Tuesday January 22, 2002

Weekly Electricity Status Report

1. Northwest Power Pool Status (WA, OR, ID, MT, WY, UT, No. NV, BC, AB)

- Power Pool peak load (Friday, 1/19): MW 49,137
- Reserve margins were within comfortable ranges for Northwest Power Pool utilities.

2. Mid-Columbia Trading Hub Electricity Prices

- Weekly Range at Mid-C: $18.5-23 per MWh
- "Normal" price range, before 5/00 $20-$40 per MWh

3. California Electricity Situation

- CA ISO Alert Status
  - There were no warning notices this week.
  - Most recent rotating blackouts: Tuesday, May 8

- News Headlines from California
  - Memo warned of Enron's setup being seen as a hoax (LA Times, 1/16)
  - Andersen knew of Enron risks last February. (LA Times, 1/18)
  - Andersen fires executive who oversaw Enron audit. (LA Times, 1/18)

- Status of Emergency Orders
  - Federal court has ruled that generators can't be forced to sell emergency power to the state in suit brought by Reliant. (Updated April 9)

4. River and Snowpack Information (updated 12/26 & 1/14)

- Observed November stream flows: 90.8% of average at The Dalles
- Snowpack: Forecast 102% of normal (Natl. River Forecast Center)

5. Energy Conservation Achievement (updated 1/14/2002)

- **Major electric utilities:** 3-12% below normal; Tacoma 12% total savings since Jan 1. (Updated June 5)
- **State Agencies:** From January 2001 – November 2001 the monthly average savings has been -10.4% for electricity and –15.5% for natural gas. (Updated January 14, 2002)

6. Fish/Reservoir Impacts (updated 12/10)

- Operations to protect Columbia River chum salmon spawning below Bonneville Dam began on Nov. 20. The target for chum flows below Bonneville Dam is a tailwater elevation of 11.0 feet, which takes tidal and tributary influences into account.

7. Power Exchanged with California (updated 1/14/2002)

- Week of Dec 6-12
  - Power sent to CA ISO: 333 MWh
  - Power returned from CA ISO: 500 MWh
  - Amount CA ISO owes BPA: 0 MWh

CA ISO has now returned all power owed to BPA as a result of exchanges entered into during the winter and spring of 2001. No further exchanges are anticipated at this time.

Tuesday January 22, 2002

Memo Warned of Enron's Setup Being Seen as 'Hoax'

■Probe: Full text suggests that a senior executive was not telling Kenneth Lay anything new. She ridicules accounting procedures and forecasts the company's collapse.

By MICHAEL A. HILTZIK and DAVID STREITFELD, Times Staff Writers

HOUSTON -- A detailed road map of Enron Corp.'s aggressive accounting maneuvers and an uncannily accurate prediction of the company's collapse were laid before Enron Chairman Kenneth L. Lay in August in a lengthy memo that became public Tuesday.

Excerpts of the memo had been released by congressional investigators Monday, but the full extent of the warnings became known only Tuesday with the release of the entire text.

The author of the memo, Sherron Watkins, 42, expressed concern that the company's vaunted business success would eventually become considered "nothing but an elaborate accounting hoax." Watkins, a vice president of corporate development at Enron, worked directly under the architect of Enron's complex and highly questionable financial dealings.

Watkins focused particularly on what were known as the "Raptor" transactions, in which Enron transferred several marginal investments to a putatively independent partnership. The partnership had gone virtually bankrupt by last summer, but Enron still was not disclosing the loss to shareholders, Watkins said.

The full text suggests that Watkins did not believe she was telling Lay much that he did not already know--and that many of the company's financial transactions were mere accounting shams.

She attempted to persuade Lay either to reverse the offending transactions promptly or to disclose them fully to shareholders and "develop damage containment plans." Lay did neither.

"Her motivation is not vindication or being proven right or bringing down the company," her husband, Richard, said Tuesday from the family home in Houston. "She's a team player."

Watkins went to work at Enron Tuesday morning as news of her memo was splashed across the front pages.

"It's a normal day," said her lawyer, Philip Hilder, although he acknowledged that "it's very difficult for anybody to go to work under these circumstances."

Watkins has suffered no retaliation from anyone at the company, the lawyer said, although a source close to her said Watkins has been made to feel "an outcast."

