

Recession and fraud issues turn up the heat on accounting

BY PAUL BRINKMANN

It's easy for accountants to feel like they have targets on their backs these days.

They're showing up for depositions in Ponzi schemes and facing questions for the IRS about offshore tax compliance, among other things.

The recession and frequent news of financial fraud have accounting firms on high alert for book-cooking and failing companies. Whether they suspect fraud or just an inability to pay fees, more accountants are getting choosy about whom they accept as a client.

"At the end of the day, I'd rather lose the client than get sued," said Tony Argiz, managing partner at Miami-based Morrison Brown Argiz & Farra. "The lawsuit would be a lot more costly."



Argiz

MBAF, among the largest South Florida-based accounting firms, has the most forensic accountants among local firms. Argiz said the firm is still committed to working with existing clients who are struggling in the economy, but the firm is generally more cautious.

"The whole issued of going concern is looked at with a fine-toothed comb," he said. "It always was, but you're on high alert right now."

The signs of fraud are not always easy to spot, even for an accountant, said Emery Sheer, managing partner at Berenfeld Spritzer Schechter & Sheer in Miami.

BSS&S has been on the hot seat in the



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'No one wants to be on the wrong side of a recognition problem anymore, or an accounting problem,' Daszkal Bolton partner Tim Devlin says.

lack & Brant in Miami, recently received further certification from the Association of Certified Anti-Money Laundering Specialists (ACAMS).

Tim Devlin, partner at Daszkal Bolton in Boca Raton, said there was a time when smaller accounting firms tried to put their clients' finances in the best light possible.

"But we don't see that anymore," he said. "No one wants to be on the wrong side of a recognition problem anymore, or an accounting problem."

He said the Enron scandal and the Sarbanes-Oxley Act of 2002 turned up the heat on public companies, while the Great Recession of 2007 and 2008, along with the Bernard Madoff scandal and other Ponzi schemes, turned up the heat in the private sector.

"Sins were hidden when times were good," Devlin said. "But people seem to be getting back more to character. We want to know our client better these days."

It's not all gloomy in accounting, however. Bay Street Group LLC, a consulting and research group for the industry, recently published a report that says some accounting firms are poised to take advantage of turmoil.

"Leading-edge accounting firms are already taking advantage of the changing economic and regulatory terrain to gain a competitive edge," principal Rick Telberg said. "They are seizing opportunities in crisis, capitalizing on new regulatory schemes, planning for new tax regimes, sweeping up talented people and making the best of new technologies."

Ponzi scheme of disgraced former attorney Scott Rothstein. Investor victims of the scheme have sued the firm, alleging that it knew or should have known about the scheme, because it did tax accounting for Rothstein and his former firm, Rothstein Rosenfeldt Adler.

But, Sheer said the firm dropped RRA as a client when Rothstein failed to provide satisfactory information about the 2008 tax year. BSS&S provided a letter to one of RRA's bankers, saying \$15 million in deposits "are recorded as revenue on the books of the law firm." In the letter, firm partner Tracy Weintraub noted that the information came from a discussion with Rothstein, and "was not audited by our firm."

Since news of the Ponzi scheme broke, Sheer and others at the firm have answered constant questions about why they didn't

suspect trouble.

"I'm offended by it, and so are my partners," Sheer said. "With our tax clients, we're not representing to the IRS that this tax return is true and correct. The client does that. We just make sure it's entered on the right line."

But, Sheer said, he looks at clients differently now.

"I say to myself now: 'What are they really up to?'" he said. "And I tell myself [that] if there is something wrong, we can walk away."

More professionals are training specifically to detect fraud, through the San Antonio-based Association of Certified Fraud Examiners.

Richard Pollack, of Berkowitz Dick Pol-



Sheer



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