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**From:** Zona Porter [zonaporter@yahoo.com]  
**Sent:** Friday, November 21, 2003 2:09 PM  
**To:** Comments  
**Subject:** Modern Mobsters - Legalized Racketeering!

Public Company Accounting Oversight Board  
Attention: Office of the Secretary  
1666 K Street, NW  
Washington, DC 20006-2803

RE: PCAOB rulemaking docket matter no. 008  
Modern Mobsters – Legalized Racketeering

The accounting profession is an illegal racket. They operate like an organized crime syndicate and should be investigated for their illegal and corrupt business practices. These new “rules” you are passing are only going to further help them in what has become one of the greatest legalized ponzi schemes in our country’s history.

While the rest of the economy works hard to recover from the most recent recession we are witnessing the accounting profession reap a bountiful harvest. They are reporting record revenue growth and project even more prosperous times ahead. Much of this thanks to two key events:

- The collapse of Arthur Andersen, and
- Organized price and scope increases.

It is appalling to see the new accounting oversight body is about to write regulations which will do nothing to prevent another Tyco, WorldCom, or Enron but only continue to enable the accounting profession to continue their organized scheme.

The new rules that you have proposed will do nothing but enrich the accounting profession. The proposed rules on internal controls will do nothing to prevent another Enron (Andersen), WorldCom (Andersen), Tyco (PWC), Adelphia (D&T), or HealthSouth (E&Y). They will only further enable the accounting Mafia to continue their shake down of Corporate America with their conspiracy to provide yet even more revenue-generating services.

These highly secretive private partnerships operate as an exclusive club of Mafia-like professionals. They are highly organized, secretive, and ruthless in their business dealings. Regulation and reform are necessary to stop this organized racketeering operation.

When Arthur Andersen was faced with the prospect of eminent bankruptcy following the criminal conviction of their partnership, the rest of the Family held a “special meeting” similar to the meetings Joe Bonanno organized for the American Mafia families. Joe Bonanno formed “The Commission” for Cosa Nostra. The Commission consisted of a council of the five top Mafia families. They would meet to arbitrate matters important to the “Family” business. The different families worked together to secretly protect one another and make sure that disputes could be resolved within the Family and the

families various business dealings.

Likewise the Big Five (and now the Big Four) families have a similar structure. They regularly engage in discussions with their peers to ensure that their businesses (tax, internal audit, audit, etc...) and high returns are protected. Protected from government regulation. Protected from competitors. Protected from other threatening forces that may undermine their structure.

When Andersen was convicted, the rest of the Family got together to carefully divide up the remains. Andersen executives even participated in these meetings. Each firm agreed to take a certain share (not too much or too little) to make sure that “successor liability” would not jeopardize any of the remaining members. They worked out deals to make sure that many of the former Andersen partners were “taken care of” and remained in the “Family business”. Sure some Andersen partners lost money – but very few became unemployed or filed for bankruptcy. Why? Because the Family took care of it’s own.

The Big Four Commission also agreed to not raise (or decrease) prices. Instead they would bid jobs based on what Andersen had previously charged. This would ensure an orderly transition and prevent a bidding war for business. Each firm agreed how much to pay Andersen and how best to “buy a partner” and his/her book of business. The transaction was executed perfectly. No one complained. The FTC did not investigate. And each firm won a their fair share of a bigger pie.

This was also made possible by another Family tradition: Not to speak out against other Family members publicly or show disrespect for the Family (profession). The recent Finance Committee hearing on Illicit Tax Shelters looked more like a Mafia inquiry than a business inquiry. People were afraid to speak out. They even had a witness (“Mr. Janet” an anonymous pseudonym for someone who was too scared to speak publicly for fear of retaliation) behind a curtain with a disguised voice. Other witnesses who spoke out (e.g. Michael Hamersley, Robert Schmidt, and Thomas Walsh) all spoke about the fact that their careers and futures were ruined because they spoke out against the big firms.

People are afraid to talk, and why shouldn’t they be? Their livelihood depends on the Big Four Mafia. To cross the Family can find someone in financial and career ruin. Big Four firms sue former employees who violate the code or quietly discredit former professionals or uncooperative clients to prospective employers. Meanwhile, Family members who play ball can be assured future opportunities including invitations to join corporate boards. The firms operate extensive “alumni networks” in order to provide referrals and other professional “courtesies” to loyal alumni. It doesn’t stop there. Loyal clients who funnel business back into the Family are treated to lavish vacations and other entertainment perks like tickets to sporting events, theater and expensive dinners.