Sherron Watkins, the daughter of two secondary school educators, grew up in the distant Houston suburb of Tomball and graduated from the University of Texas.
Tuesday morning, television news trucks jammed the street in front of the Watkins home. Later that day, Richard Watkins praised his wife for doing "something quite courageous. She has the strength of her convictions. But she's very vulnerable."

A neighbor said the hint of moral indignation in Watkins' memo to Lay was genuine.

"Clearly she thought it was her moral and professional duty to do what she did," said Carrie Wood, who also was Watkins' sorority sister at UT. "Sherron was drawn to the dynamic intellectual challenge of being an Enron vice president. I don't think she was drawn to the materialistic greed that sprang out of it."

Word of Enron's accounting irregularities leaked out slowly during the fall, depressing the company's already-dropping stock price. Its businesses destroyed and its reputation in tatters, Enron finally filed for Chapter 11 bankruptcy protection Dec. 2.

Watkins wrote her memo on the heels of the surprise resignation Aug. 14 of Enron Chief Executive Jeffrey K. Skilling. The corporate announcement of Skilling's departure ascribed it to "personal reasons."

But to Watkins and others inside the company, the move hinted at his deep unease at the accounting irregularities and presaged a difficult period of public scrutiny.

"I think he . . . looked down the road and knew this stuff was unfixable, and would rather abandon ship now than resign in shame in 2 years," she wrote to Lay. Moreover, she warned, "the probability of discovery significantly increased with Skillings's shocking departure. Too many people are looking for a smoking gun."

Many of Enron's financial maneuvers would not bear that scrutiny, she said, even though they had been formally approved byEnron's outside auditor, Andersen, formerly known as Arthur Andersen.

'We're Such a Crooked Company'

This particularly applied to deals Enron had made with LJM, a partnership that had been set up to trade with Enron and was managed by Enron Chief Financial Officer Andrew S. Fastow. The goal was to move debt and other liabilities off Enron's books, where they would have a negative effect on the company's financial picture, and park them with a putatively independent company. As long as these liabilities remained secret, Enron's reputation, and its stock price, remained buoyant.

The LJM deals inspired deep unease within Enron, Watkins related, quoting one colleague remarking: "I know it would be devastating to all of us but I wish we would get caught. We're such a crooked company."

Lay responded to Watkins' letter by meeting with her personally and persuading the Enron board to commission an internal review by Vinson & Elkins, one of Enron's Houston law firms.

Robert S. Bennett, Enron's Washington attorney, defended the company's response. The nine-page review of Watkins' concerns by Vinson & Elkins issued Oct. 15 shows "the good faith of Ken Lay and the company. . . . It shows that they meaningfully looked into this."

Bennett said the law firm interviewed Watkins but that it put "a lot of faith in Arthur Andersen."

Watkins, however, had specifically warned Lay against allowing Vinson & Elkins to conduct the investigation.

"Can't use V&E due to conflict," she wrote in her memo. "They provided some true sale opinions on some of the deals."

In other words, she argued that the firm would be ruling on the propriety of legal opinions it had itself issued.

Moreover, the law firm said in its report, written by Vinson partner Max Hendrick III and addressed to Enron General Counsel James V. Derrick Jr., that it was specifically instructed by Enron not to "second guess . . . the accounting advice and treatment" provided by Andersen. The report stated that Enron and Andersen representatives acknowledged that the accounting treatment of the suspect transactions "is creative and aggressive," but it did not conclude that it was "inappropriate from a technical standpoint."

Vinson & Elkins spokesman Joe Householder declined to discuss whether it was a conflict of interest for the firm to investigate Watkins' allegations.

"We are not in a position to talk about our engagements with Enron or any other client," he said.

As it happens, the firm overruled almost all of Watkins' substantive objections to the LJM transactions, although it did acknowledge some "awkwardness" arising from LJM's executives serving as Enron officers.

"Transactions were negotiated between Enron employees acting [for] Enron and other Enron employees acting for LJM," the law firm's report stated.

It also noted that within Enron there was widespread suspicion that the Enron employees representing LJM were enjoying special perquisites, including higher compensation. But it said the awkwardness would be eliminated in the future because LJM executives were leaving the Enron payroll and relocating their offices from its headquarters building.

Focus on the 'Raptor' Deals

The report did, however, provide indirect evidence of Enron's custom of minimizing the public disclosure of the nature of its financial maneuvers. Among other things, the company gave its outside lawyers little opportunity to examine closely the financial reports and other documents it was releasing for public consumption.

"Enron's practice is to provide its financial statements and disclosure materials to V&E with a relatively short time frame within which to respond with comments," the report stated.

