12-12-1977

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by
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December 12, 1977

[Introductory note: Russell E. Palmer joined Touche Ross & Co. in 1956 after graduating cum *laude* from Michigan State University. He was admitted to the partnership in 1966, served as Partner in Charge of the Philadelphia office 1968 to 1972 and then was elected Managing Partner and Chief Executive Officer of Touche Ross International.

Throughout his career, Mr. Palmer has been active in professional organizations including the American Institute of Certified Public Accountants where he is currently a member of the Board of Directors. He is also a member of the Directors' Table of Beta Gamma Sigma and a member of the Board of Trustees of the Accounting Hall of Fame. In addition, he recently chaired a committee of the Financial Accounting Foundation which issued a report reviewing the performance of the Financial Accounting Standards Board.

Currently, he also serves as trustee and director of many economic development councils and civic associations. In 1974 he received the Brandeis University Distinguished Community Service Award.

As never before, the accounting profession and the business community have been severely challenged in the past few years by the courts, the U.S. Congress, and the Securities and Exchange Commission. Accounting has been the focus and has felt the brunt of challenge partly because it is the language of business -- and partly because of its own acts and inactions.

The courts have been busily extending professional liability and therefore duty. Some in Congress have scoffed at the private sector and suggested that adequate accounting and auditing standards can be set only by the government. And the SEC, exercising its rule-making powers, continually extends financial reporting requirements.

Challenge and change are generic to a healthy democratic society. So is response. And so is initiative. Whether the profession's initiatives and specific responses have been sufficiently robust and appropriate remains to be proven. But they are surely far reaching: they range from a creative review of the Financial Accounting Standards Board to the restructuring of the AICPA; they include adoption of the Peer Review Program and a concern both with continuing education and with sharpened disciplinary procedures; they show a sensitivity to public need and, as with recent FASB changes implementing Palmer-Committee recommendations, demonstrate that accounting is acting imaginatively and growing professionally. There is much evidence that the private sector should and will remain the source of appropriate accounting and auditing standards in our democratic society.]

Where is the accounting profession today? What does the future hold? To provide some perspective, I will begin by citing several developments that have taken place during the past few months -- moths that in retrospect appear to have formed an important period of transition.

Last summer, the Cohen Commission issued its tentative report, containing a series of recommendations for widespread professional reform. The Structure Committee of the FAF issued another set of recommendations in late spring. Senator Lee Metcalf made news for several moths when his Subcommittee looked into the profession. In late summer, the AICPA announced the revision of its structure, which all major CPA firms and many others have accepted or will do so. And people who normally care little about accounting are asking questions and offering advice.

One of my friends furnishes an example. He is a banker who has never thought much about accounting. At a recent lunch, however, he told me chat his work had required him to begin learning a little about the profession. "You know," he said, "you really have some problems." At first I was tempted to reply flippantly, saying something like, "Come on! Don't you think I know chat we have problems?" I restrained myself, however, and for my pains, was treated to a lengthy analysis of what the profession now faces. When my friend had finished his lecture, I decided chat, if nothing else, his remarks had given me another useful perspective on the ways in which an educated man perceives the profession. Still, as I thought about his new interest and about all the other publicity the profession had received over the year, I felt like exclaiming, "What have we done to gain so much visibility at this time?"

One answer to this question lies in the manner in which accountants are now perceived. People consider us a part of the professional establishment, which, because of a number of real and apparent abuses, has suffered a loss of public confidence. In law, for example, there was Watergate; in medicine, Medicaid and Medicare scandals; and in accounting, some spectacular business failures that raised questions about the profession's moral responsibilities. One result of this suspicion was a new mood of questioning -- some people have called it the "Watergate mood." I believe that this mood is no temporary aberration, however, that will simply fade away once Watergate itself is forgotten. We are seeing a basic challenge to the status quo, which turns out to be a natural ingredient of the American system. Any person or institution standing in a position of leadership must continually prove its qualifications to lead. "When a man assumes a public position or public trust," Jefferson said, "he has to consider himself public property." As accountants we have become "public property," and we find that we must now justify ourselves as a profession, and define our place in the entire scheme of things.

The public that has been challenging us to continued self-examination speaks to the profession through many voices, and in listening to the increasing clamour, it is often difficult to distinguish the true meaning. Part of our professional responsibility, however, is to separate mere noise from serious criticism.

