



JEFFREY G. MATTHEWS

HOLDING
ACCOUNTANTS
ACCOUNTABLE

HOW PROFESSIONAL
STANDARDS CAN LEAD
TO PERSONAL LIABILITY

WILEY

Holding Accountants Accountable

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Holding Accountants Accountable

*How Professional Standards Can
Lead to Personal Liability*

JEFFREY G. MATTHEWS

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Preface

ONE WOULD HAVE TO scorch the earth and search long and hard to find a profession more grounded in ethical principles than accounting. It goes without saying, but ethics and accounting go together like “peas and carrots,” as Forrest Gump would say. However, would it surprise you to know that very few professionals face more ethical challenges than accountants face? Especially when it comes to preventing, detecting, deterring, and disclosing fraud and misconduct? It may also surprise you to know just how *easy* it is for accountants to find themselves facing ethical dilemmas whose outcomes have far-reaching implications. One single decision can be career ending, or career defining. That is where I come in.

Over the course of my 25-year career, I have faced my fair share of ethical dilemmas, death threats, retaliation, and family hardships. I have experienced first-hand the peaks and valleys associated with the life and times of a fraud fighter. I have always heard that what doesn’t kill you makes you stronger. Well, brothers and sisters, I think I am about as strong as I care to be! I like to think that being raised in a small town in north Louisiana and being force-fed faith and family helped sharpen my sense of right and wrong. And although I sometimes struggled, I survived and learned valuable lessons along the way. I have also seen clients, colleagues, and family members rise and fall, their careers made and delayed over one critical decision or lapse in judgment. I feel very fortunate to have experienced my fair share of second chances, as have many others mentioned herein. I feel even more blessed that I get to share those stories with you.

I have sought to illustrate the simple concept, “What can cause an accountant to do a bad job and violate professional standards? What can happen to them if they do?” In this narrative, I share common tendencies that hinder

practitioners' ability to detect, deter, and prevent fraud and misconduct, some of which could violate professional standards leading to dire consequences. I also categorize these ethical impediments in the following chapters, the headings of which ironically spell the word *fraud*:

F – Forgetting the Present and the Past: Many practitioners feel that fraud could never happen to them or to their clients. However, one needs only to grab today's newspaper to address this fallacy. Professionals must stay on top of emerging trends to identify areas of weakness, or they could find themselves on the front page.

R – Relying on Others: Often, practitioners face time and budget constraints, which require delegation to lower-level staff. If the work environment is not conducive to collaboration, inexperienced staff, combined with an overextended supervisor with limited time (or budget), can lead to a disaster. If you think reviewing working papers is expensive, try skipping the review and see what that costs!

A – Accepting, Not Verifying: In God we trust; all others we audit. Practitioners must maintain a healthy dose of skepticism in discharging their duties. Having a habit of *accepting*, not *verifying* can put an examiner in the crosshairs of agencies that will certainly do more than just test.

U – Underestimating the Effort: Many practitioners are given assignments with little time, budget, or direction. Sometimes, practitioners fight to “win” those very assignments, and shortcuts to the finish can ensue. Another iteration is within firms that espouse an “eat what you kill” environment that can push examiners to accept engagements they are not qualified to perform. Our profession is not to imitate *Naked and Afraid*, so examiners should stick to what they know and build an extensive referral network for situations outside their area of expertise.

D – Determining the Outcome Before the Work: We have all heard it hundreds of times: “This is a relationship business.” But we have also heard horror stories that begin with “Well, I knew this guy . . .” or “I had these friends and . . .” This is another area ripe for abuse, in that examiners can become close to their clients and establish biases. Sometimes, the examiner may not realize there is a bias at all. Overlooking red flags while at the same time looking forward to the holiday party invite or the honey-baked ham gift basket can lead an examiner to looking for a new career.