In her memo, Watkins focused most heavily on several transactions between Enron and LJM known as the Raptor deals. The term referred to a special business entity that Enron had established to hold several investments that were expensive and of possibly marginal value,

including ownership in a broadband communications company called Rhythms NetConnections and other technology and energy companies.

To cover the LJM-Raptor acquisition of the investments, Enron pledged shares of its own stock and that of some of its subsidiaries. But it also engaged in a series of complicated derivatives deals aimed at hedging the possibility that the value of Rhythms and the other assets would fall.

In 2000, Watkins noted, Enron went as far as to record more than $500 million in revenue from those derivatives deals. That, she said, presented numerous problems.

For one thing, Enron had not received the $500 million from LJM. Rather, the payment was conditioned on the value of the underlying investments remaining high; if the investments deteriorated, there was an increasing chance that Enron would never receive the money.

Further, it was likely that a truly independent company would not have paid anywhere near $500 million for the investments at issue--meaning that the deal was not legitimately an arm's-length sale.

Vinson & Elkins acknowledged this, noting in its report that LJM "permitted Enron to close transactions that otherwise could not have been accomplished."

In fact, as the value of the investments dropped, Enron was obligated to make up the difference by paying LJM more of its own stock.

Throughout 2001 the underlying investments did fall in value--and so did the value of Enron stock. That meant the company had to contribute vastly more shares to LJM than it ever anticipated. That was a contingency that was never fully disclosed to the public or Enron's shareholders, who stood to lose value in their own shares as more were pledged to LJM.

"It sure looks to the layman on the street that we are hiding losses in a related company and will compensate that company with Enron stock in the future," Watkins wrote.

Not until Nov. 8 did Enron fully disclose the nature of the Raptor deals--as part of its public announcement that the improper accounting of those transactions and others resulted in its overstating its earnings by $586 million over a nearly five-year period.

The announcement all but destroyed any chance that the company would be able to survive in its existing form.

Addiction to Accounting Tricks

Enron critic Mark Roberts, president of Off Wall Street Consulting Group, a Cambridge, Mass.-based stock research firm, said the Watkins memo adds to the evidence of Enron's addiction to illegitimate accounting tricks.

The Raptor deals were derivative transactions "with recourse," meaning deals in which the counter-party would be compensated for any losses, he noted in an interview.

"If the buyer doesn't have risk, the risk stays with Enron and has to be reflected on their balance sheet," said Roberts, whose firm sold Enron shares "short," a bet that they would fall, as early as last May.

Andersen Knew of Enron Risks Last February

■Probe: E-mail memo indicates executives in Chicago were aware of questionable issues. Also, the energy trader's board fires the auditor

By RICHARD SIMON and JERRY HIRSCH, Times Staff Writers

WASHINGTON -- Top executives at the Chicago headquarters of accounting firm Andersen discussed Enron's financial problems in February, but two months later its auditors gave the energy giant's books a clean bill of health, documents show.

The Feb. 5 meeting represents the earliest known date that senior Andersen officers--including its head of U.S. operations--knew about such issues as Enron's aggressive deal making, internal conflicts of interest and huge compensation packages for its senior management.

The meeting, held by telephone between Chicago and the Houston branch office that handled the Enron account, was detailed in an e-mail the next day. Andersen has contended that it was unaware of serious problems until August.

The e-mail memo reported that Andersen considered dropping Enron as a client, though it noted that the accounting firm could earn fees from Enron reaching $100 million a year.

"Ultimately, the conclusion was reached to retain Enron as a client [because] it appeared that we had the appropriate people and processes in place to serve Enron and manage our engagement risks," the e-mail read.

Andersen auditors in April signed off on Enron's financial statement for fiscal years 2000 and 1999, saying it "fairly represented" the company's condition.

It wasn't until Oct. 16 that Enron reported serious financial losses, although Andersen had the ability to rescind its approval of the company's financial statements at any time.

The new disclosures came as Enron's board fired Andersen as its auditor and Congress pushed ahead with its probe of the Houston-based company's collapse.

After obtaining the e-mail, congressional investigators on Thursday sent a letter to Andersen's chief executive, Joseph F. Berardino, seeking more information about the senior-level meeting.

The e-mail from Andersen executive Michael E. Jones to partner David B. Duncan related to a meeting the day before in which Andersen executives discussed some of the Enron accounting methods that have become the subject of criminal and congressional probes.