One important way the public "talks" to us is through the courts. While we may not always like what the courts are saying, we must still pay attention to their words, analyze them, and grapple with their meaning. Let me give you an example. Some time ago, an accountant audited a client's financial statements, which were then released. In the meantime, the accountant uncovered some facts, which showed those financial statements to be misleading. The accountant went to his client requesting public disclosure, but the client refused to say a word. At first, the accountant protested, eventually giving in because the client claimed that their relationship was confidential. Later when the client went bankrupt, the accountant was sued and the issue went to court. When the judge determined that the accountant's action was wrong, he noted that accountants have an obligation that overrides any obligation they may have to a client. They are obliged to inform the public about financial statements -- whether the client likes it or not. Eventually, the AICPA reduced this court decision to a new professional standard, but doing so took a great deal of time -- three years from the time the court handed down its judgement. It should not take us quite that long to understand the court's messages.

Often, then, important professional issues are settled by litigation. I do not believe that all litigation is

healthy. Some has been intended to blunt the effect of market risk, while some primarily benefits the few lawyers who specialize in this field. Partly as a result of these two factors, our firm on principle has decided against settling out of court. We will fight most of our cases to a court decision, even if the plaintiff wants a jury trial. The most important reason for this stand is our belief that it is not in the public's interest to hold accountants as the prime recovery point in damage suits.

The courts *can* clarify responsibilities, but as the Cohen Commission has pointed out, a great deal remains ambiguous. What, after all, *are* the responsibilities of investors, corporate management, lawyers, accountants, government, and even the courts, themselves? Over time, the issue of responsibility must be resolved.

The public speaks to the profession in another way -- through the SEC, an organization whose pronouncements do not always please us. The SEC is a responsible body, however, and it is trying to do a difficult job. I offer one example, which may arouse some controversy. Last year, the SEC helped the profession meet the challenge of inflation by insisting on disclosure of replacement cost information. For years, both academics and members of the accounting profession had debated the merits of this approach. But no one had taken any action. The SEC *did,* and by placing the question and the facts on the table, it challenged us to act. We now are, but without the Commission's stimulus, nothing might have been done.

Yet, certain SEC proposals do not seem in the public's interest. Right now, for example, the Commission is gathering data and seeking outside opinion about whether or not an annual proxy's auditor's fees should be disclosed. The SEC is interested in discovering several things: the auditors' fees for the last two years; descriptions of other services and fees over 10 percent of the total; details of any services billed at unusual rates; explanations of any fee limitations; descriptions of revenues from the auditor to the company over 20 percent; and explanations of anything "unusual" in the auditor-client relationship. (The SEC neglects to define "unusual.") What is wrong with disclosing this kind of information? At first glance, doing so seems very simple and straightforward. If a chief executive of officer's compensation can be reported in the *New York Times,* why not talk about audit fees? What do we auditors have to hide?

I do not think that disclosing this information will do much good. In the first place, doing so will increase price bidding, which has gone to extremes already. Second, I believe that such disclosures will ultimately lower the quality of auditing. Third, I worry about how such data will be interpreted. Is a high audit fee good because it means the auditor does more work? Is a low audit fee good in and of itself? Does a low audit fee also suggest a correspondingly lower quality of work? What about a firm that consists of a number of consolidated corporations, each requiring an individual audit? How can one judge fees in this case?

Obviously, there are many other factors that must be taken into consideration besides fee. I think that it is better to put pressure on. audit committees to assure the auditor's independence. It is better to insist that the audit committee approve any special service an auditor provides. If the audit committee believes a conflict exists, it should not hire the firm in question. If there are other special services that might interfere with the auditor's independence, the responsibility for action should fall on the audit committee, a group that *knows,* rather than on a shareholder who may be unable to evaluate the available information.

The public also speaks to us through the Congress, a voice that we in the profession do not yet understand. It makes us uneasy when we hear that Congressmen are looking at our profession, just as we become equally uneasy when we discover that the Federal Trade Commission is looking into competitive practices or that the Justice Department has brought a constraint suit on bidding practices against the State Board of Accountancy in Texas. We are frightened both because, up to now, we have not dealt with government and because we do not understand Washington. Some of our more experienced friends ask: "Why get upset? Join the crowd. We've been harassed, harangued, beaten

down, and regulated for years. It's about time you joined us. It's about time you had a few Congressional committees looking into what you're doing."

