

# By The Numbers

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## Chapter 1

"I think it went well."

I stared at my attorney, fighting the desire to choke him. "What! 'You think it went well?' I'm on trial for my life and all you can say is 'You *think* it went well?'"

Of all the stupid utterances that ever caught on big, "it went well" has to be one of the dumbest. It doesn't mean that things went well. It means that you lived through the experience. It's just something people say at the end of a meeting. I think it's code for "I'm glad that's over."

Maybe that's the other reason I can't agree that 'it went well.' Because for me, it's not over. Not by a long shot. I'm sitting here waiting for the jury to come back and tell me my fate. A year ago I was the poster boy of the accounting world. As my uncle would have said, I had the 'world by the balls.' I was a hot shot at one of the world's biggest accounting firms and ran their biggest client. And now, twelve people, who probably can't even balance their check books are in the process of determining whether some of the most complex business transactions ever devised were illegal. It's got a certain sick humor to it, doesn't it?

Actually, they need to determine my guilt or, please, God, innocence on twenty-five different counts of securities fraud, perjury, and mail fraud. I love the last one – mail fraud. The theory is that because some of the allegedly fraudulent financial information was mailed in the US Mail, more laws were broken. Like if we'd e-mailed it, we would be less guilty. The whole thing is just too surrealistic.

My attorney tried to calm me down. "Just try to relax. I just stopped by to tell you the jury has asked to have some of your testimony re-read. That's a good sign. In any case, who knows how long they'll be out. It's no use worrying."

"Easy for you to say. What are my chances?"

“Jack, I don’t know. I didn’t sense a lynch mob, but I don’t think they are ready to spread palm leaves on the ground for you either. Whatever you do, don’t worry about jail. What’s to gain by putting a guy like you in jail? Worst case, suspended sentence. Or maybe community service.”

“Who cares? My career is over no matter what. You know what I wish?”

“What’s that?”

“I wish I could have ten minutes alone with Travis. Just ten minutes.”

“You think you’d get an apology out of him?”

“I don’t want an apology. I want to kick the shit out of the little bastard. This is all his fault.”

“Focus, Jack. Travis might have started it, but you are the one on trial.”

“Yeah. And you better believe I want to testify when he goes on trial for about a thousand more things.”

“I’m sure you’ll get your chance. I’ve booked a hotel room for you across the street. You can wait there if you want. Unless you want to go home?”

I was out on bail so technically I could go anywhere I wanted. “I’ll go to the hotel.”

We walked over to the hotel and I checked in. I called Debbie, my wife, and told her where I was. She’d been coming to a lot of the trial sessions but after the first month or so had stopped. Let’s face it, even I found it boring after a while. She said she’d come down to keep me company and to be there when the verdict was read. I appreciated that. An idle mind is the devil’s playground and I didn’t want to be alone right now.

I’d had plenty of time to think during the trial and Lord knows, I’m going to have a lot more time no matter what happens. I’m only forty-eight and basically unemployable. As I say, I found the trial confusing and boring so you can imagine that the media haven’t been following it too closely. The last time I was in the headlines was when the Feds led me out of my office in handcuffs and claimed that I had aided and abetted the biggest financial scam in history.

That’s what people know about me.

And that's what upsets me. It's hard to describe. One side of me understands what's going on. I can see why people are angry and upset and I can even see why they think I should have done things differently. But that's all hindsight. It was different being there and making the decisions. No one was consciously doing anything wrong. It's just that in retrospect things look bad. The hardest thing for me during the trial was sitting there while someone portrayed my actions and motives like I was some sort of criminal mastermind. I kept wanting to jump up and say "It wasn't like that. You just don't understand what it was like."

You want to know what it was really like? I was just trying to what everyone else does – make a living, support my family and contribute to my profession. The term 'profession' is important. Professionals don't deal with white and black. They deal with shades of gray. They are paid to use their skill and judgement.

And that's what I did.

But now it's like someone has come along and said there is no more gray. Everything is white or black. All of your decisions are going to be reassessed on that basis. It's like if you tell someone a little white lie to make them feel better. It's not a problem and then someone comes in and says "You lied. You must be a compulsive liar." Well yes, but you don't understand. You have to put yourself in the situation.

But no one wants to do that.

It's funny. One of the realities of being a public accountant is that you have professional liability and can get sued. In fact, I'd say that was one of the underlying principles of the way we did business. Assume that every decision might be second guessed. Assume that every piece of documentation has to stand on its own. That's how we were trained. But now that I've been through the wringer, I realize that none of that matters. No matter how good your thought process, your documentation, or how well meaning you are, when someone dissects what you've done through the lens of a business failure, you're going to come out looking bad.

I turned on the TV in the room and flipped the channels until I found CNBC. Well, they weren't wasting any time. There was a short blurb about my case going to the jury. Fortunately, no picture of me, but the usual "Jack Finley, former

partner with Larkin & Shaw, auditors of the failed Suteba Corporation.” God, I was tired of hearing those words.

Larkin & Shaw you’ve heard of. One of the top accounting firms in the world. And of course you’ve heard of Suteba. They had been L&S’s biggest client and I’d been the partner in charge of the account. No one had heard of the Suteba Corporation twenty years ago. It was a Japanese company that got a foothold here in the US back when everyone was all excited about Japanese quality. They bought up small companies here and really took off. They had started in the educational toy market, then got on the video game bandwagon and just kept growing. Near the end they estimated that every household in America had at least one Suteba product. They made everything – toys, games, consumer products, pet food, and they even had their own fast food outlets. A lot of their growth was from acquisitions, but I have to admit they did a lot of innovative things and things they did had an impact on the American economy *and* culture. Having them as a client was a real source of pride and prestige for L&S. And as partner in charge of the audit, I was a major player.

The good news/bad news part of the Suteba story is Bill Travis. The guy I want to beat the crap out of. He was the chairman of the board of Suteba. To be fair, he was a real dynamo and was largely responsible for the company becoming what it did. In every sense of the term. Not only was he the main driver of the company’s growth and innovation, he was also the one who was always pushing the envelope. If there was a rule that could be bent and bending it would help him or Suteba, that’s what you did. So not only was he responsible for the company’s success, he was also responsible for all the problems.

I’m not the only one who’d like to spend a few minutes alone with the guy. Investors lost billions when Suteba collapsed and it triggered a crisis in the American economy and capital markets.

I’m in a good position to tell the history of the company because I’d seen it from its earliest days, before it was a public company and even before Travis came in to ruin everything. It was one of the first audits I was assigned to when I joined L&S.

I guess you could say that my career prospered along with the fortunes of Suteba. As the company grew and became a larger, more profitable and prestigious client, it was like it rubbed off on me. Of course I had nothing to do with the company's success, but it was like I was there so I must have done something right.

By that time I became partner in charge of the account, Suteba was near the top of the Fortune 500 list and I was near the top of the world. I had respect in the firm, the profession, with my clients, everywhere. We have a beautiful house, a couple of vacation homes, club memberships, you name it. Because Suteba was such a glamorous company, and Travis was such an extravagant character, I got involved with his world. I've got pictures of me standing next to celebrities and politicians. We flew on private planes and my career was still taking off. There's not much question that if this whole thing hadn't happened, I'd have been running L&S in a few years.

To be honest, I still can't figure out exactly what all went wrong. One minute, everything was totally normal, the next minute it was World War Three.

It started with an article in the *Wall Street Journal* that said something was wrong at Suteba.

At first, no one paid attention. There was military dictator named Patrice Nkada who was president of some country in West Africa. Suteba did a lot of mining business in his country and he was complaining about Suteba's performance under the contracts and general behavior. In addition to Suteba not doing what they promised, he had stories of substandard wages and working conditions. Not to mention corruption of government officials. The story created a stir for a couple of weeks but then there was a coup in the country he got himself killed so the whole thing was pretty much forgotten.

Well, not exactly forgotten. Suteba's success had brought its share of enemies and there were a lot of people who felt that the company had too great a hold on the imaginations, wallets and psyche of the American public. Alison Jeffers, I'll never forget her, was one of them. She's a reporter with the *Wall Street Journal* and she felt so strongly about Suteba being evil that she took a sabbatical to do some research. Eventually, she published a series of articles about Suteba. And that was

the beginning of the end. She seemed to have spoken to every employee who had ever been fired, every investor who didn't make as much as they had hoped from Suteba stock and every customer who had ever thought they paid too much for a Suteba product. She even had psychologists who said that Suteba's video games caused violence in children, that the rock groups the recording division had contracts with put subliminal satanic messages in their songs and that the Foods Division put something in the French fries sold by their fast food restaurants that made them addictive. No matter what the social ill, you could be sure that she had Suteba aiding and abetting it, if not outright doing it. And there were a lot of people who were ready to corroborate what was in the articles.

At Suteba they used to have quarterly board meetings. I always went because there was always something going on and I needed to either brief them or be informed about some new initiative. After the articles hit, the meetings went from quarterly to monthly, then weekly, then almost daily crises meetings.

Travis definitely was losing it. All he did was rant while the rest of us tried to get him to put together a crisis plan. To make some sort of statement and to get the truth out there because things were getting worse by the minute. The rumors just fed on each other and as far as the media was concerned, rumors were as good as evidence when it came to corruption, bribery, fraud and cover up. According to the stories, all levels of management at Suteba were involved. It was portrayed as a completely criminal organization.

Alison Jeffers claimed that she didn't have a vendetta against the company and that all she'd done was report what people told her. Who knows? But I've met her and you know the type. She actually has a vendetta against everyone who makes more money than her, has a nicer home or drives a better car. You might be innocent until proven guilty in court, but as far as she was concerned there were two kinds of people in the world of Suteba – victims and perpetrators and if you didn't have a good story to tell her about illegalities at Suteba, you were part of the conspiracy.

Well, vendetta or no, less than six months after the first article appeared, the Suteba empire was in ruins. Over twenty percent of its management team around the world was under indictment for some sort of criminal charge. A Suteba

executive in Africa was executed for complicity in the assassination of President Nkanda. Several executives in Asia were on trial for capital crimes ranging from money laundering to drug smuggling. The board and company officers in the US faced a host of criminal and civil charges. It was the end of Suteba Corporation and the end of a lot of careers.

It was also the end of Larkin & Shaw. And that's the worst part of the whole thing. Because we'd been with Suteba every step of the way, we were seen as part of the problem. The firm was buried by civil and criminal litigation and Alison Jeffers was leading the charge, telling everyone that L&S had been ineffective in identifying the massive frauds, and had actually participated in concealing them.

It's just not fair. L&S is a great firm and a lot of people who had nothing to do with Suteba have been hurt. Whether or not I did anything wrong shouldn't affect them. I was key decision maker. If they want to go after me, fine. But now, regardless of what the jury says, I'm going to go down in history as the guy who brought down one of the world's great accounting firms.