The e-mail raised concerns about conflicts of interest from a partnership managed by Enron's then-

chief financial officer, Andrew S. Fastow, which investigators say was used to hide the energy company's debts. The meeting is significant because until its disclosure, attention has focused on Andersen's Houston office, where Duncan--chief auditor on the Enron account--was fired and seven others disciplined Tuesday because of the destruction of Enron-related records.

An Andersen spokesman, Patrick Dorton, said Thursday that "nothing in the meeting or the memo indicated that any illegal actions or improper accounting was suspected." He said it was not until Enron Vice President Sherron S. Watkins alerted auditors in August that the accounting firm "became aware that individuals within Enron believed that there may have been accounting improprieties."

But Ken Johnson, a spokesman for the House Energy and Commerce Committee, one of several congressional panels investigating Enron's collapse, said: "From our perspective, the memo made it clear that some Andersen officials were clearly aware of the risks of having Enron as a client but decided in the end the company was too much of a cash cow to cut loose."

The e-mail also said that during the conference call, executives discussed how Enron "often is creating industries and markets and transactions for which there are no specific rules." The memo said Fastow faced potential conflicts from his role both as an officer of the energy trader and a paid manager of the LJM partnership that was doing business with the company.

The question was left unanswered as to whether the Securities and Exchange Commission would view Fastow and LJM as an affiliate of Enron, which would have obligated Andersen to wrap the financial results of LJM into the figures for the larger company.

Once disclosed, the debt and losses at LJM and other partnerships led to a rapid decline in Enron's credit rating, pushing the company to file for bankruptcy protection Dec. 2.

A spokesman for Fastow declined to comment on the House investigation but added that Enron's former chief financial officer did not hide his involvement with off-balance-sheet partnerships.

"The Enron board of directors had full knowledge and understanding of Mr. Fastow's potential conflicts and gave its full approval," said his spokesman, Gordon Andrew. "Business law does not say that conflicts of interest per se are illegal in any regard as long as they are disclosed and approved."

When Enron issued its annual report in April, Andersen asserted that in its opinion the financial statements "present fairly . . . the financial position of Enron Corp. and subsidiaries as of Dec. 31, 2000, and 1999 . . . in conformity with accounting principles generally accepted in the United States."

The e-mail was raised by congressional investigators during a private meeting with fired auditor Duncan this week. Duncan, one of 14 Andersen employees on the Feb. 5 conference call, was fired for allegedly ordering the destruction of documents. He has denied any wrongdoing.

Andersen spokeswoman Anne Groves said the e-mail summary of the teleconference confirmed

that senior management had discussed various issues surrounding the Enron audit. The people at "this meeting represented every aspect of our work at the company at a senior level," she said. "They were the right people to make the decisions that were made."

One of the meeting's participants was Steve Samek, who at the time was the firm's managing partner for its U.S. operations. Another was Robert Kutsenda, who was censured by the SEC in June and barred from working on the audit of a publicly traded company for a year because of his involvement in Andersen's audit of Waste Management Inc.

Andersen paid a $7-million fine in that audit to settle fraud charges--the largest civil penalty against a Big Five accounting firm.

Although he was not one of the lead partners in the audit, Kutsenda, Andersen's central-region audit practice director, consulted on Waste Management and engaged "in highly unreasonable conduct that resulted in a violation of applicable professional standards," according to SEC records.

Kutsenda has since retired from the firm, Groves said, and Samek is a partner in a different position.

In a statement, Andersen said the meeting described in the e-mail was routine, of a sort typically done to assess the firm's work on all large engagements. It defended the memo's use of such terms as "intelligent gambling," saying that was a reference to the "mark-to-market" method of accounting, which "is based on sophisticated models using assumptions about events likely to occur in the future."

Attendance of a large number of partners, including senior staff, is typical at these meetings, according to Andersen.

"Client acceptance is a continuous process. Before we sign off on an audit, or decide to continue as the auditor for a company, we consider all major events to confirm or modify our conclusions about our audit opinion and our decision to continue as the company's auditor," the firm's statement said.

"The identification of a particular issue during one of these meetings does not indicate that the firm has reached any conclusions about the appropriateness of an accounting treatment or judgment. It simply indicates that such issues need to be addressed in the audit, if the firm continues the relationship."

As for its firing by Enron, Andersen said: "As a matter of fact, our relationship with Enron ended when the company's business failed and it went into bankruptcy."

