals report" (Cohn, 2012). He goes on to say that such disclosure is part of an ongoing trend whereby companies are being pushed to report on things significantly outside the scope of financial reporting—things pertaining to "water usage, greenhouse gas emissions, energy conservation" and even "social metrics" such as "community giving, labor relations, worker health and safety and product responsibility information." The report concludes that audit firms are well-positioned to "help companies and investors verify such reports." Still, one is left to question if the big accounting firms were merely reacting to the passage of the new regulation or if they had very proactively and purposely used the political process to create it.

Unfortunately, though presumably originally well-meaning, Section 1502 has had deleterious consequences for the very groups it was supposed to help. In response to Dodd-Frank's mineral provision, the Congolese government initially shut down and militarized mines. Even after the mines were

reopened, other countries began an embargo of Congolese minerals, effectively putting miners out of work permanently. Without employment, miners could not afford healthcare or education for their children and stopped buying other products and services that propped up the local economy. Estimates are that 5–12 million Congolese civilians have been negatively affected by 1502 (Seay, 2012). Sadly, there has been no reduction in violence in the region. As Professor Laura Seay explains, militias still prey upon innocent civilians, and the United Nations reports that they smuggle conflict minerals through Rwanda and make money via the sale of alternative resources like timber, cannabis, and palm oil.

## 6. Where do we go from here?

Consistent with the traditional function of the auditor as monitor and a perception that the buck stops with the auditor, the profession has historically faced pressure to protect the public interest. Taking a cue from the AICPA's code, integrity is the element of an auditor's character that supports his/her commitment to the public trust. While the profession's accounting principle of integrity remains codified by the AICPA, this commitment seems sometimes divorced from reality, especially when considering that accounting firms have spent recent decades engaging in activities such as political lobbying with a primary aim of creating new business opportunities. Interestingly, Lee (1995) argues that the profession's economic self-interest and public interest have historically not been mutually exclusive. Lee examines the origins of the auditing professions in both the U.S. and UK and argues that adherence to a strict set of virtues and beliefs in the early years was actually *good* for business, as it served to protect business opportunities for those who vowed to work by a codified set of rules and standards. However, as Lee (1995, p. 65) aptly notes:

The explicit covenant to protect the public interest has to be taken seriously, perhaps for the first time in the history of the accountancy profession. It can no longer be taken as a legitimizing ticket to provide a range of services without public accountability but with significant economic and social rewards. Instead, accountancy has to be regarded as a vocation, in which service for a designated client also involves duties to a wider public.

Accordingly, one wonders, where do we go from here? On every level—profession, firm, and

individual—it would seem that accountants should better consider ways in which they might more authentically dedicate themselves to the AICPA's Code of Conduct and to the oath of integrity that they commonly invoke. First, the profession should be prompted to revisit the specific language put forth in the AICPA's code. An industry-wide soul search focused on what it means might redirect at least some of the profession's efforts and initiatives. In this vein, the AICPA might consider convening a professional consortium, bringing key members of firms together for an open, transparent, and honest discussion regarding their adherence to all aspects of the code. Initial discussion might include an analysis of Big Accounting's lobbying efforts as far back as the 1990s and whether such politically motivated activities square with the profession's oath of integrity. Subsequent talks should remind firm leaders that the profession's initial greatness was born out of sentiments such as Arthur Andersen's pledge to eschew profits that came at the expense of compromised principles. Because even the most stalwart character can be overly taxed by a profession in pursuit of profits (Earley et al., 2002), this discussion should incorporate realistic ways in which the profession might properly seek new business opportunities. Such a conference, which should reconvene every 2 years for the next 10 years, may help the profession establish a pathway back to its founding values.

In the spirit of accounting as a vocation, individual firm partners might also engage in some self-evaluation. Specifically, partners might ask: "How many lobbying dollars do we spend, and with what purpose?" The answers to these questions may involve a firm-wide examination of the company's commitment to ethics and professionalism. And, consistent with Lee's thesis, firms may actually be able to derive a benefit from not using the political system for their own sake; namely, firms that do not engage in political lobbying may craft their branding efforts around their commitment to the profession's long-standing values and morals, as authentic devotion to professional integrity may be a successful point of differentiation. In this spirit, firms would demonstrate true concern for professionalism by offering grants and establishing cooperatives with academics with the aim of sponsoring research that actively challenges auditor professionalism and integrity.

The profession and firms should also make efforts to focus on the individual auditor. Because today's undergraduate accounting students and audit firm staffers are tomorrow's leaders, educators in both university and firm training settings should aim to foster an ethics- and professionalism-oriented

environment. Related to university-level education, a quick perusal of auditing textbooks suggests that Code-related content is generally devoted to the Code tenet of independence—which, of course, has garnered copious amounts of attention in the years since Enron. Very little textbook space, however, is devoted to integrity. In addition to defining accountants' professional and ethical responsibilities, revised textbook editions might more amply describe integrity and offer real-world examples that students can grasp. Within firms, materials used to train audit staff could incorporate descriptions and examples of the AICPA's code tenets, with a focus on integrity and which marketing efforts are consistent with the code and which are in violation. And because the CPA exam is a hurdle that all professionals must overcome before moving up the ranks within firms, it might pose more questions on the issue of integrity and how a commitment to integrity might fit with the profession's efforts to grow business opportunities.

Finally, it is important to remember that Arthur Andersen's values pre-dated the AICPA code. They were not a response to formal policy, law, or regulation; rather, they emanated from an unwavering personal commitment to do what was right. This was understood and not lost on Colonel Arthur Carter, then-managing partner of Haskins & Sells, the predecessor to today's Big 4 firm, Deloitte. Called before the Senate Committee on Banking and Currency in 1933 and asked, "Who audits you?", Colonel Carter quite simply replied, "Our conscience" (Dugan, 2002, p. A1). Can every audit firm partner say the same today?

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