According to the media, I'm a very bad person. Alison Jeffers, twisting the knife wrote: "With respect to Jack Finley, . . . there seems to be no limit to his legal, personal and moral liability." It gets better. "With Finley as their financial advisor, Suteba engaged in virtually every form of activity the securities laws and commercial codes consider illegal. The company had grossly misstated its financial operations. They had used bribery and intimidation of government officials to gain advantage. They had lied in public statements, tax returns and news releases. And Jack Finley and L&S had been there from the beginning."

The article also said that I have a tendency to "react to criticism in an unstable manner." Well, maybe. In fact, I need to remember that as I tell you my story. I'll try not to act in 'an unstable manner.'

Even though I'm taking the blame for ruining L&S, they've been standing by me. They don't want to be seen as an organization where a rogue partner could operate without normal checks and balances. Our strategy, and it's true, is that we were victims of fraud perpetrated by Travis and his crooked managers at Suteba. I've been really happy with my attorneys, but they have been pressuring me to plead

guilty. They say that as part of any guilty plea, jail time would be off the table, and that would be a big load off my mind. But I'm taking my chances because I want to be exonerated. Of course I'll testify against Travis, but I want the public to know that a jury found me innocent. I've done nothing wrong and only guilty people plead guilty. I'd always have that hanging over me.

Actually, maybe I was showing a little 'instability' when I was ranting about the media before. Other than a few reporters, most have been fairly good to me. Partly it's because as the truth about Travis is coming out, everyone else looks pretty good by comparison. But also because some of them realize what it was really like. One article called me "... a hard working guy who was just trying to earn a living. Maybe he got in over his head, but he was only worried about his family and keeping his job. And doesn't that happen every day?" That is one of the truest things I've ever read in the news.

I'm not saying I wouldn't do things differently if I knew then what I know now because I'm sitting here shitting my pants thinking I'm going to jail. But it just wasn't that black and white back then. I did have a job and career to worry about. Bills to pay. I had to take care of my family. Travis never came in and said he was going to rob a bank and wanted me to look the other way. He just pushed the envelope. Nothing seemed all that unreasonable at the time. No one can understand it now because they weren't there. No one understands that none of these so called questionable transactions or decisions was permanent. They were short term solutions to problems. Once the problems were resolved the solution would have been OK in retrospect.

Unfortunately, they never did resolve themselves. They just kept getting worse. And when do you pull the plug? That is the impossible situation that everyone like me is in. I knew that we were taking risks, but at the time they seemed like acceptable business risks. Once that starts, you start rationalizing and each new situation is evaluated from the new perspective of all of the stuff that has gone on before. At some point, you've crossed a line and it's too late.

The problem is, that you don't think worse case scenario. I always thought that each crisis that Travis came up with about earnings being too low was going to

be the last one. That all of the good things he was promising about new orders and new business would always come on line and fix all the problems. You just don't expect the worst. When you get on a plane you don't think it's going to crash. When you go skiing you don't think you are going to break your leg. I don't know. And you don't think that one of the biggest businesses in the world is going to collapse overnight. When you're flying on the chairman's private jet talking about how to deal with an accounting problem, you just don't think you could be doing anything illegal.

You know, as I'm talking this way, you might be thinking "Maybe he is guilty. He's admitting that he played along with Travis." But it's not that simple. It's just that I can look back and put my finger on incidents, you know. And if I would have said 'no,' or just blown the whistle at those points, things would be different. Not only that, people were warning me. They were my friends and they were trying to help me. But I didn't see it that way at the time. Just the opposite. People like Sturm. If I'd listened to him, I'd still be out of a job, but at least I wouldn't be sitting here waiting for the phone to ring.

## Chapter 2

No one can understand my situation unless they understand my profession. People think that accounting is an exact science and that accountants are all straight-laced tight butts. Maybe that's true of bookkeepers, but accountants who audit big companies aren't like that. Modern financial accounting is anything but exact. It's all estimates. How successful is a new product going to be? What are interest rates going to be over the next five years? What are the chances of a natural disaster? Believe it or not all of those things are the sort of factors auditors have to think about when they assess financial accounting estimates. You're client tells you they are going to make a million bucks because interest rates are going to go up. What do you do? You don't just agree. You do your research and assess whether their position is defensible. If yes, you concur, if not, you talk about it.

A lot has been made about the issue that auditors are paid by the companies they are auditing so they can't be independent. And sure, if you got into

a disagreement with a client they might threaten to fire you. But those sorts of things are all subject to public scrutiny and there are lots of checks and balances, so it's not worth arguing about.

Anyway, I actually became an accountant by accident. I'd grown up in a working class suburb of Detroit and in the early 1970s and was the first person in my family to attend university. My parents helped and it was a sacrifice for them, so I wanted to succeed. The problem was I didn't know what I wanted to do. I tried liberal arts and engineering but nothing worked for me. Finally they had a careers night sort of thing where I learned about public accounting.

That's when I decided to switch to business and become an accountant. I met some guys from one of what they used to call the Big Eight accounting firms. They were only a few years older than me, but they were impressive. They came across like there was no doubt in their minds that they had the best jobs in the world with the best organization in the world. I wanted to be a part of something like that.

More important, they weren't afraid to talk about compensation and they made it clear that starting salaries in public accounting were higher than any other job that didn't require a graduate degree. The only bad part was that you had to pass the CPA exam, but they made it sound like it wasn't that big a deal.

I have to be honest. What really got my attention was that they made it sound like everyone who was hired had a chance – no, an expectation – of making partner. If I played my cards right, *I* could become a part owner of one of the largest and most prestigious professional services firms in the world. They didn't know exactly how much those guys made because it wasn't public information, but supposedly partners made six figures. According to them, making partner was no problem because the business had been growing so fast they had a lot more openings than available people.

All of that got my attention but to be honest with you I really had no idea what accounting firms did. I wasn't sure if I was supposed to know and was worried that they would think I was an idiot for asking, but I figured why not.

They explained the whole concept behind an audit and what it was like to be an auditor. I knew that all companies prepare financial statement to tell how

much they own, owe and earn, so the owners know how they are doing. But there are a lot of users of financial statements who are outside the company – for example, banks that might want to loan money to the company or outside investors who might want to buy the company’s stock. If you are a business owner and walk into a bank with a set of financial statements and ask for a loan, the bank is going to look at you and say, ‘Are these statements audited?’ They aren’t just going to take your word for it that your company even exists. So they are going to expect you to get an outside auditor, also known as an independent accountant, to do an audit. And if you want to sell your stock to the public it gets even more complicated and for that you have to do a lot of complex reporting that only a Big Eight firm can help you with.

They showed me the annual report of a big company. It had page after page of financial statements, tables and notes to the financial statements. At the end was a two paragraph “Report of Independent Accountants.” That is actually called an auditor’s opinion and it gets signed with the firm’s name. They explained that the signature was actually written by the partner in charge of the audit, who is authorized to sign the name of the firm and it legally binds the firm. If he’s wrong and there is something wrong with the financial statements, he and all the other partners are responsible.

So I guess I should have known what I was getting myself in for. But at that point I had no idea I’d ever even graduate, much less get a job with a Big Eight firm and become a partner. But they’d sold me. The next day I went to the registrar’s office and switched to the school of business and declared my major as accounting.

Now here’s the funny part. There was something about accounting that just agreed with me. I loved it from day one. I ended up graduating at the top of my class and got offers from all the Big Eight. One of the toughest decisions I’d ever had to make was choosing which firm to go with. I still don’t know what made me pick L&S, and I guess if I’d picked another firm things would have been very different.

I jumped up as my attorney's phone rang. I couldn't tell who it was or what exactly they were talking about. As usual, he was talking in monosyllables. I stared at him as he clicked off and pocketed the phone. "Well?"

"It's nothing. The jury has asked for clarification of some details about the intercompany transactions."

"Is that good news?"

"It doesn't mean anything. Relax."

"Dave, how often are we going to get calls like that? I can't take that."

"I don't know. You want me to leave?"

"Yeah, maybe. I just wish I knew what was going to happen."

"You and me both. But just relax. I'll stop by as soon as I know anything."

He left and I laid down on the bed. Trying to relax on advice from my attorney. Easier said than done. All I could think of was how different things might have been if I'd gone with another firm. I might not have lasted. Might not have made partner. I realized that if it weren't for this Suteba thing, I didn't regret my decision at all. Things had been good. I'd done pretty well for the first person in my family to go to college. All thanks to the firm.

From the very first day we were obsessed with making partner. It's all we ever thought about and back then we thought that everything we did would determine our future. And it probably did to a large extent.

I can still picture my first day at work. I'd been told to report to the office at such and such a time and date and I figured I was the only one. Wrong. When I got there the lobby was full of people just like me. Brand new college graduates, each the top of his or her class. We were all wearing our best business suits looking at each other. It wasn't a friendly group.

I sat down next to some guy who looked like he was in the dentist's office waiting for a root canal. I introduced myself. I figured it was the polite thing to do. The guy looked at me in shock, as if breaking the silence were inappropriate. He shook my hand and whispered his name, like he was doing something wrong.

I thought it was kind of funny. It reminded me of that scene in *Spartacus* where Kirk Douglas introduces himself to one of the other new gladiators and the

guy tells him he doesn't want to know him because some day he may have to kill him.

That was us, new gladiators who thought that making friends might be dangerous because we would all soon be competing in the deadly game of making partner and who knew what treachery would be required.

I'm serious. Even on the first day that's all we thought about. Making partner. Making money. Success.

But as I say, it had a funny side. Shortly after we'd all arrived the partner in charge of human resources came into the lobby to greet us. He recognized the guy next to me who I'd introduced myself to. He came up to him and shook his hand and asked him about his new car and apartment. Everyone was looking suspiciously at the guy, assuming the mouseshit geek must have some in somewhere if the partner in charge of HR knew he just got a new car. Of course, the fact that virtually all of us had new cars didn't matter. Logic was not a factor in the political intrigue that making partner was all about. And it was never too early to start watching your back.

Actually we weren't all delusional. That year, the Detroit office hired over seventy new graduates. We knew from history, and it was no secret, that within two years, half of us would be gone, many due to involuntary termination. The economic model of the Big Eight required a lot of staff, not all of whom could realistically become partners. So almost immediately, the firm began a winnowing process.

After you passed the CPA exam you needed two years of experience in the field before you actually became a CPA. A lot of people joined with the intention of leaving as soon as they got their certificates and could go out on their own. In fact, it was kind of a win win situation. The firm needed the people and the people needed the experience.

Larkin & Shaw made sure that there was no stigma associated with being "let go" as it was euphemistically called. The official line was that public accounting was such a demanding, unique field not everyone was suited to it. And how would you know if you hadn't tried it? When people got the word that they were on the termination list, they were often relieved.

