KPMG

We have defaulted to PCM's selection of the annual auditor and the "Letter of Intent" with KPMG. For many years now, this auditing company has performed the annual auditing service for us without question by the Boards.

Here is a little background on this company that we seldom hear about and most Board Members are unaware of, for various reasons including, "not wanting to know."

KPMG has tens of lawsuits by current and past clients. It is considered one of the big four accounting firms dominating the accountancy profession. Unfortunately, the problems are not unique to KPMG but are industry wide and size has no bearing on fiscal responsibility. The four major firms are KPMG, Price Waterhouse Coopers (PWC), Ernst & Young (E&Y), Delloitte & Touche (D&T). Britain's Financial Reporting Council's chief executive said, "it was conceivable that litigation linked to the banking crisis could force one of these companies out of business."

KPMG & PWC are embroiled in the Madoff scandal through the auditing of funds feeding into the collapsed U.S. fund manager. One senior manager has stated that, *"Banks that were too big to fail were audited by accountants that were too big to fail,"* and yet somewhere along the line, between the two of them the system failed.

Several months ago the Securities and Exchange Commission (SEC) forced General Electric, the world's biggest company, to restate two years' worth of accounts. GE paid out $50m to settle the case. One of GE's "issues" was the need to avoid a $200m hit to its profits caused by a hedging position that went wrong.

The SEC filing claimed that KPMG, GE's auditors, "rejected" accountancy measures to avoid the hit. But after several redrafts, KPMG approved the numbers and GE's hedges were reduced to manageable proportions. KPMG is silent when asked why it has so far seemingly escaped scrutiny.

One fund manager has dubbed the entire profession, ***"an army of Morlocks,"*** the fictional characters who spend their lives underground, away from the light.

When PCM and the Boards are made aware of these actions by KPMG, the response is, "That is another part of the company. The part of the company that we deal with doesn't get involved in such unscrupulous activities." We are also told by PCM that, "a company the size of LWV needs a company the size of KPMG to manage our audit."

Sounds like, "A company too big to fail (PCM) needs an accountant (KPMG) too big to fail."

One of the primary issues with auditors stems from the responsibility of the auditors toward their clients. Regulators anticipate in depth audits, whereas the auditors are prone to accept client needs for unusual accountancy variations.

KPMG is being sued for $1 billion in damages by the trustee of a collapsed US sub-prime lender, New Century Financial.

Would a review of our tax structure (501(c)4 Corporation) be justifiable? ***"Was it suggested by PCM and implemented by KPMG,"*** or, was it the other way around, ***"suggested by KPMG and implemented by PCM."*** Either way, it would behoove the Boards to ensure that this was legitimate in light of all of the KPMG lawsuits that are currently going through the court system.