One of these Committees is headed by Representative John E. Moss. It issued a report a year ago, and will hold new hearings soon -- which will undoubtedly result in still another Moss report. The first report concentrated mostly on the SEC, congratulating it on the way it handled the issue of illegal payments. At the same time, the report criticized the Commission for not prescribing uniform accounting principles - it claimed that the FASB had not moved quickly enough in this direction. Moreover, the report suggested that the Commission should set standards of conduct for the profession, because CPA's had not been sufficiently willing to extend their responsibility. It also recommended that the SEC take disciplinary action against errant CPA's, when appropriate, because the profession, itself, did not appear rigorous enough in enforcing standards.

Since the release of the Report, Representative Moss has continued to comment. He thinks, for example, that audit committees should perform seven specific duties, which I believe are beyond the ability of any audit committee today. He wants uniform accounting principles, CPA registration with the SEC, and peer review. Finally, he would like the SEC to be more vigorous in its oversight of accountants. Apparently, from what we hear, Representative Moss is willing to see what the profession will do on its own before he introduces any legislation. My guess, however, is that he *will* introduce legislation, if merely because one of the functions of Congress is to legislate.

This past year, we heard from another Congressman, the late Senator Lee 1. Metcalf, who chaired the Senate Sub-committee on Reports, Accounting and Management. Last winter the subcommittee's staff issued a 1,760-page report, which was outspoken in its criticism of the profession. The report was followed in spring by public hearings. In November, the Subcommittee issued a final report, which, in light of the staff report, appeared much less critical than generally expected. When people claimed that the final report "came out better" than the staff report, most were referring to the fact that the final report recommended giving the private sector an opportunity to reform itself. That was good. Furthermore, the report agreed that the restructuring of the FASB, as proposed by the Structure Committee of the FAF, was on the right track. That too seemed good. The members of the Subcommittee also suggested that the FASB should work harder at adopting uniform accounting standards. Few in the profession would quarrel with that statement. Ironically, however, when we attempted to apply uniform standards to the oil and gas industries, Congress drew back, saying in effect: "Wait a second! We don't know if you want to have just *one* way of accounting. That might hurt the smaller guy. You'd better take a look at the competitive ramifications of such a step."

In considering the independence of our profession, the Metcalf Subcommittee said that to oversee it, there should be a policing agency, similar to the National Association of Security Dealers. The Subcommittee recommended peer review for everybody, disclosure of financial information, strengthening of audit standards, and increased participation of audit committees.

Most of these objectives seem reasonable -- indeed, the profession itself is already moving quickly toward them. To "police" the profession, for example, the AICPA has already restructured itself. Peer review is also finding quick acceptance. My own firm just completed one, conducted by PriceWaterhouse, at a cost of $500,000 and 6,000 hours of partner and manager time. (We came through the review in fine fashion.) Still, critics claim that peer review of one firm by another is really window dressing. If I need something for my window, I can certainly buy it cheaper!

The Subcommittee's recommendations about publishing financial information raise several questions. While I believe that such disclosure is generally necessary, it should be done on a need-to-know basis. There are compelling reasons for disclosing the net worth of a firm, figures on net services and how these are broken down. This information indicates a firm's basic health. Thus, for the past four years, my firm has put out key operating figures, and if we are required to publish full financials, we will do so: We are not disturbed at this prospect, for we are proud of our accomplishments. I will even be happy

to disclose my own compensation -- if someone can explain why such information is important to clients, the public and the press.

There are other areas of the Metcalf report that trouble me. When the report indicates for example, that the CPA should call in Washington whenever he sees something wrong, this at first seems reasonable enough. In reality such a requirement will make auditing difficult, if not impossible. First, because I am not a lawyer, I am not entirely sure about what is illegal or improper. In carrying out audits, we will then have to call in the lawyers to aid us as a matter of routine. Second, speaking as a professional, I cannot conduct an audit in an environment which makes me a special government agent. Indeed, an audit cannot be carried out as an adversary relationship. As auditors we are responsible for informing boards of directors about questionable matters, and they, in turn, are responsible for bringing in legal counsel. Boards ate responsible for making the proper disclosures to the SEC, IRS and other relevant agencies. But, do not make me the policeman, for that will destroy the viability of our profession.

What happens if an auditor discovers questionable activity but the board of directors fails to take action? The auditor should resign the account. When that happens, management must file an 8K to explain the reasons for changing auditors. The CPA must also explain the reasons for change. Disclosure will take place, one way or another.

