In the first indictment related to the Enron scandal, the auditing firm Arthur Andersen was charged with obstruction of justice Thursday for shredding documents that were being sought by government agents investigating the company last year.

“Arthur Andersen is charged with a crime that attacks the justice system itself by impeding investigators and regulators from getting at the truth,” Larry Thompson, deputy U.S. attorney general, said in Washington.

The indictment contends that, last fall, Arthur Andersen employees “were instructed by Andersen partners and others to destroy immediately documentation relating to Enron and told to work overtime if necessary to accomplish the destruction.”

The destruction involved “tons of paper,” the indictment says.

Although there have been cases of accountants getting indicted, experts said it was the first time an accounting firm faced criminal charges in the profession’s 110-year history. And the charges have been lodged against one of the industry’s most venerable firms. Arthur Andersen is 88 years old, handles the

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Enron’s auditor charged with obstruction

ANDERSEN, FROM 1A

Audits of more than 2,000 publicly traded companies and has revenues that surpass $10 billion annually.

“Holy mackerell!” said Laurie Holtz, a Miami accountant who’s considered the dean of an investigative form of auditing known as forensic accounting. That the government indicted the firm, but no employees, suggests the industry may be entering a new era of potential legal liabilities, he said. “This is the most unprecedented event in the history of the profession.”

A clearly furious Andersen blasted the government for what it called an abuse of power and vowed a court fight.

But while the potential penalties are relatively mild — a $500,000 fine and probation — experts in both accounting and law said the indictment may well be the death knell for the Chicago-based accounting firm, one of the largest in the world.

Andersen has suffered a number of high-profile client defections in recent weeks, including Delta Air Lines, Merck & Co., SunTrust Banks and FedEx.

In South Florida, Andersen’s roster of clients includes Autonation, Republic Services, Boca Resorts, ANC Rental, American Media and Wackenhut Corp. Andersen was dumped as the auditor of Sunbeam Corp. in 1998 after a massive financial scandal that ultimately led Sunbeam to seek bankruptcy protection.

LEAK PROSPECTS

“I can’t see one single corporate board, when it comes time to certify the auditors, saying, ‘Let’s vote to ratify Andersen,’” said Dana Forgione, director of the school of accounting at Florida International University.

Marc Cannon, spokesman for Autonation in Fort Lauderdale, said there were no current plans to change auditors. “We do continue to monitor the situation. But I have to tell you the AA team that works in our business is a solid group and we continue to feel confident in the partner and team that work on the Autonation business.”

Forgione said accounting firms primarily have three corporate assets: integrity, independence and expertise.

“They’re integrity’s in doubt, and their independence is in doubt,” he said. “I don’t think anyone has any doubt about their expertise, but that’s still two strikes against them.”

Arthur Andersen’s Houston office has provided some of the most salacious tales to come out of the Enron scandal.

It was at the center of the saga from the beginning, having been the auditor of Enron’s incredibly complex balance sheet, which was heavy on sophisticated financial instruments and reliant on mysterious offshore partnerships where accountants parked the company’s massive losses and debts for years.

Although Arthur Andersen was Enron’s independent auditor, critics have derided that claim, alleging it looked the other way on balance sheet abuses in order to keep a lucrative account. Andersen received more than $50 million a year from Enron, over half of which came not from auditing services but, rather, supplemental business lines such as consulting.

At the same time, analysts noted that the company wasn’t charged for inferior accounting work. Rather, the one-count indictment is tightly focused just on the obstruction of justice issue — the shredding of documents.

“What the government has done is very smart, and that is to stick with a simple theory of prosecution,” said Faith Gay, a partner in the Miami office of White & Case. “It’s a very simple concept: You got in the way of a federal investigation.”

SWEEPING ACTION

Gay, a former federal prosecutor, said the indictment is unusually sweeping — it names the entire firm, but no individuals — but said the Justice Department had justification for that strategy.

“Always, you worry as a prosecutor of putting innocent people out of work,” she said. “But they need a strong statement that the markets would have integrity.”

Andersen has never denied that documents were shredded at Enron’s headquarters last year. But it has contended that it was the work of rogue employees, not the corporate parent.

“The Department’s action ignores the fact that Andersen discovered these activities and brought them to the attention of the Department of Justice and has cooperated fully with the investigation,” Arthur Andersen said in its statement.

BUSY WEEK

The indictment came after a week of furious activity for Andersen. The company attempted to find a buyer or merger partner but was rebuffed because of the potentially huge liabilities it faces in the Enron collapse.

It also was unsuccessful in negotiations with the Justice Department on the criminal case.

The indictment was returned a week ago, but Andersen took a firm stance against a guilty plea.

The deadline for accepting the government’s offer expired Thursday morning, setting in motion the government’s announcement later in the day.

Herald staff writer Patrick Danner contributed to this report.