But I had decided early on that I, for one, would not be on the termination list. Ever. But that was a major challenge. Your upward mobility was not only measured by how well you performed on your assignments and how well your clients liked you. It depended on a variety of ever-changing factors. The performance evaluation system at Larkin & Shaw was a true no-win proposition which was subject to the interpretation of whomever was looking at you. Under the human resources mechanism, anyone at a higher level than you had input into your overall evaluation. In order to get promoted, at least at the higher levels, you had to survive a meeting of all of the higher ranking people in the office. At those meetings, the office managing partner went through the list of candidates and anyone could say anything they wanted about anyone.

That meant that you were evaluated based on what the people you worked with actually said about your performance, *plus* how you compared to your peers and how well you were liked and how you presented yourself. That effectively meant that you had to be liked by everyone to make partner because one objection from a heavy-duty partner could sink you. Even a negative comment from a good natured, low-level partner could start an avalanche of small complaints that could bury a good candidate. There were apocryphal stories about a top rated person actually being “let go” after a promotion meeting because a casual observations had started negative comments that were picked up and amplified by others.

And the comments didn't only relate to how good an accountant you were. You could be penalized for not dressing well – all the time. If a partner saw someone at the mall dressed too casually they might raise questions on how well that person represented the firm and their career could be over. Just about anything could do you in. The neighborhood you lived in was a factor and your spouse was crucial. When I started most of us were single. There was no pressure to be married at first, but by the time you were up for manager, marriage became an issue. Not only was it desirable for you to be married, because that denoted stability and maturity, you also had to marry a person who would also represent the firm well. There was a more than apocryphal story about a guy whose career was derailed because his wife was not “presentable.” No one knew what that meant, but the message was clear.

I can't think about my early days at L&S without thinking of Mark Sturm. He started on the same day as I did and for a while he was my closest friend. Now I don't know if he'd consider himself my friend. Probably not after the way I talked to him the last time I saw him.

Sturm and I were the only two of the gladiators who actually survived to become partners. But he and I were like night and day. I made it because I worked hard, played along and got some lucky breaks. Sturm made it solely on talent. He was a nonconformist who just kept beating the odds because he was smarter than everyone else. He ended up as one of the firm's top technical advisers and he was the only person who was critical of me and Suteba. He warned me and tried to advise me. I didn't listen. I couldn't listen. After all, the whole time he was needling me the firm was reducing his responsibilities, saying he was out of touch with entrepreneurial realities. He finally resigned soon before the Suteba blow up.

So there was no motivation to listen to him. Management thought he was out of step. I, on the other hand, was constantly being rewarded for taking risks and keeping Travis and Suteba happy. So when Sturm told me to put my foot down with Travis, I ignored him. I can picture him now. He'd be shaking his head and smiling, more out of pity than self-righteousness.

He always smiled, and he'd always been a nonconformist. I remember the first time we met. It was the day after we started. We were all in the staff room where we were supposed to wait around until we got a call telling us we'd been assigned to a client. The people who had started the year before also used the staff room and they had staked out desks so we had to sort of find available places. A senior accountant stormed into the room and decided to pull rank.

He went up to Jon Russell, who was this really quiet geeky guy who seemed genuinely terrified of everything anyway, and said, "Hey, you're sitting at my desk! Did you touch anything? Jesus Christ, I had some important client files. You better not have fucked with anything!"

Poor Jon almost had a heart attack and with trembling hands gathered up his books and found another desk. Another person was brusquely ordered to do some photocopying and meekly complied. You could feel the panic, as if we were a

herd of impala and lions had just taken one of our number. This wasn't the way it was supposed to be. They were all top graduates from good schools – this was turning out to be like the Army.

While all that was going on, though, this one guy was smiling and shaking his head. I recognized him from the orientation the previous day but didn't remember his name. He waved and then came over to shake hands.

“Hi, I'm Mark Sturm.” He nodded to the empty desk previously occupied by Jon, “It was only a matter of time before the gloves came off. Welcome to the salt mines.”

I wasn't sure what to make of the comment. Sturm sounded like either a subversive or complainer and I wasn't sure it was a good idea to associate with him. In the orientation they had stressed the importance of being a team player and someone making fun of things didn't seem like a team player.

Over the years I found out that Sturm wasn't so much subversive and complaining as he was cynical and brutally honest. He always said exactly what was on his mind and he ruffled a lot of feathers. He got away with it for a long time because his blunt honesty was backed up by a top intellect, boundless energy and a loyalty to the firm and its people that were hard to reconcile with his iconoclastic cynicism. When upset by small things, Sturm would fly off the handle and swear, weaving grammatically impossible constructions about anatomical impossibilities that would leave people breathless. A client once said, “I was pushing him to meet an unreasonable deadline. I was pretty sure that his answer was no, but the only one-syllable word in his reply was ‘fuck’.”

#### Chapter 4

I got involved with Suteba in my very first year with the firm. At that time it was a nothing client and there was nothing prestigious about it at the time. My big client, which took up most of my time was Briscoe Corporation, the toy company. It was the biggest client in the office at the time and I was happy to be on it, even though we worked outrageous hours. When I wasn't working on Briscoe they filled in my schedule with small clients like Suteba.

The company was only a year or two old and rather disorganized. It was a privately held company and the majority owners were Japanese. Because it was a small company, it was handled by the firm's small business department, which was made up of people who specialized in smaller, privately owned businesses. Those businesses didn't have the public reporting requirements that listed companies had but they usually had complex tax issues and lots of non-accounting problems, such as ownership, succession planning and financing.

I wasn't interested in small business, mainly because I was really excited about working on a big client like Briscoe. But also because of the partner in charge of the small business department. His name was Peter Larsen and he had the reputation of being one of the meanest, most unreasonable people in the office. What a maniac. He had an ulcer and blamed everyone for it. When his ulcer was bothering him, which was all the time as far as I could tell, he made everyone's life miserable.

You wouldn't believe how crazy the guy was and in today's world he would never have survived. I was the staff accountant on the Suteba audit and the supervisor was a guy named Steve Bowman. Bowman lived in mortal fear of Larsen and would actually shake whenever Larsen was in the room. In all fairness, I could understand why and I felt sorry for Steve because Larsen seemed to have singled him out for abuse. Larsen would stand over Steve and scream at him about everything, but mostly about why the audit wasn't finished and what was taking so long. As if that did any good.

One time he demanded an up to the minute budget to actual time analysis on the spot. Steve was fumbling with his calculator and the more Larsen yelled the less capable Steve became of doing anything. Larsen finally grabbed the calculator and threw it across the room. "I don't need you to tell me the budget is fucked" he shouted and stormed out of the room.

It wasn't exactly unusual for people to use profanity in those days, but Larsen was the undisputed master of intimidation and harassment. At the end of the audit season in March when the staff started to trickle back into the office, old acquaintances were renewed and people started to compare notes.

Everyone always thought they'd had the worst "busy season" as it was called. Most companies fiscal years ended December 31 so most of the auditing was done in January to March. I always figured I had it worse than most because Briscoe was a September 30 year end so I was busy from October through till March. It was six months of gruelling overtime, very little positive reinforcement and a lot of abuse and harassment from people like Larsen. But what surprised me that first year was that my experience was fairly normal and in many respects better than most.

At least I'd been in town the whole time. Poor Jon Russell had had to work with a totally dysfunctional team in Indiana where there was only one decent restaurant. After a ten-hour day of abuse he then had to go to dinner with the same people only to learn that they were as distasteful personally as they were professionally.

## Chapter 5

Even though we worked hard in the winter, spring and summer were traditionally the slower season, which didn't bother us. The only cloud on the horizon was that there would be the inevitable trimming of the weaker staff members. We used to call it "The Easter Parade" because it usually happened around March 31<sup>st</sup>. I had mixed emotions that first year. I wanted to succeed and become a partner, but I sure didn't want to go through another busy season experience. I took a fatalistic approach. If they fired me, they were probably saving me a lot of grief, but if they didn't I'd give it another year to see if it got any better. After all, I wasn't going to top his salary anywhere else with my bachelor in accounting degree. It didn't much matter though because that year the firm was having a good year and only one person left. There was never any confirmation as to whether the termination was voluntary or involuntary.

One of the last people to make it back to the office after busy season was Sturm and when he saw me he nodded and smiled with a look that said, "Now wasn't that fun!" We ended up having lunch that day and exchanged war stories.

Sturm's big client was Shortland & Wilson, and big old time Detroit company. It was a great client to work on the Sturm loved it. But he hadn't enjoyed his other assignments, including a large problem client in April. "I almost quit every

day. I never saw a worse cluster fuck. In order to get the job done, we sent anyone who could walk and chew gum at the same time out there. I'm surprised they didn't send you out. People were falling all over each other and no one was in charge. Because of the size of the team, the client asked that a supervisor always be on site. They put Vic Martin out there and he had to be there every day. Usually, he didn't have anything to review, so he just bothered us. It was a first year audit and no one knew what was going on. We kept finding all these affiliated companies and they didn't even know how to do a consolidation. I think they were a bunch of crooks and were shuffling money around those little companies. Things didn't make any sense. The president of the company was this old fart and he was basically supervising the audit. He told us he had a bad heart and any time we raised an issue he would grab his chest and pretend to hyperventilate. I'm not making this up. It really pissed me off because Vic and Chuck, the senior, would immediately back down. He really intimidated them. I say they should have just let him croak. In the end they fired us the day after we gave them the audit reports. Fuck that. But I'll tell you, nothing was worse than those Peter Larsen jobs."

"Yeah, I had one of those," I told him.

When Sturm was fired up, he didn't hear what you had to say. "That guy's a maniac," he went on. "One time he actually threw a file of work papers across the room and said that the work was shit. That's after a supervisor and manager had reviewed it. I can't believe the guy hasn't dropped dead of a stroke, or a cerebral vascular accident. I learned that term on my hospital audit. One time he had four cigarettes going at once."

"No way! How?"

"He had one going where he was sitting, then he came over to yell at me about something and lit one which he left in an ashtray by me when the client came in. He lit another while they were talking and left it in the room when they walked out together to get a cup of coffee. When they came back he had lit up another. What a freak."

I told him about the time Larsen had thrown the calculator.

“I’m not surprised. But I’ll tell you, Jack. If someone did that to me, I’d kick the shit out of him. Why, Jack, do we work in a place that nurtures people like him?”

We both knew the answer to that question. We wanted to make the kind of money he made.

## Chapter 6

One of the popular quotes in the firm’s recruiting literature was that we “work hard and we play hard.” One of us with any experience believed anything in the recruiting literature, but we half believed that one. We knew we worked hard. During busy season there was no time for anything but working and sleeping, but during the summer, when we spent more time in the office we actually got a chance to socialize.

For some reason, the diversion of choice was to go to a bar called the Harbor Inn with whoever was around on Friday after work. Because almost all of us were single, and we had limited opportunities for socializing, and the firm had strict policies against fraternizing with clients and other firm employees, the Harbor Inn was both a place to relax and unwind and also meet people in the real world.

