

From the desk of Jeanne M. Kerkstra, Esq., CPA

**Viewpoint
The High Cost of Infidelity**

In headlines today are the severe allegations against KPMG in its role as independent auditor for New Century Financial which was a massive failure resulting in New Century's bankruptcy. Employees, shareholders and other interested parties are looking at the reports and possible evidence of wrongdoing to consider whom to sue. It's not a question of "if lawsuits will be brought, but "when".

The bankruptcy examiner came out with a report about 600 pages long detailing alleged wrongdoing. In particular, facts are laid out that seriously question whether KPMG acted properly. Loan repurchase demands are spiking. Sellers are balking and mounting defenses. KPMG personnel allegedly told a New Century executive of the pending repurchase crisis. However, the New Century executive apparently brushed aside their concerns and continued business as usual. The problem is that the New Century executive was a former KPMG employee. So the question is New Century ever really made aware of the pending repurchase crisis? Did KPMG breach its fiduciary duty of independence, loyalty and care by reporting merely to a former KPMG executive at New Century? Is KPMG accountable for the losses related to its conduct that hurt employees, shareholders and other parties with a financial interest? KPMG has already been hit with a \$1 billion malpractice claim. More will come.

As an attorney and CPA, I evaluate claims of dereliction of fiduciary duty. We work with companies throughout a wide range of industries - both launching and defending such claims. Let us assist you in your evaluation of possible malfeasance as well as recovery sources. Call us today.

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