In another matter, I disagree with the Metcalf Subcommittee's statement that the Hochfelder decision ought to be rescinded. According to the report, the best way to assure responsible work and discipline CPAs is to subject them to unlimited liability. This would place the profession in an untenable position, as Mr. Justice Cardozo recognized in his 1932 opinion on the Ultramares Case:

> If liability for negligence exists, a thoughtless slip or blunder, the failure to detect a theft or forgery beneath the cover of deceptive entries, may expose accountants to a liability in an indeterminate amount for an indeterminate time to an indeterminate class. The hazards of a business conducted on these terms are so extreme as to enkindle doubt whether a flaw may not exist in the implication of a duty that exposes to these consequences.

There is another issue here, as well. If the accounting profession cannot discipline its own members, it is not a profession, for one of the main attributes of a profession is self-discipline. If accountants must be primarily disciplined by the courts, the SEC or other bodies, questions can be raised about whether or not they really belong to a profession.

Finally, the Metcalf Subcommittee urged more involvement on the part of the SEC, specifically asking for a report, due in June of-1978, outlining the progress made by the profession itself. I believe that we will make substantial progress by that time.

But the Congress and the various governmental agencies are not the only voices speaking to us. Our own professional institutions have been examining the issues affecting all facets of the accounting profession today. Earlier, I mentioned the Cohen Commission, which issued a good tentative report. Certainly, most of the Commission's criticism is justified, most of the solutions proposed are workable. The Commission rightly perceives that there is a large gap between the profession's actual performance and the public's expectations. This gap has been caused, in part, by the profession's failure to react quickly enough to the public's changing needs. The Commission's recommendation that the profession change the process followed in developing audit standards is meaningful, for our record thus far in setting standards is not good. We have tried to accommodate too many different interests. Even more, we have been protectionist in developing standards, often confusing them with limitations.

Also, as I mentioned, the AICPA has created two new divisions -- one for firms auditing publicly-held firms and another for private practices. Firms may join one or both divisions, but the criteria for joining the public practice are demanding. First, such firms must submit to periodic peer reviews. In addition, the firms in this group must agree to publish certain financial and operating statistics. They must

undertake to limit the scope of their practice -- there are certain activities not commensurate with true or perceived independence. These firms must also agree to abide by the practice standards set by the division. Regulating public practice will be an oversight board, comprised of prominent people outside the profession, and to discipline fens, the division will have the power of sanction. Will this approach work? I believe that there is a good chance. Still, I have met in other forums for several years with many of the people who will be involved in governing this new division of the AICPA. There is a great diversity of opinion within the group, and I am afraid there are many who will continue to want to maintain the status quo as they have in the past. However, I am cautiously optimistic.

Another important professional voice is the Structure Committee of the FAF, which, working under a mandate from the Foundation, carried out a thorough investigation of the standard-setting process. Those of us on the Structure Committee- spent more than 2,000 hours on our review, observing fret-hand how the FASB operated. We spent two weeks tracking operations, and we interviewed 100 prominent Americans. We asked probing questions. We listened carefully, and at the end of our study, we found overwhelming support for maintaining the standard setting process in the private sector. Some might conclude that we purposely interviewed people who would express this belief, but our sample included people of widely-varying viewpoints. We even interviewed the Ralph Nader organization and Common Cause. In the end, we made 17 important recommendations, and the Trustees and the Board of the FAF are now implementing all 80-90 percent have already been put into effect.

Certain aspects of the due process procedure have been changed, for example. It is easy to say that there is effective due process. The Board just issued a 319-page DM on accounting for the extractive industries. How does this affect the small businessman who does not have a research staff? We have to look at this question -and we are doing so.

There is still another issue. I do not believe that the FASB should act as a judicial body, composed of seven "judges" who hear a case and then hand down a binding decision. Rather, the FASB's activities are more analogous to a legislative process, and the FASB's decisions must be developed through cooperation among all elements of its constituency, including government, academe, and business. When decisions are reached, they cannot merely be proclaimed; they must be assimilated, a process that demands serious educational effort.

Another important fact emerging from the Structure Committee's investigation is the need for making use of outside resources to open up due process. Until recently, due process primarily consisted of going to a hearing, saying one's piece and going away. My point here is that the FASB ought to be drawing on the resources of people from academe, from the MAP Committee of the NAA, and elsewhere to get more informal as well as formal output from the outside world.

The Structure Committee recommended expanding the Advisory Council to include people with varied professional backgrounds. Why, we asked, should the AICPA have veto power over proposed trustees and this has been changed. In looking at another requirement, we wondered why there was a requirement that four CPAs should serve on the board. There is no good reason why anyone must be a CPA to serve in such a capacity, so, we changed that rule. Finally, we questioned the voting rules, changing the requirement to a simple majority.