Although the firm was very hierarchical during work hours, rank was forgotten when we got together after work. Staff accountants all the way to managers would meet up to drink, play pinball, complain and chase people of the opposite sex.

It became a weekly ritual and in addition to Sturm I made some good friends with the firm. Guys like Dan Oriti who had running bets with all of about who would quit first and Rick Dunn, who was obsessed about getting married.

We used to play golf and go on vacations together and within three years, all of us, except Sturm, were married. Believe it or not, all of us had met our wives at the Harbor on a Friday night. We were all in each other’s wedding parties, and became godparents of each other’s children. We progressed through the firm together and celebrated our promotions together. For the first couple of years we all

got promoted at the same time, because that was the way it worked at L&S. Every year, if you were eligible for promotion, you were either promoted or you were expected to leave, a philosophy known as “up or out.”

In July of that summer, after about a year with the firm, we all got our first promotion – to Advanced Staff accountant. Everyone made it, even Jon Russell who never went to the Harbor Inn with the group and looked increasingly like a victim of shell shock.

The promotion didn't make a lot of difference in terms of day to day life. I stayed on all my clients and the only difference was that now I'd have new staff accountants theoretically reporting to me.

That summer we had a training session. In order to maintain your CPA certification you needed two weeks of training each year. The firm provided a lot of the training in-house and for the first couple of years we had to go to a week long session. It was one part training and one part indoctrination. We'd learn about accounting standards, management skills, budgeting and billing and auditing techniques, but they also drilled into us a vision of the model “L&S Person.” We laughed about among ourselves but everyone took it very seriously and followed the rules. The ideal person was married and lived in one of the better suburbs in town. They had a nice house, which was well maintained. They drove a modest *American* car. Too many of the firm's clients were in the heavy industries that had been hurt by foreign steel and car imports. L&S people were well paid but were expected to not spend ostentatiously. It would not be easy to negotiate audit fee increases if the staff accountants were driving to the client offices in Cadillacs. L&S people were expected to give back to the community and from the beginning of their careers were expected to belong to outside organizations such as Jaycees, church groups or anything else that interested them.

The publicly stated reason was that the firm wanted people to be well rounded and have activities outside of work, but the real reason was more mercenary. Back then accounting firms couldn't advertise. All new business development had to come from word of mouth or personal contact. Who could say whether the guy playing shortstop on the Jaycees softball team might not turn out to

be the CEO of a big company someday? And if he needed some accounting help he just might remember his old double play buddy at Larkin & Shaw.

Although we pretended to be cynical about the whole thing, I have to be honest. I was really buying into it. The firm's attitude seemed to be "We're not asking much. If you play the game our way, we'll keep you around and you'll reap the rewards." It made me feel like I was part of something important. I had a clearly defined role and could see a career path.

I was also impressed by the firm's ethics. It was the thing they stressed the most. The whole business was based on checks and balances. Each audit was independently reviewed by another partner to make sure the partner on the job hadn't missed anything or was too close to the action. In addition, no one at L&S could own stock in any of the firm's clients and we had to report our stock holdings every year. At every training program and office meeting we would have about accounting and auditing matters, quality and independence were always at the top of the agenda.

The only way the whole system worked is if everyone performed ethically so the whole organization was built upon absolute trust. I was surprised at first but then it sort of becomes second nature. The basic presumption was that you were a trustworthy adult and no one challenged you. No one checked to see what time we got to work or when we left and everyone had an unlimited expense account. Every two weeks we had to fill out a time and expense report showing where we had spent our time as well as any expenses. When I was working on a client assignment and wrote a memo about a meeting I had with someone, it was taken for granted that I had actually had the meeting and that the memo accurately described the events of the meeting. My signature saying I'd done something was accepted as proof that I'd done the work, even if there was no physical documentation. It made you feel like you were a key team member and made you feel responsible.

I would never have dreamed of saying I'd done something that I hadn't or of cheating on my expense account. I was brought up that way, but it was also the environment that L&S managed to create. They trusted you and you didn't want to let them down.

That's not to say it didn't happen. No one knew for sure, but there were a lot of stories about people who had been caught cheating. I'm not sure they were all totally true because each was neatly tailored to cover each of the areas where absolute trust was crucial and when you'd hear the stories told in training sessions or by partners they always went on and on about the public humiliation of the perpetrator. The penalty for lying was severe.

For example, one of the most boring staff accounting jobs was checking the clerical accuracy of clients' computer listings. There had been frauds perpetrated by companies who had padded their inventory or receivable lists and because they hadn't checked the detail to the total, the auditors hadn't found it. So one of the rules that staff accountants learned was that if it had a total, it had to be checked. Six-inch thick computer listings are a daunting thing to add up, especially when you're not that skilled with a calculator. Not only that, it was fairly boring and, realistically, no one ever found a problem.

There was a story about a prima donna who thought that test footing, as it was called, was beneath him, and the senior on the job started getting suspicious that the guy was footing awfully fast. So he talked to the supervisor and the two of them dreamed up a sting operation where they gave him something that they knew was wrong and told him to check it. He came back a short time later and reported that it had checked out just fine. As I say, these stories were heavily embellished and got better with age. By the time I heard it, the poor guy had lost control of his bodily functions when confronted with his crime. The supervisor took pity on him and didn't make him go back to the office to be officially fired but had the human resources partner make an exception and do it over the phone. These stories were always told with the moral being the danger of letting down the rest of the team, and the firm, who were relying on you. There were similar stories about people who had charged time that they hadn't worked, or not charged time when they should have.

Cheating on your expense report was considered a very serious transgression and there was a story of the managing partner calling up a person in front of an all office meeting and showing some of the creative accounting he had done with his expenses. Talk about public humiliation.

It was never proved, but Sturm and some others believed that one of those stories had a direct impact on Jon Russell's unusual departure from the firm. Everyone knew he wouldn't last, but no one thought he would leave so dramatically. Jon had been on Melrose Corporation out in Indiana and had complained about having to be on the road so much. He got reassigned to a nice client with offices in the suburbs near his house. That should have made him happy, but Jon was an inveterate complainer and was fond of telling anyone who would listen that he was going to have to take a pay cut now that he was in town all the time.

It may have been totally innocent because it was probably a true statement – when he was out of town the firm was paying for his meals, lodging and a mileage allowance for all the driving he was doing and that was probably a sizeable amount of money over the course of a year. Right about that time, the Internal Revenue Service heavily fined a few companies and their employees over expense account practices. The problem had been simply documentation and as a result, L&S announced that it was going to do a random documentation check of employee expense accounts to make sure that the firm had no exposure. Employees were notified of the audit in a memo and when Russell read it, according to Sturm, “He just shit right in his pants.” That was on a Friday and on Monday when the receptionist opened the office she found a briefcase with a letter addressed to Terry Metcalf, the partner in charge of human resources, sitting on her desk. The briefcase proved to be Jon's, full of all of the things that he felt were firm property such as books and manuals. The letter was short. “Thank you for the experience but its time for me to move on.”

Of course no one knew if the expense account audit precipitated Jon's move and there was no way anyone could have known the contents of the letter, but the story was became one of the office legends.

## Chapter 7

Before you start thinking that all I did in those days was work, I had a great summer that first year. Sturm, Dunn and Oriti and I spent a week together at

Dunn's parent's condo in Traverse City and had a great time. Even better, I met my future wife. We were at the Harbor Inn one Friday night and she was there and we just clicked. Her name was Debbie Aronson. She was a teacher, was, and still is, beautiful.

We danced and talked and all that night and she gave me her phone number. I shouldn't say this, but the next morning, the matchbook with the phone number was sitting on my dresser and I couldn't exactly remember what I'd liked about her. The Harbor Inn was too noisy, smoky and dark to really learn much about a person and I'd talked and danced with a lot of women. Plus the beer didn't help memory function either. I seemed to remember that she was funny and cute and I figured I'd call Dunn for confirmation of whether I should contact her or not. Dunn was the only safe one for an inquiry like that because he was now in a fairly serious relationship with a girl he had met several months ago. They still joined the parties but now as a couple and Dunn would be much more objective. Oriti and Sturm couldn't be trusted in a matter like this.

In the end, I made the call and have never regretted it.

## Chapter 8

As far as work was concerned, to be honest, the years are sort of a blur. I just remember highlights here and there. Like at the start of my third year with the firm I started to learn about the way the business operated.

Up until then, my sole understanding was that all of our audits had a time budget. The budget was not a guide. It was a club that the seniors and supervisors used. Each area that you had to audit had a budget and one of the main ways you were evaluated was how well you kept to the budget. It seemed like no one ever did because as far as we could tell the budgets were pipe dreams prepared by supervisors and partners who hoped the hours would be low so they could keep the client happy with a low fee. In reality, there were always unexpected problems that meant you went over the budget. Because the client usually agreed to the fee up

front based on the budget, you had to be able to explain why you went over. And then get them to agree to pay.

I got my first and best lesson on how the system worked from Peter Larsen of all people. The supervisor on the Suteba account, Mike Acklin, abruptly quit. He was a good guy with a good reputation as a calm and pleasant person to work with. He was smart, too. Because of the size of the Suteba audit, at that time there was no senior accountant on the job. It was just me and a staff accountant and I reported directly to Acklin. It was great because he delegated a lot of work to me and let me show that I could function as a senior. But with Acklin gone, until a new supervisor was assigned, I had to report directly to Peter Larsen.

Right before Acklin's last day he called me to his office and pointed to a stack of files on the floor. "Those are the Suteba files, and they're all yours, pal."

"What is all this?" I asked.

"All the correspondence and billing information. We haven't billed them yet for this year so you are going to have the pleasure of doing that with the Man himself. Good luck."

I panicked. "You mean I have to do the billing for Larsen?"

"Yes, if I were a nice guy I'd do it before I left but to be honest with you I don't want to even see that fucker before I go. Here's the number at my new job, give me a call if you need some help."

"Thanks for ruining my day, Mike. By the way, where are you going?"

"I'm going to be the Assistant General Auditor at St. Clair Trust."

"Congratulations."

"Thanks, a lot of people think I'm jumping off the fast track and that internal auditing is a dead end, but I've had it here."

"What do you mean, I heard you were up for manager this year."

"I was, and they even told me it was guaranteed if I stayed, but I can't take it anymore, Jack. There are too many bastards like Larsen to deal with and too many shitty clients like this one." Mike nodded toward the Suteba files. "Manager just didn't seem to be worth the hassle. My wife and kids complain that they never see me and that I'm a nervous wreck when I am around. I'll tell you something, Jack.

Someday this firm is going to get is *big* trouble over some bad audit. And it won't be a real company like Melrose or Shortland – it'll be some fly by night outfit like Suteba that's trying to grow fast and get rich quick. Larsen would let them do anything if they threatened to fire us and go with one of the other firms, and they are just the sort of people to take advantage of it."

At the time I thought that Acklin's attitude was mostly sour grapes and I was more worried about having to deal with Larsen than philosophize with Acklin. So I asked him, "What should I do about the billing?"