Each Family protects there own and each other. They make sure that people who are loyal to the Family business are taken care of. When professionals leave the Family to join the government (SEC) they pay them large departing bonuses (sometimes up to 3 times the difference between a government salary and their former salary in the firm). They provide them with a promise that they can come back and work for the Family when their government stint is up. These severance bonuses and promises for future employment amount to nothing less then bribery of a federal employee. Sometimes they hire the person back as a “consultant” to make sure that the arrangement is not well known or easily traceable. Since the partnerships are all private it’s fairly easy to conceal these activities. The fact remains though - it occurs, and it occurs often.

The Honorable Carl Levin has noticed how corrupt these institutions have become. He told the Senate Finance Committee:

*“Our investigation has found, sadly, what could be called a target-rich environment –numerous*

*respected accounting firms..... spending substantial resources, forming alliances, and developing the internal and external infrastructure necessary to aggressively design, market, and implement hundreds of complex tax shelters that U.S. taxpayers would otherwise be unable, unlikely, or unwilling to employ. And they are doing it in exchange for hundreds of millions of dollars in fees and other compensation, while denying the U.S. Treasury billions of dollars in revenues each year.”*

These firms are not just involved in corrupt tax shelters. They are actively promoting other services that can generate substantial revenues for their corrupt enterprises. They shake down their clients to ensure continued growth and prosperity for their illegitimate partnerships. When the House was considering the Sarbanes-Oxley Act, leaders from these firms publicly stated that the cost of compliance would be “insignificant.” They claimed, in yet another organized message: “much of what was needed was already being performed by the auditors.” They did not think that the impact to companies would be significant. Privately they were already scheming amongst themselves how they would be the ultimate beneficiaries of these rules by increasing in their “scope” by 25-35%. A number they uniformly communicated publicly once the legislation was passed.

When it was clear that they could no longer provide internal audit services for audit clients they cleverly made agreements among the Family members to trade clients. They agreed not to compete against each other and instead to acquire each other’s business. In so doing they would keep prices up and prevent other smaller firms from competing for this business. Sometimes the deals were made on a local level so as not to appear to be in total violation of federal anti-trust laws. Sometimes they traded employees so the clients would have the same team serving them.

Then they put some of their top lieutenants together to figure out how to ensure that the requirements under section 404 would not be a one-time event but a rather “recurring revenue stream” for the profession. Their lieutenants met under the auspice of the Auditing Standards Board. They kept other (non-Family) members out of the discussions and worked feverishly to shape the agenda reading more stringent and challenging requirements into the Act. They worked together to make sure that their public comment letters to the SEC were closely aligned and sent a consistent message.

They devised means to ensure that this would represent a recurring revenue stream for them. Their long-term viability as a profession and growth were important considerations – but so to was the need to protect their “profession” from potential liability. They attempted to codify rules, by hastily passing new standards that maximized the definition of section 404 for their ultimate benefit. Many of the Auditing Standards Board’s concepts have been incorporated into your proposed rules. Each was carefully devised to further enrich the organized racketeers of the Big Four accounting firms. The PCAOB should not ratify these rules without more careful and independent scrutiny.

Again and again the accounting Mafia has engaged in a scheme to shake down Corporate America. They charge huge premiums to ‘protect’ public companies and their board members. They actively collude with one another to ensure peace and unity in the “profession” and they operate by a silent code of rules that is not always publicly stated but clearly operative within the firms. Those loyal to the rules are indoctrinated into the partnership and rewarded great sums of money.

Establish rules that will end this legalized racket. Stop the abuse of Corporate America and free our executives from these modern day mobsters. This must be stopped. These rules should be repealed. If they cannot be repealed then at least remove the auditors from participating in this process. Establish rules that will not allow them to profit from their corrupt and illicit schemes.

If necessary hire an army of auditors for the PCAOB to periodically examine management’s assessment of internal controls. Treat this like the IRS. Hire your own auditors to inspect management’s assertions

and to levy penalties when companies violate your rules. Don't model your rules based on the corrupt ideas put forth earlier this year by the illegitimate actions of the Accounting Standards Board and their Mafia-representatives.

Sincerely,

Zona Porter

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