Our committee concluded, then, that the FASB needs the support of all its constituents -- the attestors, the financial community, educators, Government and the public. It has that support now, but to retain it, the FASB must bring these groups into closer participation. As Don Kirk assumes leadership, as new board members join the board, as these other recommendations are put into effect, I am confident that not only will the FASB survive, but it will also flourish.

In retrospect, finally, this past year has been a year of transition. The public attention and the voices we have been hearing represent only a prelude -- a prelude to increased responsibility and to the increased stature of the profession as it responds to the public's expressed needs. If the public perceives that we

have abdicated our responsibility, all of this may be a prelude to increased governmental involvement in the profession's affairs.

What do I see ahead? There are several courses open to us. I put the alternatives in no order of likelihood. I could see our becoming an arm of the Federal Government. I can also see the establishment of a single governmental agency that sets accounting standards, determined, in part, by political involvement, political decisions, and decisions that are ostensibly made for the "social good." I can also see the public accounting profession evolving into an enforcement arm. Under this scheme of things, the "policeman" will determine that we do accounting in the "proper way."

I can also see two kinds of firms developing: one which does audits in accordance with the public's requirements; the other, which carries out management consulting, tax work and other specialized activities. The possibility of this division disturbs me, because I see no real problems of independence when a single firm engages in all these varied activities. The fact that the public raises the question of independence is a matter of misperception.

Finally, we could abolish the accounting profession, turning over our work to internal auditors or the Government, greatly expanding the GAO. Or -- and this is the easiest way of all business could do without audits. Ridiculous? I read an article in *Accountancy Age* that actually advocated that course of action. In the United Kingdom, the article said, the cost benefit relationship on audits is not good. Why, then, are audits necessary? The article's solution was simple, indeed: let's have internal auditors do the work and report directly to audit committees. That will free the public accounting profession to devote its time and taxes.

Are there happier alternatives? I believe there are, for these pessimistic scenarios do not exhaust the possibilities. Instead, I can see the public accounting profession of the future directly serving the best public interest, esteemed by the outside world and proud of its own accomplishments. But to insure the reality of this view of the future, we, ourselves, must take on the work of reform. We must not follow the people who cling to the status quo. We must understand the public's expectations and respond effectively.

SELECTED QUESTIONS AND ANSWERS

Question:
Mr. Palmer, I am aware of what peer review is. I know it goes on among the Big Eight. Congress and the public think they know what peer review is. But what happens to us in the profession when Congress or the public comes back to us and asks how independent Touche Ross can actually be if it audits Price Waterhouse when Price Waterhouse is going to turn around and audit Touche Ross in a couple of years? How do we answer Congress and the public when they justifiably ask that question?

Answer:
There are several ways we can have peer review. One is by governmental agency. The second would be by a consortium of people that are brought together. And the third is firm on firm. I can tell you why we chose firm on firm, as opposed to a specially assembled group of people. We thought that if we are going to pay $500,000, we wanted to get as much out of the review as we could. And there is no question in our mind that we could get more from professionals in a firm who had leadership, who had worked together, who understood the business, and who had worked on large, medium, and small accounts.

I want to say another word or two about peer review. I think that the ultimate proof of peer review will be in the quality of the work the reviewing firms do -- calling the shots as they see them in the long form reports, reporting how good, how bad, how critical will they be of certain areas. When necessary, the reviewing firm should say: "We won't give you a clean bill of health." Now, this approach may not please some of the people in Washington. When you ask them what they want us to do, they reply:

"We'd like to go to a lot of different firms, get a lot of different people, bring them together, and have them come in and do this job." I just don't believe that you will get as good a job under these circumstances as you would from a one-on-one peer review. In addition, the profession is going through too critical a period for any firm to put its reputation on the line without being convinced that the quality controls and other aspects of the firm under review are okay. So, I don't worry about the question of "you give me your stamp and I'll give you mine."

Question:
Let me ask a relatively brief, two-part question. I understand, though I may be wrong, that the principal partners of the major accounting firms, including yours, were invited to a dialogue on St. Patrick's Day before the American Accounting Association's Regional Meeting. They were to discuss problems of regulating the accounting profession. I also understand that all of the firms, including yours, refused to accept the invitation. I was wondering first, whether my information was inaccurate, at least as far as your firm is concerned, and second, if you have not been approached, are you prepared to enter into such a dialogue before an essentially academic audience?