"Summarize the budget to actual and take it to him. No matter what you do he'll give you hell, but if you wait for him to ask it will be worse. He's probably going to have a shit hemorrhage because we're so far over budget, but its not like he should be surprised with all the crap they tried to pull with those obsolete inventories this year."

He was right. Larson was going to freak and he'd take it out on me. Plus, inventory was where the problem was I'd done most of the work in that area. Suteba had aggressive growth plans and was diversifying into a lot of businesses that management had no experience with. One was the video game market, which was at that time in its infancy and dominated by Atari. Suteba tried to rush a competing product to the market and it was truly awful. The instructions were printed in Japanese and the game itself was widely considered to be simply stupid. It was based on Atari's Pong game but instead of hitting a ball back and forth the players were supposed to try to keep a mouse from getting to their supply of cheese. Suteba management convinced themselves that it was going to be the "must have" toy that Christmas and stockpiled an enormous quantity. It turned out that they couldn't give them away and a lot of audit time had been spent trying to determine how much of the inventory they could sell, return, or sell for scrap.

I remember one time Larsen had actually been in a good mood one day and joked to Acklin and Jack that they didn't need to audit inventory at all. Suteba had given him a complimentary copy of the game and he took it home. "If it's as shitty as my kids say it is they won't sell any of them. May as well write the whole pile of crap off right now."

When Larsen left, Acklin told me, "If his kids are as fucked up as he is, the cheese game will probably be a sell out."

I wished Acklin good luck and left. I wasn't too busy at the time so I decided to tackle the Suteba billing and get it out of the way. It really didn't look good at all. The client had agreed to a fee of \$50,000 and the actual time charged at standard rates was over \$80,000. If we got the fifty thousand, it would be 62% of standard which was bad, but not atrocious. I'd seen worse, but that was usually not-for-profit organizations that the firm just kept as clients to keep people busy during the slow summer period and they were willing to give away the work and make it look like we were giving something back to the community.

The problem on Suteba was that we were over budget by about 600 hours and Larsen was going to freak and demand to know how we'd had let the job go so far out of control. Forgive me for saying it, but I was kind of happy that Acklin was gone because Larsen might blame him and go easy on me.

I was really dreading the encounter with Larsen. I knew he would scream and yell and berate me. He did then under normal circumstances and in this case I had to admit he had a legitimate reason to be irritated. I thought the best strategy would be to prepare the analysis and then just leave it on his desk after he'd left for the night. That way I wouldn't be around when he got the initial shock. I'd still get reamed, but it might not be as bad.

Sturm wandered by while I was working on the analysis and I told him the story and what I'd planned to do. He practically begged me not to do it.

"Don't do that Jack. You have to face him. Don't be a wimp, man. I know him better than you. I'm on four of his jobs. One time I had to deliver something to his office and he was there. He was actually in a good mood and talked to me like a human being. He thanked me for actually coming to him. He told me 'If there's one thing I hate its people who sneak stuff onto my desk when I'm not here. Its like mushrooms growing in the night all over my desk.' You know you're going to have to deal with him sooner or later; you might as well get it over with. And one more thing. Don't let him intimidate you. If you show him you're not afraid of him, he won't push you around. He was giving me some shit one time and I stuck to my

guns and he actually congratulated me afterward. Man, I hate those chickenshit games.”

Unfortunately, Sturm was probably right so I decided to get it over with. “Well, wish me luck!”

It was about three in the afternoon and I went to Larsen’s office and knocked on the door. He was working on something and smoking, as usual, and didn’t even look up when I knocked. “Yeah?”

I walked in. “Hi, Pete, since Mike’s gone I thought I would go ahead and put together a billing analysis for Suteba.” I offered him the folder.

Through a cloud of smoke and with narrowed eyes, he stared at me as if he were trying to figure out who I and Suteba were. “Oh, yeah, I was wondering when Acklin was going to get off his ass and do that. Looks like he did a dump and run. Well, how bad is it?”

I was surprised that he asked so politely. I put the file in front of him and pointed to the summary I’d put on top. “The budget was about a thousand hours and actual is sixteen hundred. We’re over in just about every area but the biggest pieces are in inventory, receivables and income taxes.”

“Yeah, I figured we’d be heavy in inventory.”

I stood there, waiting for him to start on me. Instead, he stubbed out his cigarette and told me to have a seat. “What do you propose we do about this situation?” he asked.

I wasn’t sure what to say. On the one hand he was asking my opinion rather than screaming. But the question was asked in a very sarcastic and cynical way as if he didn’t expect me to have anything intelligent to suggest. I remembered Sturm’s advice and decided to tell the truth. “I think we ought to bill them for the whole thing.”

Larsen stared at me and said nothing. I can’t stand it when people do that and I don’t know about you, but I can’t let the silence last. So I started talking. “Seriously, they know we had to spend a lot of extra time because of the inventory problems and they’d be lying if they said it was wasted time. You could say that we saved them a lot of trouble and worked with them to come up with some good

compromises. And whatever additional cost we have for tax time, I'll bet we saved them more in taxes."

Larsen kept staring and I kept talking.

"I know we're over in a lot of other areas too. But it's not our fault. They didn't give us a lot of help with the audit and we couldn't get access to a lot of the accounting people because they were working on that Templeton acquisition. Their records aren't the greatest in the world and we're inefficient because they won't let us have our own audit workroom. We have to move every day."

Larsen stared a while longer, but I didn't have anything more to add. So I just stared back at him. Finally, he lit a cigarette and said, "Do you think you can quantify any of that?"

"I already have." I pointed to the file.

Larsen grabbed the file and moved to the conference table in the corner of his office. I sat down next to him and watched as he flipped through the work sheets I'd prepared. I was still waiting for the explosion when he turned to me and said, "This is great! I can tell you've thought this through and have a good idea of what's going on with the job. Here, let me show you some things we can do and we'll see if we can't get some decent fees out of these bastards."

I couldn't believe it. For the next two hours we worked together as friendly peers. He wasn't the rabid maniac I was used to. A couple of times he sent me to the central file room to get some work paper files for reference and together we hammered out a bill. Larsen's strategy was to present a fee slightly higher than the budget and account for the difference due to the inefficiencies I'd summarized. I gave him more examples of how the client's behavior had slowed them down so we could document that in the bill. Next we tackled the inventory area. We broke the 350-hour overage into over a dozen components because of the complexity of the inventory problems. There were different categories for pricing problems, obsolescence, distributor relationship issues, rebate program issues and in-transit inventories. When we looked at the problems as small pieces, the overage didn't look at all unreasonable and Larsen decided to actually increase the billing above

actual for certain components. “Maybe we only spent 20 extra hours on pricing, but it felt like 40 to me.”

“But can we say that?”

“Look Jack, an hour ago you thought we were going to write off \$30,000 of time. Don’t you think that time you spent is worth anything? They have no idea what it took to get that report out the door, so let’s not be shy.”

After that we tackled the tax area and called in Mark Griffin the tax manager to help come up with an estimate of the future tax benefits Suteba would realize as a result of the strategy work they had done. When we were finished, the total bill, fully supported by detail, was \$90,000 and Larsen was in a very good mood. As he double underlined the total he said, “And that, Jack, is how you go from sixty-two to one hundred twelve percent of standard. I’d say we earned ourselves a drink.”

It was amazing. Peter Larsen, the partner who ate managers for breakfast, was inviting *me* to have an after work drink.

This time we didn’t go to the Harbor Inn. We went to the Detroit Athletic Club, a private men’s club where you could eat three meals a day, get a room for the night, swim, bowl, play basketball, racquetball, squash or handball and have a drink in any one of four intimate bars. I’d heard of it but had never been inside before. All of the partners were members and being invited there as a guest was a big deal. In fact, just walking out of the office together with Larsen and having a friendly chat was a big deal and I hoped that people would notice. It wouldn’t hurt my reputation.

At the Club, Larsen seemed to be well known. Several of the employees greeted him by name and several of the members seemed happy to see him. Larsen actually introduced me to a few people. He also provided background information. “He’s a jag off partner at Butler & Meade,” he explained after introducing me to a dignified older gentleman. “He’s a loan guy at First Michigan,” he said, referring to another. “I work with him on financing deals with a lot of my clients.”

We took a table in a corner of the bar room. Larsen ordered an extra dry vodka martini with a twist. I panicked. I only drank beer and didn’t know anything

about mixed drinks. I wasn't even sure how you make a martini dry. I wracked his brains trying to think of a drink that wouldn't make me look bad. I knew that things like pina coladas and Singapore slings were probably inappropriate. I decided to play it safe and asked for a draft beer.

While waiting for the drinks, Larsen grilled me with a lot of personal questions. He asked me where I grew up (not far from him, surprisingly), to I was settling into my career and things like that. He seemed genuinely interested and also seemed eager to give me a lot of little bits of advice about things.

After the second drink, Larsen said he had to get going and got up to leave. As we left, he thanked me again for the work I'd done. "I'll get a bill prepared and set up a meeting to go over it and let you know. I'd like you to sit in on the meeting."

I was truly ecstatic. It was like a major breakthrough. The guy who created the most stress in my life was suddenly a good buddy. I was on the A-list of the biggest prick in the office. My reputation was made. As long as I didn't screw anything up,

The next day, I couldn't wait to tell someone about my new status, so I told Sturm the whole story over lunch. "I appreciate your advice. If you hadn't told me to go in there and stand up to him who knows what would have happened."

"No problem, Jack. But here's another little piece of advice. None of my business, but you're taking this whole thing way too seriously."

"What do you mean?"

"I mean you're thinking that just because Larsen bought you a drink you're king shit on turd island. He's already forgotten about it. You should too. Every day, every encounter is a new chance to fuck up. So don't start thinking you're the new golden boy."

Typical Sturm. Sometimes he could really be a jerk. But he was right. Twice in two days.

## Chapter 9

A few weeks later, two things happened. First, I got promoted to senior accountant, which seemed like a big deal at the time. Second, I ran into Larsen and he told me that he'd had a meeting at Suteba and they had laid out their long term growth plans, which included going public – selling their stock on the stock exchanges. “It’ll be the big leagues. And sayonara for me. I don’t work on any public clients – it’s a different ball game and I can’t be bothered with all that reporting crap.”

It turned out that was more important news to my career than making senior, but it didn’t seem like it at the time.

One of the benefits of becoming a senior was that we finally got out of the staff room and got our own assigned desks. Four seniors shared an office and they each got their own desk and telephone. It doesn’t seem like a big deal now but we loved it back then. First, you had a place to call your own. On a busy day, getting a seat in the staff room was always a scramble. Plus, with an office, you could give people your telephone extension and it made you seem more important. You could put pictures or mementos on your desk to show that you were an individual. Most of all you got a bookcase and drawers to put all your junk in.