Enron CEO Kenneth L. Lay said Thursday in a statement that although the company has been conducting its own investigation and had been "willing to give Andersen the benefit of the doubt . . . we can't afford to wait any longer in light of recent events, including the reported destruction of documents by Andersen personnel and the disciplinary actions taken against several of Andersen's

partners working in its Houston office."

Congressional investigators, meanwhile, also made available an Aug. 21 internal Andersen memo detailing a call from Watkins to an Andersen employee raising concerns about accounting methods that "did not tell the 'whole story.' " She raised similar concerns to Lay the same month.

Rep. W.J. "Billy" Tauzin (R-La.), chairman of the House Commerce and Energy Committee, said his panel's investigation is in its early stages. But he said the fallout from the Enron debacle could fill his committee's agenda for much of this year and that an overhaul of the nation's accounting standards is almost certainly in order.

Tauzin suggested in an interview that it may be time to consider prohibiting accounting firms to perform audit and business consulting work for the same client. Critics have long complained of the inherent conflicts in such lucrative arrangements, but Congress has resisted such changes.

"We may all need to reconsider our position on that," Tauzin said.

Tauzin expects his committee to hold hearings this month on the document destruction conducted by Andersen's Houston office after it learned of the SEC probe.

At the White House, spokesman Ari Fleischer spent a second day on the defensive, declaring that the administration had not tailored its energy proposal to benefit Enron. He called a report by Rep. Henry A. Waxman (D-Los Angeles) that contends that the administration's proposal benefits Enron "a partisan waste of taxpayer money."

The White House finds itself in a bind--to some extent one of its own making. After first disclosing Enron's efforts to reach out to two Cabinet members--Treasury Secretary Paul O'Neill and Commerce Secretary Don Evans--it has adopted a defensive posture. Officials have declined to say to what extent they are trying to determine what contacts Enron and its representatives had with the administration and what steps, if any, administration officials took as a result.

The refusal to make such disclosures has become entangled with the long-running refusal to turn over to congressional investigators requested information about the workings of Vice President Dick Cheney's energy task force.

Fleischer said Thursday that in refusing to hand over documents about the task force, the White House was honoring "a very important principle," holding that it is "the right of the people in our country to petition their government, to talk to their government. . . ..

"The suggestion that any contact with the government is somehow sinister and, therefore, it should be examined . . . is a principle that has big implications beyond what we're talking about today," he said.

Andersen Fires Executive Who Oversaw Enron Audit

■Accounting: Firm puts three partners on leave and relieves four others of management duties.
By JERRY HIRSCH, Times Staff Writer

The Andersen accounting firm said Tuesday that it fired the executive in charge of auditing Enron Corp., saying partner David B. Duncan organized an effort to destroy thousands of documents after learning of an inquiry by the Securities and Exchange Commission.

Andersen also placed three other partners responsible for the Enron engagement on administrative leave and took away management responsibilities from the four partners who ran the Houston office where the Andersen audit was conducted.

"Based on our actions today, it should be perfectly clear that Andersen will not tolerate unethical behavior, gross errors in judgment or willful violation of our policies," Joseph F. Berardino, Andersen's managing partner and chief executive, said in a statement.

Sullivan & Cromwell, the New York law firm representing Duncan, issued a statement saying he did nothing wrong and is cooperating with investigators. A spokesman said Duncan was following the instructions of an Andersen attorney.

Duncan did not return a phone call to his home.

An Andersen official said the firm learned in the first week of January that documents had been destroyed. Its assertion that Duncan systematically destroyed documents after learning that the SEC was looking into the Enron audit is yet another devastating blow to Andersen, said Lynn Turner, the SEC's former chief accountant.

"It is about as close to an admission of guilt that you can get without actually saying it," Turner said.

Typically, accounting firms facing probes and litigation place the partner who headed the problem audit "on ice" while the matter sorts out, according to accounting experts. They don't allow the individual to do more audits, but they don't fire the person, because they want the partner to testify on the firm's behalf.

"It is almost unheard of for a partner to get fired during one of these investigations, and so early in it," said Turner, who heads the Center for Quality Financial Reporting at Colorado State University.

Andersen collected $25 million for the Enron audit, one of the largest audit fees in corporate America. Microsoft, by comparison, paid less than $5 million in audit fees last year.

Turner predicted the firing would help congressional investigators, who plan to meet with Duncan in Washington today. "Frankly, now that he's been fired, he may have a little more motivation to cooperate with us," said Ken Johnson, a spokesman for the House Energy and Commerce Committee.

