

ACCOUNTANTS CONFIDENTIAL ASSISTANCE NETWORK (ACAN)

Ethics Case Study 1

Joe works for a small public accounting firm (10-20 personnel, 3 partners) primarily performing tax preparation and small business consulting as an entry level staff associate. He has been on the job for just over 2 years. Simultaneously he is working on passing the last section of the CPA exam. He likes his job, is accomplishing all of his assignments, and is progressing rapidly in the level of responsibility within the firm.

The managing partner of the firm has just assigned Joe to work on a new “big client,” AJAX LLC. The owner of AJAX LLC is a good friend of the managing partner, and Joe is told to give them “special attention and priority.” As Joe begins the engagement he is introduced to the AJAX LLC controller, Bob, who happens to be the son of the owner of AJAX LLC. Bob is a newly licensed CPA, just a few years older than Joe, and is a very likable person. Over the course of time Joe becomes friends with Bob, views him as a professional mentor, and they begin to attend social functions together outside of work. At first there does not seem to be any problem, but over time Joe notices that Bob “parties” pretty hard. When they are out Bob tends to pick up the tab, and even comments “hey, it’s deductible.”

As Joe is working on the AJAX LLC tax preparation he notices that there are many expenses in the books from the bars and restaurants that he and Bob had frequented. Joe knew there was absolutely no business purpose to any of their outings. Concerned, he digs a little deeper into the books and finds additional expenses that do not seem to belong on the company books. He asks Bob about the expenses, and Bob just says “hey I’m doing business all the time, and those are just out of pocket costs that I have been reimbursed for.” Joe notes that one of the expenses was for a weekend trip to Las Vegas. Joe knew Bob was on vacation over that weekend and that much of the actual expense was for alcohol and gambling.

Questions:

- What ethical issues is Joe faced with?
- Who are the parties that could be affected under the circumstances?

Further considerations:

- Would anything change if Joe witnessed Bob actually at work after a long lunch meeting smelling of alcohol, or slurring his words and acting intoxicated?
- What if instead of alcohol, Joe witnessed Bob smoking pot, or snorting some cocaine on one or more of their social outings?
- If Joe decided to go to the managing partner to discuss these issues, what would the responsibility be to that partner?

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Ethics Scenarios

A new employee had successfully completed (with proficiency and professionalism) a "busy season" with the firm preparing individual and business tax returns. The partners of the firm offered him a full-time position which he greatly appreciated and accepted. He did not show up on his first full-time permanent day and could not be located through any of the emergency contacts he gave to his employer. A telephone call was received by the firm where the employee stated, "I apologize for all the damage I have caused." No damage could be found to any physical or intangible (such as client relationships) assets of the firm. ***How would you respond?***

A staff member, who for years has been proficient, professional, and responsible, begins to send religious emails to everyone in the non-faith based firm. At first it seemed amusing or insightful (depending on individuals' perspectives), but the emails became phrased more and more radically as the weeks unfolded. Contemporaneously with the gradual crescendo of the tone of the emails, the staff member appeared to be under more and more stress, appeared more and more anxious, and finally could not respond functionally in the position the member held in the firm. ***How would you respond?***

A staff member who has illustrated intelligence and aptitude seems to be willing and eager to work but is always almost always late and sometimes seems to be "out of it" but not in a state of sleepiness nor of euphoria. The member's work product seems of lower quality lately. ***How do you respond?***

An employee who has always behaved professionally, ethically, profitably (for the firm), and to all appearances was of sound moral character walks into the office one day reaching up into the air, apparently grabbing something and bringing it down over and over again. Each time the employee is asked, "What are you doing?" the answer is "Getting the peaches in before they fall." It is the middle of winter in a downtown office space. ***How do you respond?***

The "No Win" Scenario

An intelligent, successful fully licensed CPA with a lucrative sole-proprietorship consulting practice decided that he could drink socially after several years of practicing abstinence through a 12-step program and attending ACAN meetings. A short while after that, he became unresponsive to client requests, lackadaisical in his attitude, and began using illicit substances in combination with alcohol. He began inviting "friends" of like ilk to stay at his (now ill-kept) house in an expensive neighborhood. His client's complained to the Texas State Board and his name finally appeared in the quarterly Board report stating that he voluntarily surrendered his license. He ignored repeated attempts at interventions by ACAN.

Although ACAN is available to all accounting students, CPAs and candidates, we are a voluntary support organization and cannot force people to take action on their own behalf. They must be willing to see that there is a problem, and accept the solution to that problem in order to manage their alcoholism, addiction, and/or mental illness.