Usually the new seniors were given available desks in senior rooms and by chance, Sturm, Dunn and Oriti and I were all assigned to the same room. Although we shared the same office, we saw each other more outside of work because it seemed like we were rarely, if ever, in the office.

The other big thing that happened that summer was that Dunn got married. Sturm, Oriti and I were all in the wedding. Sturm was paired up with a bridesmaid named Karen Stodnick who was utterly smitten by him. He found her ludicrous, and he told me “You could wade through the ocean of her mind and not get your feet wet.” She pursued him relentlessly. He wouldn’t give her his phone number or address so she inundated him with messages and letters at work. Sturm finally appealed to Dunn to have his new wife mediate the situation.

“Rick, she’s driving me nuts. She says she wants to have my baby for Christ’s sake. All I did was dance with her at the wedding and tell her jokes.”

“What do you want me to do? I still have my wedding tux in case you want to borrow it.”

“I’m serious. Can’t you have Ellen talk to her? I never said anything to her to indicate remotely that I might be interested in her. Have Ellen tell her I’m engaged to someone in England or something. I’m not interested.”

“Why should it be Ellen’s problem?”

“Because she’s her friend.”

“Why don’t you go out with her? You might be surprised. There are a lot of guys who would jump at the chance to date her – she’s a fox.”

“The only surprise I might have is if she turns out to be even dumber than I think she is – where are all these ‘other guys’ when I need them?”

“Man, you can’t have other people fight your battles for you, you have to deal with it.”

Sturm closed the conversation by shouting his favorite expletive at no one in particular and went back to his work.

The other big news that year was that Debbie and I got engaged at Christmas. We set the date for the following July.

## Chapter 10

It was probably around then that at some subconscious level I’d made up my mind that I definitely wanted a career with L&S. Up until then I’d had pretty much a wait and see attitude, but that year, the hours stopped bothering me and I started to take the pressure and the difficult personalities I had to deal with in stride.

Maybe it’s just that everything was falling into place. My personal life was going well. I was starting to enjoy working with Peter Larsen and my reputation in the office was better than ever. I knew I was considered one of the top performers.

Independent of all that, that is also the time when Suteba started to become a bigger part of my professional life. As the company grew, the audit became larger and more complex. It was taking up more and more of my time and there was an energy at the company that was contagious. I found myself developing a loyalty to the company. Since I’d been auditing them, they had doubled in size, with sales

growing from four million to eight million. We had done acquisition audits of a lot of the companies they had acquired as part of their growth plan and as a result, I knew the company almost as well as management did and they didn't hesitate to rely on us. We were more like their advisers than their auditors. Especially Larsen and to a lesser extent, George Jeffers, the new supervisor on the engagement.

Not a lot of people had the same sort of relationship with their clients. A lot of people at L&S had an attitude toward their clients that was almost adversarial. This one supervisor I worked with on another client openly took the attitude that his clients were all hiding something. He used to sit down behind a stack of audit files and say with relish "There's something in here. And I'm going to find it."

He was the most extreme person but he reflected a fairly widespread attitude. When I talked to Sturm about it, he said, "Jack, if I wanted to be an advocate for my clients, I'd have been an attorney."

"But you have to show the client you are willing to work with them in order to develop a good relationship."

Sturm thought about that. "You know, Jack, I think it's the jobs you're on. If Briscoe says 'shit,' we say 'what color?' And Larsen is more of a consultant than an auditor for a lot of his clients. No wonder you have the attitude that you're on the client's team. You should come out to some of my hospital clients. You'd be cured in two seconds of any client loyalty!"

Maybe Sturm was right. It seemed as if on Suteba that I hardly spent any time on typical year-end audit activities. Larsen had told us to cut way back on the audit because Suteba was acquiring two new companies and if the deals were closed in time they could include the results in the current year financial statements. So we were scrambling to get those audits done first. The trouble was that those companies had never been audited before and there was some question as to how good their numbers were. As a result, George Jeffers and I spent a lot of time on the road visiting the new companies. One was in Southern California, and the other was in northern Minnesota.

I'd never travelled on client business before and it wasn't hard to get used to. We made our trips with Terry Winter, the Suteba comptroller. Terry was responsible for all of the accounting at the company and reported to Don Mackey, the Executive Vice President and Chief Financial Officer. Suteba insisted that we fly first class and we stayed in the best hotels they could find near to the companies.

Unfortunately, the first class travel was the best part of the acquisitions as far as George and I could tell because the companies didn't look too good to us.

Once we got back home, we had to work on integrating the results into the overall audit and wrapping up the audit. It turned out that George was as afraid of Larsen as Acklin had been and preferred to avoid him as much as possible. As a result, it seemed as though Larsen and I were doing all the work, but I was fine with that because it gave me more exposure to Suteba management than ever and I felt like I was an important member of the team.

I had to agree with George that Don Mackey and Terry Winter were not the best accountants in the world. Nor were they very good businessmen. In fact, they weren't very intelligent. Most of the time it seemed like Larsen was making all the decision and Mackey and Winter were just going along. The only time Mackey disagreed with Peter was when Peter advised doing anything that would depress earnings. Suteba had a complex executive incentive compensation plan and Mackey could immediately calculate the effect on his bonus of any change in the company's bottom line.

That really irritated me because Mackey was a guy with no talent earning over one hundred thousand dollars a year plus bonus arguing about things that would change his bonus by one hundred dollars.

At the time, the company was quite profitable, but large audit adjustments were usually necessary because the company's acquisition strategy often led to them overpaying for its investments and also taking on overvalued inventories and receivables. Peter and Mackey would have huge arguments because Peter felt that they should be as conservative as possible at this point in their development.

“Look Don,” he would say, “Some day you’re gonna want to go public. The underwriters are not going to want to see a lot of old inventory and receivables all over the place. If I were you I’d jack up those reserves. If you think you need a million, put away two. No one’s going to complain about that now. Save some tax dollars now and when you’re public and you need to reverse a little into income you’ll have it.”

Some people called this “conservative accounting,” others felt that it made the financial statements misleading, if not now, at least in the future. The idea was often called creating “cushions,” and was something that every good comptroller and CFO tried to do. The idea took advantage of accrual accounting which was part of generally accepted accounting principles and required that revenue be recognized when it is earned, not when the cash comes in, and that expenses be recognized when they are incurred, not when the cash is paid. It was this principle which gave rise to accounts receivable and accounts payable. When a customer bought something on credit, it was appropriate to recognize the sale when the title to the goods transferred. The customer might not pay the bill for several weeks but legally a sale had occurred. Instead of recording cash, however, the company would record an account receivable, which is a valuable asset and larger companies have credit departments to manage their accounts receivable.

Of course, sometimes customers might not pay for the goods. In this case, the sale still occurred, however the receivable had become uncollectible and would have to be written off. Writing off an asset increases expenses and decreases income.

To further complicate matters, generally accepted accounting principles require that assets should be carried at their net realizable value. Therefore, at any given time, a company could reasonably be assured that some of its accounts receivable would not be collected. In order to reflect this, companies establish an “allowance for doubtful accounts” which is based on experience with bad debt write offs. In theory, when the reserve is subtracted from the gross accounts receivable balance, the net amount should be the amount of those receivables that the company will ultimately collect. Auditing the allowance for bad debts, or doubtful accounts as it is sometimes called, requires experience and judgement and therefore it was

usually done by advanced staff or more likely senior accountants. If the auditors felt that the reserve was too low, they would require the company to increase it. Clients often resisted this sort of adjustment because by increasing a reserve (or reducing an asset) they would be reducing income.

Theoretically, if the auditors felt that the reserve was too high, they would have the company reduce it. Reducing a reserve has the effect of increasing income. As a practical matter, Jack had learned, accounts receivable reserves were usually not overstated and when they were, both the company and the auditors generally agreed not to adjust the reserve. This was usually done on the grounds of “conservative accounting.” It was considered conservative to understate assets and earnings on the grounds that people would not feel cheated if the company turned out to be worth more than they thought, but would certainly feel cheated if it were worth less.

The other reason that auditors rarely reduced overstated valuation reserves, such as the allowance for bad debts, was the cushion concept that Peter Larsen had so much trouble explaining to Don Mackey. According to Peter, bankers who might loan a company money, and investors who might buy a company’s stock liked to see a trend of steadily increasing earnings. Of course, successful, well-run companies might in fact enjoy such an earnings trend, but inevitably, there would be bad years because of the economy, sales problems or unexpected expenses. A wise chief financial officer therefore would keep his or her reserves as high as possible. In a meeting which Jack attended Larsen explained it to Mackey and Winter, “Let’s say you need a million bucks in the accounts receivable allowance, but you’ve put away two million. No one is going to complain about that. It’s just good conservative accounting. Along comes year-end and you’ve told the board your going to have a bottom line of five million. You close the books and oops, income is only four and a half. What do you do? Write your letter of resignation? Hell, no, you take six hundred thousand out of the accounts receivable allowance, which you don’t need. It falls to the bottom line and instead of being half a million under your projection, you beat it by a hundred and you’re a hero.”

Mackey nodded as if he understood.

## Chapter 12

On one of our out of town trips, I asked George Jeffers what he thought about Larsen's cushion approach.

"Every company in America does that. I guess its OK. We're not telling people that the company earned something they didn't. The income isn't exactly reported in the right period but after all, those things are estimates. It will be a bigger problem in the future if this trend to focus solely on earnings per share continues. Then you'll see people crossing the line and actually managing their earnings. Have you heard the Securities and Exchange Commission is talking about instituting quarterly reporting that we'll have to report on as well? That's going to make it interesting because then companies won't be able to play games like they do now."

"What do you mean?"

"Take a look at the monthly sales and earnings numbers for any company. I bet even Briscoe does this. No matter what business they are in the last month in the fourth quarter will always be the most unusual period. One time I had a client who recorded twenty-five percent of their sales for the year in December. That must have been one busy month."

"It sounds pretty risky to me."

"It sure is. Take a look at sales returns on some of your clients. Track them by month sometime. In theory it should be a constant number. You would expect a certain percentage of stuff to be returned each month. Look at January for your calendar year end clients. They blow a bunch of shit out in December just to make the numbers look good and the customers send it back in January."

"How can they do that?"

"I've seen it done a lot of ways. Sometimes these December sales are legitimate. The customers know what's going on, they are doing the same thing with their customers. So some may agree to take more than they need. Sometimes it gets a little greyer. Like when they just ship and bill the stuff without purchase orders. Or worse, bill it but don't ship it. There was that case that Gifford, Hall, Park got in

trouble over. The client actually had a name for the scheme. 'Bill and hold.' That sort of doesn't qualify as a sale."

"Why do we let it happen?"

"How can we stop it? Of course it will only be an issue if there's a lot of other stuff going on. A company has to be pretty rotten and then collapse before the audit will come under scrutiny to pick up things like that. If Equity Funding had acquired General Motors like they joked, we might never have heard about it. As it was, there was so much fraud there that someone blew the whistle on them. The other bad ones like Continental, Penn Central and National all went bust which led to the investigations and that's all she wrote."

