

# Los Angeles Times

On The Internet: WWW.LATIMES.COM

WEDNESDAY, JANUARY 23, 2002

COPYRIGHT 2002 \$1.00 Designated Areas Higher



Agence France-Presse

## Congo's Volcano Cleanup

Residents break up hardened lava in Goma, Congo, as they begin rebuilding the town after the eruption of Mt. Nyiragongo. **A3**

# U.S. Probing Shredding of Data at Enron

**Energy: Federal agencies seek answers to document destruction at firm's headquarters. SEC and congressional inquiries will widen.**

By DAVID STREITFELD and RICHARD SIMON  
TIMES STAFF WRITERS

Federal agents opened an investigation Tuesday into the destruction of documents at Enron Corp. headquarters in Houston after company officials found a wastebasket full of shredded material in the company's 19th-floor accounting offices.

The action came as congressional investigators in Washington said they will subpoena the chief executive and other executives with Andersen, the Enron auditor that previously acknowledged shredding documents.

Enron officials disclosed Tuesday that they notified the Justice Department after finding the shredded material late Monday. The company searched the accounting offices after a former executive told news organizations she witnessed shredding as recently as the second week in January.

"There will be an extensive investigation done under the auspices of the Justice Department," said Ken Marks, an attorney representing the company. He said there may be "completely innocent" explanations.

The Justice Department and FBI declined to comment. Bush administration officials, however, said they understood that FBI agents in Houston had gone to Enron headquarters.

Both congressional investigators and the Securities and Exchange Commission said Tuesday that they will widen their probes into the Enron collapse to review the allegations of document shredding.

"We are including the most recent document-destruction issue within the scope of our investigation," Stephen Cutler, SEC enforcement chief, said in an interview.

Rep. James C. Greenwood (R-Pa.), who chairs the House subcommittee on oversight and investigations, said his panel plans to examine the shredding. He said it also will subpoena Andersen Chief Executive Joseph Berardino and fired partner David B. Duncan, who supervised the Enron audit out of the Houston office.

The subpoenas signal a tougher stance by congressional investigators looking into the collapse of

Enron, ranked in the Fortune 500 as the seventh-largest U.S. company last year.

"We want to know what documents were destroyed and who destroyed them," Greenwood said, referring to the Andersen documents.

A committee spokesman said that a subpoena was necessary because Duncan has indicated through his attorney that "in all likelihood," he would invoke his 5th Amendment right against self-incrimination.

"We believe that he has important information," said committee spokesman Ken Johnson. "We are

**Please see ENRON, A8**

# Enron Audit Fee Raises Some Brows

By JERRY HIRSCH  
TIMES STAFF WRITER

The fee Enron Corp. paid the Andersen accounting firm to audit its books was one of the richest in corporate America, a fee that reflects the complexity, and possibly the risk, inherent in the job.

Enron paid Andersen \$25 million for the year 2000 audit, a figure higher than all but one of the companies in the Dow Jones industrials that reported their audit fees. The average charge among the blue chips was just \$9 million, according to a review of such fees by The Times.

It was also large compared with the fees other energy companies paid their accountants, even Andersen. In a review of fees listed in Securities and Exchange Commission filings, The Times found that audit contracts averaged \$3 million at nine large energy companies, including Andersen clients Mirant Corp., UtiliCorp, Dynegy Inc. and Calpine Corp.

Andersen's fee was a red flag to some experts and critics who say it could have clouded the company's judgment as it examined Enron's tangled financial structure. The high fee no doubt reflected the difficulty of the audit, but it also may have hinted that Enron's finances contained unknown risks. Indeed, Andersen executives debated internally whether the audit and other fees would be perceived as a breach of the firm's independence.

An Andersen spokesman defended the fee, saying it reflected

**Please see ANDERSEN, A8**

### COLUMN ONE

## The Coal Miners' Dark Fate

China's pits, the world's most productive, become the deadliest as Communist controls give way to private enterprise and lax safety standards.