Answer:
To answer the first part of your question, I have no knowledge that we were approached or that we declined. So, I am in the dark on that question. Considering our very close association with the AAA -- we join them in sponsoring some major educational programs -- I would be surprised if we refused to come and talk or come and listen. This attitude is not in the tradition of our firms. We may not agree with people, but we tell them so. *To* refuse to join in a dialogue, to refuse to listen, or to refuse the right of others to speak is something we strongly oppose. In responding to the second part of your question, I would say that we're interested in talking about the regulation of the accounting profession. A forum sponsored by the AAA would be a very fine place indeed.

Question:
Another part of my question has to do with a number of different aspects of peer review. I suppose my fault is that I generally like to point up the specifics and then try somehow to get enlightenment from them. Your mentioning that no major firm would give its imprimatur to a report when it has misgivings about the peer review of another firm reminds me of what happened just two years ago. In November of 1975, Arthur Young did a peer review of Peat Marwick. (Apparently, the going price is $500,000.) According to what was disclosed to the press, Peat Marwick came off with flying colors, just as Touche Ross did with the PW report. (Mind you the actual report has thus far been effectively suppressed.) This was November 1975-"flying colors." Then, low and behold, just a few months ago, we were stunned to read about what that same accounting firm was carrying on with respect to Sharon Steel. It is because of that kind of contradiction Mr. Palmer, that I do believe that this "one-on-one" will essentially lead to a situation in which "you scratch my back and I'll scratch yours." This has really been a statement rather than a question.

Now, to a very important matter. It's one I raise with my students. I believe that our Institute has failed dismally in the administration of ethical standards. I'm referring to an important essay on the concepts of ethical standards. The essay says that when any of us become aware of a major aberration in terms of our colleagues' practice, we have a responsibility of moving towards the effective discipline of our colleagues. So, I turn to your firm. I know of the very effective job that you did on behalf of the trustees in Equity Funding. You discerned some serious aberrations on the part of H&S as well as on the part of Seidman and Seidman. I know the important job that Arthur Andersen did on Lockheed. I know what Leidesdorf did with respect to Gulf Oil. I know what PW did with respect to Mattel Incorporated and Arthur Andersen. I also know the extent to which Haskins & Sells developed some insights on U.S. Financial. Now, the question. Why haven't the firms that made those discoveries -including yours- proceeded to the American Institute of CPAs, saying: "We are filing an ethics complaint; this is our responsibility pursuant to the rules of professional conduct?" It is only because the major firms prefer somehow or other to ignore the violations of our colleagues that we have this credibility gap. So, it is as I have said in so many contexts, Mr. Palmer; the Institute's ethics machinery is consistent with the voice

of scripture in St. Matthew: "Blind guides which strain at a gnat and swallow a camel." Unless that's changed, you're not going to find confidence in the self-regulatory process of our profession. You and I do share one thing in common, and it's most important: we are part of an extraordinarily beautiful profession. As we said last February, we are committed to the common ideal of yet a higher transcendence of our profession.

Answer:
Professor Briloff, we once again disagree on something. Actually, I disagree on two of your points and agree on another. First, I would put more faith in the opinion of Arthur Young---which I consider a very fine firm -- than in some incident involving Sharon Stee -- the facts of which neither you nor I know much, if anything, about. After all, Arthur Young spent thousands of man hours on the peer review of Peat Marwick. I therefore don't think this is a fair example.

Second, there is no need for Touche Ross or Peat Marwick or Haskins and Sells to go running to the Institute or the States. We don't have to go in and ring a bell or shoot off a flare. Everybody in the world knows about USF and Equity Funding. The question is, what's the Institute, what's the profession going to do about all of this? I don't believe, however, that we need to go in and file anything, because all of this is common knowledge.

Where I agree with you -- and I think this is an important point of agreement -- is that the profession has done a dismal job of policing itself. Look at the problems we face, however. Many people in the profession ask how we might discipline somebody when there is litigation in the courts. How can we wait until after? Many of the cases are going to take years and years. Some of them may take 5, 6, 8 or 10 years before they will finally be determined. So, for the profession to say that it can't discipline anybody while court actions are pending seems to be a cop out to me. One item on the agenda of the new section of the AICPA I mentioned earlier, is the question of whether or not we can discipline up front. I have consistently advocated disciplining up front. *If* we don't, we can't discipline at all.