Investigators are reviewing six boxes of Duncan's personal files, which they hope to use to reconstruct some of the destroyed records. Johnson said that Duncan may have "crucial information" relevant to the probe--"and apparently he's prepared to share it with us."

Each successive revelation about how it handled the Enron audit--starting last year when Andersen reissued the energy company's financial reports, slicing nearly $600 million off its profit statements over a four-year period--has been increasingly damaging for the firm, said Howard Schilit of the Center for Financial Research and Analysis in Rockville, Md.

The firm's integrity has been challenged, employee recruiting and retention efforts have been damaged and Andersen faces the prospect of huge financial penalties and judgments stemming from numerous federal probes and Enron shareholder lawsuits.

Duncan, 42, is a former treasurer of the Alpha Tau Omega fraternity at Texas A&M who serves on the advisory board of the business school's accounting department.

Duncan also is a member of the politically powerful board of the American Council for Capital Formation, a Washington-based organization that lobbies for business-friendly tax and environmental policies.

Also on the board are Enron Chairman Kenneth L. Lay and an array of Washington blue-chippers from both parties, including former Secretary of State George P. Shultz, former Treasury Secretary Lloyd Bentsen, former House Ways and Means Committee Chairman Bill Archer and former ambassador and Democratic Party chief Robert S. Strauss.

Andersen claimed that an internal investigation found that Duncan organized an "expedited effort to destroy documents" in the Houston office and called a meeting with staff members Oct. 23 to get the task started.

What is especially damaging, according to accounting experts, is that Andersen asserts Duncan started shredding papers and deleting electronic files after learning that Enron had received a request for information from the SEC about its financial accounting and reporting. Such an action could be grounds for obstruction of justice charges.

"This effort was undertaken without any consultation with others in the firm and at a time when the engagement team should have had serious questions about their actions," Andersen said in its statement.

"The activity appears to have ended shortly after the lead partner's assistant sent an e-mail to other secretaries on Nov. 9--the day after Andersen received a subpoena from the SEC--telling them to 'stop the shredding,' " Andersen said.

Andersen rejected the claims of Duncan's attorney that he was following orders. The firm said an Oct. 12 e-mail to the Houston office from Nancy Temble, an in-house attorney, was a routine reminder for the Enron team to follow the firm's documentation and retention policy and did not

authorize the destruction of documents.

The e-mail to Andersen partner Michael C. Odom said: "Mike--It might be useful to consider reminding the engagement team of our documentation and retention policy. It will be helpful to make sure that we have complied with the policy. Let me know if you have any questions."

Schilit said Andersen's actions and statements over the last several days represent the seeds of what might turn into the accounting firm's defense.

"Andersen may be in a damage-control mode where they stress that their internal policies were violated and that this guy is a scoundrel," Schilit said.

But others said Andersen is correct to sever ties with people it believed violated its policies and to disclose what happened.

"This is a sad situation all the way around, but Andersen is taking the right steps to restore its reputation and working through the details as you would expect," said Randolph Beatty, dean of USC's Leventhal School of Accounting.

Ira Solomon, head of the accounting department at the University of Illinois, noted that although Andersen has had a troubled audit, the firm is acting responsibly and that "You can't characterize Andersen as a corrupt organization."

The accounting firm said it has recovered some documents from electronic backup files and is working to retrieve more. Andersen also said it does not believe that any crucial "work papers" were destroyed. Such papers typically detail the rationale for accounting decisions made during an audit.

Andersen said its internal probe is continuing and that the individuals already named and other staff members could face additional sanction.

The partners who were put on leave were Thomas H. Bauer, Debra A. Cash and Roger D. Willard. The Houston-based partners being relieved of management responsibilities were D. Stephen Goddard Jr., Michael M. Lowther, Gary B. Goolsby and Odom.

A Duncan associate, Jerry Strawser, dean of the school of business at Texas A&M, said Duncan was well-regarded in Texas accounting circles, and he reserved judgment on Andersen's allegations.

"Any time our department of accounting wanted to do a project or needed ideas of how to structure courses or programs, he would be on the short list of who to call," Strawser said.

Duncan also was instrumental in recruiting students for Andersen and in using his Andersen contacts to raise funds for the school, Strawser said.

Times staff writers Thomas S. Mulligan in New York and Richard Simon in Washington and researcher Penny Love contributed to this report.