By CHING-CHING NI  
TIMES STAFF WRITER

PODI, China—It happened on the 4-to-midnight shift.

Above ground, there was only a muffled sound and a jerk on the pulleys that move coal up from the earth. Underground, there was an inferno.

"I saw two people run out screaming, 'The people at the bottom are done for!'" said Ren Tao, 19, who ran the pulleys the day of the explosion here in November. "Their faces were covered in black. Some of them were so shaken they kept throwing up and crying. Their brothers and uncles were still down below."

The next day, Ren's pulleys brought up carts filled not with coal but with corpses. "I was terrified," he said.

China leads the world in coal production—and in lives lost in the mines. About 5,400 coal miners perished in explosions and other accidents during the first 11 months of last year, the government reported last week. Some estimates put the annual death toll at 10,000. That compares with about 30 mining deaths a year in the United States, which ranks a close second to China as a coal producer.

The carnage reflects the troubled state of some heavy industries in China as the Communist government loosens control of the economy and allows more private enterprise.

The miners of yesterday were state employees, relatively well-paid and well-respected pillars of the socialist motherland. Today, more and more are working for private mines with minimal or no safety standards, subsisting on the dark side of the new economy, lucky to have jobs at all.

"Coal miners' lives are pure heartache," said Li Ziqi, who escaped death in the November blast because he had worked an earlier shift.

Li lives in China's coal mining capital—the mountainous Shanxi province in the north. This impoverished region produces one-third of the roughly 1 billion tons of coal that China mines each year, feeding an insatiable demand for low-cost energy and generating desperately needed jobs.

In November, at least 100 workers died in five accidents in Shanxi's mines. The biggest blast, at the Podi mine Nov. 15, killed 33 miners and wounded 12.

For China as a whole, mining

**Please see CHINA, A12**

# Rumsfeld Strongly Denies Mistreatment of Prisoners

**Military: U.S. responds to growing world criticism of suspects' conditions at Guantanamo prison.**

By RICHARD A. SERRANO and JOHN HENDREN

WASHINGTON—Rising to counter mounting criticism after months of favorable world opinion for the war effort, U.S. officials on Tuesday forcefully denied that Al Qaeda suspects are being treated inhumanely at a makeshift military prison in Cuba.

In the last few days, critics rang-

ing from members of British Parliament to U.S. civil rights groups have accused the United States of mistreating the detainees, who are being held in 8-by-8-foot wire cages, and said they should be turned over to legal rather than military authorities.

In Los Angeles, meanwhile, the military cleared a hurdle Tuesday when a federal judge expressed "grave doubts" about whether he has jurisdiction to act on a lawsuit challenging the detention of these suspects in Cuba.

The latest round of complaints apparently was triggered by photographs released over the weekend by the Defense Department showing prisoners bound and kneeling,

wearing masks, earmuffs and goggles. The pictures were taken as new prisoners were brought from a plane to a corridor near their cells, and then asked to kneel so soldiers could remove their earmuffs and other articles, Secretary of Defense Donald H. Rumsfeld said at the Pentagon.

The restraints are used only in transit, he said, "where bad things happen," citing the case of Al Qaeda fighters who recently killed the Pakistani guards who were moving them.

Those wearing masks were suspected of having tuberculosis, Rumsfeld said. As for the earmuffs, some defense officials have voiced

**Please see PRISON, A6**

# Deadly Calcutta Attack May Have Al Qaeda Tie

**Terrorism: India blames kidnapping ring that police say sent money to Bin Laden's group.**

By PAUL WATSON  
TIMES STAFF WRITER

NEW DELHI—Tying its own fight against extremists to Washington's war on terror, India charged Tuesday that gunmen who attacked a U.S. cultural center in Calcutta belong to a kidnapping ring that local police suspect used ransom payments to help bankroll the Sept. 11 strikes in America.