Jack said, "I still think it's risky. If a company started living off its reserves there would be no good business to back up the earnings. It would probably still go bankrupt."

"You're right. You may not have noticed it but around here no one thinks about five years out or even next year. Its always the current year. Right now. So even though they may be digging a huge hole which will come back to haunt them, they'll worry more about looking good today."

"Well, maybe that's why they pay partners what they do, to take the risk. What's the worst thing they can do to you?"

"Shit, you really can go to jail. The partner *and* manager on National were sentenced. And I think the Equity Funding jokers actually did some time. They were all found guilty of felonies. That doesn't look good on your resume. But the real risk is financial. I don't know a lot about it but the firm has professional liability insurance out the ass. Still, it is a partnership and with unlimited liability, theoretically if the firm were hit by a huge settlement and insurance didn't cover it the firm would have to pay. And if the firm didn't have enough assets they could go after the personal assets of the partners. You can bet Larsen wouldn't be so smug if they started carting away his furniture."

The issue of personal liability of partners did in fact hang over the profession. Although no partners seemed particularly worried there was talk that some of them had put all of their assets in their wives' names so that they would be

protected. No one even knew if that would work. One of the justifications for the high salaries partners earned was the risk they faced, although Sturm never thought that made sense. “Why don’t they pay cops more? They take a lot more risk.”

By the end of the Suteba audit Larsen had browbeaten Mackey into accepting all of the reserve increases he thought were prudent. The company was still making more money than the previous year. The only problem was that Mackey would not be getting the bonus he had hoped for. Larsen told him “You’ll thank me in a few years when you go public. You’ll make so much money on your stock you’ll wonder why you cared about your bonus at all.”

### Chapter 13

It was a rough audit season and I was glad when it was over. Because I could start to focus on the wedding. I’d asked Sturm, Dunn and Oriti to be ushers in and they had all agreed. A couple of months before the wedding I decided to take them all to dinner to discuss planning. We met at a restaurant and after dinner we went back to my place. The apartment building had a recreation room with a pool table and we decided to have a little competition while we talked.

Dunn, as a recent veteran of a wedding, had a lot of advice. Sturm’s brother had recently gotten married and he thought he was an expert as well. “Whatever you do, Jack, don’t have a white tuxedo. Wear something like Fred Astair would. Don’t look like Tony Orlando for Christ’s sake.”

Dunn said, “I wore a white tuxedo.”

It was vintage Sturm. Everyone knew he simply didn’t remember what Dunn had worn and was just stating his current opinion. “I’ve been meaning to talk to you about that,” he said.

“What’s wrong with a white tuxedo?” asked Dan Oriti. “I’m thinking of wearing one. And what makes you an expert in wedding fashion, anyway?” Oriti never missed an opportunity to remind Sturm about his love life.

“Well, you have a lot of opinions about things you don’t know jack about, particularly in the area of accounting. It’s just that I’ve been going to a lot of weddings lately and the grooms are looking like John Travolta. Twenty years from

now, when normal tuxedos are back in fashion, how are you going to explain that to your kids?"

"Sturm, I realize you have only a vague notion of where babies come from, but it has nothing to do with what the groom wears on the wedding day. It's what he doesn't wear on the wedding night that is more germane and my kids ain't never seeing pictures of that."

"That is totally not the point. And anyway, that is a scary thought, you educating your kids on sex."

"I'll let you know when I do it, you can come along and maybe learn something. At the rate you're going they'll lose their virginity before you do."

"Oh yeah, you were beating off to Wonder Woman comics when I had already made my reputation as a virtuoso. Someday maybe you'll read my memoirs. You'll probably learn a lot."

Sturm and Dan could go on like that good-naturedly until someone finally told them to knock it off. In this case it was me.

"Well, Debbie wants us all to wear black tuxes so it doesn't really matter."

"What are the ladies going to wear?" asked Dunn.

"None of my business," said Jack.

"Hey," said Oriti, "Who's gonna be Sturm's partner? Are you going to warn her in advance or just surprise her at the rehearsal dinner?"

"Warn her of what? That I will probably find her wanting in at least eight out of ten minimum standards for me asking her out? Jack, just don't fix me up with a bimbo like that one Dan did."

"Ohhhhh, don't get me started. That's my whole point about you Markie. This gorgeous woman practically throws herself at you. Beggars to have your baby, and you have to think about it so long she gives up. Jack, why don't you invite her to the wedding just so Studly here has something to keep him busy."

"Don't worry, Mark, Debbie is very worried about you and wants to pair you up with someone special."

"Is Stevie Nicks in the wedding party?"

The conversation continued with Dunn and Oriti teasing Sturm about his love life until the topic of work inevitably came up. Over a game of eight ball with Sturm and Dunn teamed against me and Oriti. Dunn said, "Hey Jack, I heard you were out of town a lot this past busy season, any place interesting?"

"LA and Winona, Minnesota, sort of polar opposites."

"Was that for Briscoe?"

"No, Suteba had two acquisitions and Jeffers and I had to do the due diligence."

"What was that like?" asked Oriti. "Does Jeffers protect you from Larsen?"

"Ha!" said Sturm, "He wouldn't piss if his pants were on fire. He's even afraid of the hospital people. Larsen must scare the hell out of him."

"Actually, its almost the other way around. I don't know what happened, but for some reason Larsen likes me and he's actually kind of nice to work with. He spends a lot of time telling us what's going on and invites us to all the important client meetings. I think he's thinking Suteba may go public soon and he wants us to know all the history when he comes off."

"When will that be?"

"Who knows, not for another year or two I would guess. Mark, aren't you still on some Larsen jobs?"

"Yeah, and you're right, Jack. He does seem to be mellowing. He crucified Paul Schmidt a few times but he's been fine with me. He even made a big joke about fixing me up with a girl out at this client."

"God, Mark," groaned Oriti, I knew you were hard up but to have Pete Larsen do your trolling for you is a new low. How bad was she?"

"Why don't you ask Larsen?"

"By the way, Mark, George Jeffers was telling me he heard Gilman saying nice things about you at one of the staff meetings."

That got everyone's attention.

Gene Gilman was the partner in charge of the audit division for the office. He reported to Ted Martin, the office managing partner along with Joe Fletcher and Tim Connors, the partners in charge of tax and consulting, respectively. Gilman was

the one person in the office who could intimidate even Peter Larsen. He was loud, rude, brusque, vulgar, impatient and very powerful. His office was on the main entrance hallway of the office and virtually everyone had heard him screaming obscenities either into the phone or at someone in his office. No one could understand why Ted Martin who was a friendly, dignified patrician put up with him. The prevailing theory was that Martin liked having Gilman around so that they could play good cop/bad cop. It certainly worked. If Martin wanted to be tough and make a point, he simply put at the bottom of his memo something like "Any questions or requests for extensions to the deadline must be approved by Gene Gilman" and it virtually guaranteed that there would be no questions or extension requests, much less extensions.

There were a number of stories about Gilman's behavior and they were accepted as fact rather than legend. The L&S office was on two floors and there was an internal staircase connecting the floors. One story held that one day a huge crowd of people wanting to go downstairs was gathered at the top of the stairs. No one dared go down because Gilman was reaming someone somewhere down there and his bellowing was coming up the stairs. No one would go down for fear of getting caught up in the overkill. That was not an unlikely prospect. It was known that when Gilman got carried away with one of his rages he would lash out at anyone and anything that caught his eye. Unquestionably, Gilman was universally hated and feared in the office.

According to another story, when Gilman had been the partner on the Briscoe account, the second partner and the manager brought him the annual budget for review and discussion. The partner launched into an explanation of what they had come up with and Gilman asked to see the budget worksheets. He studied them briefly and then tore the sheets into small pieces and threw them in the wastebasket. He then leaned over and spit into the basket. He turned to the ashen-faced executives and said, "Get the fuck out of here and don't come back until you have something worth my time." That was the problem with Gilman. He wouldn't tell you what was wrong. Your next effort might be met with the same reaction. Or worse.

And that is why everyone was very interested in hearing more about why Sturm might have gotten favorable attention from The Man. However, Sturm wasn't willing to talk about it, he only said, "He got involved in a client of mine. But don't remind me. It was pure hell."

"You had to deal with him directly?"

"Oh yes. That guy's crazier than a shithouse rat. He gets totally irrational. Makes Larsen look like the Pope. And you know the worst thing? With him you're always guilty until proven innocent. In the end I was proven innocent but I really wonder if I want to work in such a fucked up organization. In fact, I'm getting nauseous just remembering that he's my boss."

"But what was the problem?"

"I can't talk about it. Maybe after Jack's wedding."

It was getting late and we decided to call it a night. I walked out to the parking lot with the guys and we talked about final details for wedding.

"It's going to be Saturday, July fourteenth. You know, Debbie's parents are old-fashioned Catholic so it's going to be all traditional. Rehearsal and dinner on Friday night, wedding Saturday morning at ten followed by a breakfast, then we visit people in the afternoon and the reception starts at seven. In addition to you guys there's Paul, my brother, who is best man and two of Debbie's brothers. They're good guys, just watch your vocabulary, especially you, Mark."

"Where's the wedding?" asked Dunn.

"St. Francis in Dearborn."

"And the reception?"

"Same place, they have this huge hall with a kitchen and everything. Live band, too. Sturm, you better learn how to do the polka. Your partner was the St. Francis polka queen before she got too fat."

"That's OK, Mark likes 'em big, don't you Studley?"

"Debbie and I have told her all about you and she can't wait."

Sturm raised both his middle fingers to the group as they split up to walk to their cars.

## Chapter 7

The weeks before the wedding were a blur. In addition to the planning and running around, I also had a lot going on at work. I got a call from George Jeffers. "Hey, Jack, ever been to Mexico?"

"No."

"Well, then I've got some good news for you. Suteba is looking at some outfit south of the border and they want us to go down and have a look."

"When?"

"Next week, it should only take two or three days. Larsen is coming too. We're all supposed to go to a meeting out at Suteba on Friday morning. See you there?"

It had never occurred to me to tell Jeffers about his plans because I never thought that anything would come up for Suteba and it wouldn't have looked very good for me to run around the office telling people I wouldn't be able to do any work in July because I was getting married. I decided to put Jeffers on alert. "Sure, George. I'm buried on some Briscoe projects right now but I can break away for part of next week. Also, did I tell you I'm getting married July fourteenth and will be gone for part of the month?"

"Hey, congratulations! I didn't know that, but it shouldn't be a problem. Even if they decide to go ahead with the acquisition it won't be until September or so."

That's just what I wanted to hear.

On Friday we went out to Suteba for the Mexico trip meeting. For once, Suteba actually seemed to be organized. Larsen, Jeffers and I walked into the conference room and a secretary handed us each a personalized booklet entitled "Suteba Corporation—Project Roo." Each booklet was stamped in block letters: "Strictly Confidential."