Indian officials also claimed that the people behind the early-morn-

ing assault, which killed five Indian police guards, could have links to Pakistan's military intelligence and two Pakistan-based groups fighting Indian rule in the disputed Himalayan region of Kashmir.

No U.S. citizens were killed or injured in the attack outside the U.S. Information Service building, which is near the U.S. Consulate in the eastern city.

Pakistan's government dismissed the Indian allegation of links to its military intelligence as "baseless." Pakistani President Pervez Musharraf has won strong international praise for a crackdown on Islamic extremists, but India insists that the Pakistani general, who took power in a bloodless

**Please see INDIA, A4**

# Senate Office Building Is Open Despite the Smell

**Attacks: Workers return to their freshly scrubbed offices, closed in October after anthrax spread from a letter.**

By FAYE FIORE  
TIMES STAFF WRITER

WASHINGTON—When Dianne Feinstein's staff walked back into their third-floor suite Tuesday morning, it was as though time had stood still. The calendars were turned to Oct. 17, the day the California Democrat and 49 of her colleagues were evacuated from the Hart Senate Office Building in the throes of an anthrax attack.

The fax machine had spent weeks spitting out a mountain of missives that no one was there to read, finally sputtering to a stop when the paper ran out. A wooden wall of shoebox-sized slots was stuffed with correspondence three months old. Five hundred fifty e-mails had amassed in one staffer's computer. Most of the plants were dead. "The only thing that kept moving was the clocks," said Jim Hock, Feinstein's press secretary. He studied a curious residue on a piece of paper that sat on a desk during the cleanup, which was ordered after a letter laced with anthrax was opened in the office of Senate Majority Leader Tom Daschle (D-S.D.).

Tuesday's return marked a passage for Washington as the million-square-foot complex reopened for business, a testament to the resiliency of a federal government that endured a terrible autumn.

When the doors closed that October day, no one imagined it would be for so long. Thirteen Senate offices were ultimately deemed

**Please see BUILDING, A9**

# Peggy Lee, Sultry Jazz and Pop Singer, Dies at 81

**Music: Her landmark hits included 'Fever' and 'Is That All There Is?' She also voiced characters in Disney's 'Lady and the Tramp' and acted in films.**

By JON THURBER  
TIMES STAFF WRITER

Peggy Lee, whose soft, rhythmic voice and purring sensuality made her a favorite of jazz and pop audiences for half a century, has died. She was 81.

Lee, who had been in declining health since a stroke three years ago, died of a heart attack Monday night at her home in the Bel-Air section of Los Angeles, said her daughter, Nicki Lee Foster.



Getty Images

Singer Peggy Lee, who died Monday, is shown in the 1950s at her Bel-Air home.

Best known to a broad audience for songs that became her trademark, such as "Fever," and the Grammy-winning "Is That All There Is?"

**Please see VOICE, A9**



Getty Images

William Lerach, counsel for a group of Enron stockholders, takes a box of shredded documents from firm to federal court in Houston.

## INSIDE

### Amazon Reports Its First Profit

After losing billions of dollars since its opening, the online retailer earns \$5 million, or 1 cent a share, fueled by robust holiday sales. **C1**

### Bankruptcy for Kmart

The company famed for its Blue-Light Specials becomes the largest retailer ever to seek protection in bankruptcy court. **C1**

### Ruling on Sex Offenders

The Supreme Court decides that states must show that freed criminals have a mental disorder and a behavioral problem before they can be kept in custody. **A9**

### A Reprieve for an Air Museum

Lovingly tended by its volunteer staff in Mountain View, Calif., Moffett Field's displays will be saved, thanks in part to some timely donations. **B9**

### California News.....B6

Astrology.....D9 Obituaries.....A9  
Business.....C1 Sports.....B1  
Commentary.....A11 Style.....D1  
Crossword.....D9 The Nation.....A7  
Editorials.....A10 The World.....A3