The books contained information on Suteba, details about the company's growth strategy and then an extensive section on Mexico and the Mexican company they were looking to acquire. There was an exhaustive discussion of the financial aspects and risks and an analysis of the benefits of growth through joint ventures as

opposed to acquisitions. There was even a detailed section on Mexican customs and culture and recommendations for the first time traveller.

I was very impressed and couldn't believe that Mackey and Winter had gone to the effort to produce such a professional document. We flipped through the books, waiting for the meeting to begin and wondering what had changed. We were alone in the room and Larsen said, "Are we at the right fucking meeting?" Just then, Don Mackey and Terry Winter walked into the conference room followed by a short, younger man we didn't know. Before anyone could say anything, he pushed his way over to Larsen and held out his hand "Hi, Bill Travis."

Larsen shook Travis's hand and introduced himself but I could see that Larsen had his "Who the fuck are you?" look. After all, none of us had ever heard of him and he didn't seem to be too much older than me. Don Mackey cleared up the mystery by belatedly telling Larsen "I'd like you to meet Bill Travis. He just joined us and is our new Vice President of Corporate Development."

Larsen said, "Hi I'm Pete Larsen with Larkin & Shaw and this is Jack Finley and George Jeffers."

Travis again introduced himself and shook hands vigorously.

There was an uncomfortable silence as it became clear that Mackey wasn't sure who was running the meeting. He finally said, "Bill, why don't you tell Pete and his team a little bit about yourself and your role in this project."

But we had already figured it out. Travis was in charge. In all previous special projects, Mackey had been the contact person. He would initiate contact with Larsen and in his way, manage the project. But not this time.

Travis leaned forward and started talking quickly and with a New York accent. "I'm sorry that Charlie's not here. He was going to kick this off."

Charlie was Charles Riesman, the president of the company. He was in his early sixties and ostensibly ran the day-to-day operations of the company. As a practical matter, he spent most of his time dealing with the Japanese owners of the company. Suteba was a small part of their empire but they were very hands on managers and visited at least once a quarter. Normally, Riesman wouldn't have been involved with the details of a due diligence project. He generally delegated that

sort of thing to Mackey. Larsen glanced at me. There had definitely been a change in internal Suteba politics and Larsen hadn't been in the loop.

Travis continued, "Anyway, I just came on board from Benson & Marley, the Wall Street brokerage house. I reported to the chief economist there. I joined Benson right out of Harvard Business School and I've always wanted to get into real world operations. Saito-san and the board in Tokyo have been debating what to do with the company and Suteba's whole North American strategy. They think we're poised to take off if we get aggressive and do some savvy acquisitions and organize our growth strategy a little better. Actually, more like get a growth strategy. I studied in Japan before graduate school and I'm fluent in Japanese, so the board saw a good fit. We're going to be huge, gentlemen. I see no limits to what this company can do. It's 1977 and Japan is a sleeping giant. With their management and manufacturing techniques and our distribution and marketing, we are going to be a powerhouse. The first phase of our strategy is to drive into Latin America. They've got exactly the labor pool we need and it's so close. We're going to sweep up anything we can find but will probably have to build most of what we want down there.

"I've had these booklets prepared. They only scratch the surface but I didn't have a lot of time. Now here's the plan. Don and Terry and I are going in Sunday night. We're going to spend a couple days figuring out if what they've been telling us is true. We'd like you guys to come down on Thursday and Friday to look at the systems and the numbers and tell us what we've got. Terry will give you all the details on location and meeting times. I'll get out of your way and let you guys talk about anything you need to talk about. But one thing before we get started." He held up a booklet. "I want you to notice this. No place does it say 'Mexico.' No place does it say 'Latin America.' Every place it says 'Strictly Confidential.' Do I make myself plain gentlemen?" He accented 'gentlemen' on the last syllable and I could see Larsen wince. "This company is going to win! Nothing is going to stand in the way! No one can know what we are going to do until we've done it. Do you understand the concept of confidentiality?"

I was surprised and a little irritated. One of the things that had impressed me from the very beginning was the absolute trust that clients seemed to put in L&S. The only way an audit relationship would work was if the client and the auditor were completely honest with each other. L&S and the other firms realized that if clients began to doubt the firms' discretion, they would not be as willing to provide all the important details about the business that the auditors would need. It had important business ramifications. A large firm such as L&S might audit the top companies in a single industry such as retail, banking or airlines. The clients were attracted to firms who audited several companies in their industry because that would mean the firm would have industry expertise. On the other hand the firm would also have access to information the client would not want its competitors to see. The firms had usually managed to convince clients that their standards of privacy and confidentiality were such that there was no risk. And as a practical matter, there was no risk. From the very beginning, all employees were coached on the importance of client confidentiality. If word got out that a firm was sharing confidential client data with competitors, its reputation would be ruined and the firm would be out of business.

So we were bothered by Travis's aggressive attitude and what bothered me most was that he was lecturing us out of ignorance. He obviously had never dealt with a Big Eight firm before. He didn't know what he was talking about, but he also clearly had the ability to invoke the company president by first name and as a result, no one was going to tell him he didn't know what he was talking about.

Larsen quickly responded, "Yes, we have very strict policies in that area."

Travis responded, "Your policies mean nothing to me. My policy is strict secrecy. Do you understand?"

Don Mackey came to the rescue, "Bill, trust me, you don't have to worry about them, they're on our side."

"Well, I just want everyone to know how importance secrecy is. I'll see you on Thursday. Oh, and could you both provide me with resumes so I can determine that you have enough experience to work on this sort of project? Just get them to Don before the end of the day. Thanks."

## Chapter 14

Travis rushed out of the room and I could tell that Larsen was doing everything he could to control himself. Everything Travis had said and done had broken a rule in Larsen's code of behavior. First, he had insulted Don Mackey by completely undermining him. Second, he had insulted L&S, and Larsen himself by assuming that he knew more about everything than anyone else. Where did he get off lecturing us about confidentiality? And how dare the little shit, who probably had never been on a due diligence project, ask for his credentials. Shit, he wasn't even qualified to evaluate them. As he usually did when trying to control his anger, Larsen asked what seemed like an irrelevant question.

"Uh. Why 'Project Roo'?"

"Maybe its to make the competition think we're talking about Australia," volunteered Terry Winter.

"Naw," said Mackay, "He says that every project from now on has to have a 'contextual code name,' as he calls it. Apparently the state in Mexico where one of the companies has a factory is named Quintana Roo. So that's how you get Project Roo. He's been here less than a week and already we have Project Roo, Project Panda, one guess where that one is, and Project Sam. Sam stands for Uncle Sam. He thinks we're paying too much taxes."

"Too much taxes," howled Larsen. "How the hell does he know that? How the hell can he say that?"

Mackey shrugged, "I don't know, I haven't gone through the financial statements with him."

"Then where is this coming from? How can the VP of Corporate Development be an expert in taxes? How can he have any idea of what's going on if he hasn't talked to the CFO? Does he have fucking ESP or something? What the hell is this guy doing here anyway?"

"I don't know. I wasn't involved in the decision. Riesman just came in and introduced him on Monday. I have the impression that the Japs have been putting a lot of pressure on Riesman. They either want immediate cash flow or the promise of

major growth. Our cash has slowed down with all of these acquisitions and someone is hepped up about growth. Riesman seems to think this guy with his Japanese experience will help the process. But what's more like it is that Travis just says all the things Riesman wants to hear. I have no idea on how he is going to follow through on all his big talk."

"What's this Project Sam all about, what's he looking at? We've been doing all the tax work and returns since day one. Does he want to talk to our tax guys?"

"I don't know. We had a meeting and all he kept saying was that when he was on Wall Street he could tell when a company was paying too much tax and he thinks we're paying too much tax. I'm getting too close to retirement to fight it. I just hope Riesman gives him enough rope to hang himself."

"Don, let me know what you hear about this whole thing. I really want to be in on anything he comes up with and I don't think he can understand everything unless we walk him through it."

"Fine, Pete, let's get through this Mexico thing and then we can deal with that."

They spent the next two hours reviewing the Project Roo booklets and discussing their strategy. Mackey gave them their airline tickets and hotel details and they agreed to meet for dinner in the hotel in Mexico City the following Wednesday night. Larsen suggested that we stop for lunch on the way back to the office.

I wasn't looking forward to lunch with Larsen. At Suteba, he had been seething and when the tax thing came up I thought he was just about to explode. I knew him well enough to know that he wouldn't have cooled down on the drive to the restaurant. When I got there Jeffers and Larsen had already taken a table. The minute he sat down, Larsen started.

"Guys, today you saw the beginnings of a disaster. We should just resign this fucking account right now."

"Why?"

“We’re totally fucked. You see, we’ve got Mackey and Winter trained. They would hang from the ceiling and piss purple if I told them to. That’s a good thing,” he made imaginary quotes in the air, “because it helps me get my way, whether we’re talking billing or accounting or business strategy. That’s what I like about these small businesses. I act like a trusted advisor. But now we’ve got this little shit to deal with. He’s the absolute worst kind. I know the type. Oh yeah. He doesn’t know shit but he feels like he’s got a mandate from God. And in a way he does. If anything gets fucked up he can blame everyone who was around before he got there. Plus you know Riesman, he’s scared shitless of the Japs. All that little prick has to do is convince Riesman that if he doesn’t let him call the shots he’ll run to Tokyo and Riesman will just bend over and Travis will be running the company. And when that happens, look out. The fact that we’ve worked with this company since inception and have seen it through good and bad times won’t mean shit. He’ll call up his frat brother at William Hood or his handball partner at Downing & French and we’ll be out of there. The first thing he’ll do to make himself look good is play hardball with us on fees. You watch. And that’s why I’m so worried about this Project Sam bullshit. You know we’ve given them some of the best tax planning advice available. There is nothing more they can do to reduce their tax bite. We lose no matter what. If he finds something, he’s a hero and we’re bums. If he doesn’t find anything, he’ll say we missed opportunities that are now lost and if he had only been there he’d have saved the day. Fuck me.”

I thought he was overreacting and tried to calm him down. “Maybe we can win him over some how.”

It didn’t work. “Fuck that, Jack, you can’t win him over. I’ve seen the type before. He has no loyalty to us, no loyalty to Suteba or the Japs. His first and only loyalty is to himself. His attitude is that it’s not enough if he is successful. He wants to see others fail to make himself look even better. Jack, I’m telling you. The business schools are churning out little clones like him and it scares the hell out of me. They don’t believe in teamwork. Only themselves. You know what I’m gonna do, Jack? I’m gonna sit down with that little bastard and convince him to go public

next week. That will feed his ego so much he'll jump at the idea and it will get me off the job so I don't have to deal with the little bastard."

So that was my first exposure to Mr. Bill Travis. If I'd known then what I know now, I should have run like hell.