Finally, yet importantly, I talk about the barriers accountants face in situations in which they do find fraud, but struggle to decide whether to disclose

it. Sometimes accountants do their jobs so well, they find the unimaginable and unanticipated. However, the burdens and consequences the accountant may face in “doing the right thing” can sometimes weigh heavily on an already weary accountant’s shoulders.

In my occasionally homespun way, I share my personal challenges and perspectives, as well as my observations of other ethical lapses that have affected our profession. I write this to show that all accountants face challenges. I also like to remind accountants that even when they feel alone, they are not. Have faith greater than fear. Accountants must be reminded that even in these trying times there are strong and honorable professionals behind them. I hope after reading this, you will someday consider me one of them.

Introduction

WHAT MAKES US WHO we are? What is at work to make us enjoy the things we enjoy, to choose our life's work, to cause us to be attracted to certain people and not to others?

We all are very complex individuals – a monumental understatement. While there is a formula for who we are becoming (which is or should be a life-long process), it is highly unpredictable, but here it is:

Nurture (our environment) + Nature (our DNA) + Our Own Choices = Who We Are. The wild card here is our decisions – heavily influenced by the first two addends. Nevertheless, we own our choices.

In my life, it is difficult to separate the environment of my youth from the DNA my ancestors contributed to this equation. My mother's family moved into the agricultural area that would come to be known as Boeuf Prairie in the early 1800s. These settlers from Virginia, Kentucky, Tennessee, and Arkansas arrived in what was essentially a wilderness at that time. Families settling here were predominantly of Scotch-Irish and British ancestry, but had lived in America since before the Revolutionary War.

It is beyond my understanding why they would leave the mountains of Appalachia to establish a community in the hot, humid, insect- and snake-infested region of northeast Louisiana; public records would indicate that they were drawn to the fertile farmlands available in the Mississippi Delta. Nine generations later, my grandmothers, mother, uncle, and sister still live in the same parish as those early pioneers. Fortunately, air conditioning and insect repellent have improved the standard of living.

Settling near the Boeuf River was necessary to get produce to market and obtain household goods. The chief cash crop was King Cotton. Two hundred years ago, waterways were the interstates of today. Rivers provided the main routes for transportation and shipping, and New Orleans was the principal shippingpoint. A trip to New Orleans via steamboat was about a 20-day journey.

My great-grandfather's family, the Daileys, owned a gin near the river and had their own shipping dock, known as Dailey Landing. My father's family, the Thomases, had a landing in another part of the parish. We have records showing there were four cotton gins on our family settlement (whereas none exist today; corn and soybeans predominately grow where cotton once stood tall).

I grew up hearing stories about the Daileys of the past, my maternal grandmother's family. One of my ancestors traveled to California during the Gold Rush. However, he did not return with a fortune, and letters saved indicated he got very homesick, but his handwriting was impeccable. My great-great-great-grandfather was killed in a duel during the Civil War. My uncle, Greg Kincaid, still farms our family's "place" (actually called "The Place" for generations) and raises cattle. He has a restored shotgun house full of historical memorabilia and is a fountain of knowledge of our family's history. If you can spare an afternoon, he will tell you all about it (bring a stool and stay awhile). His hard work was recently rewarded, and he received an acknowledgment in the state historical registry for maintaining our heritage by managing a farm with an unbroken chain of family ownership of more than 150 years. In fact, our family cemetery, which is still maintained in the highest order, has tombstones that date back into the early 1800s. I hope that is my final resting place. I have a rich heritage.

The families who settled in what is now southern Franklin Parish were of the Methodist faith, and a local church was soon established. The Boeuf Prairie Methodist Church is currently the oldest church in Franklin Parish, established in 1833. Lemuel Bowden, my great-great-great-great-grandfather, was listed as one of the church founders, assisting in the financing and planning of the building in 1837. As a child, I enjoyed many summer Vacation Bible Schools in that church. The lovely sanctuary still holds worship services every Sunday morning.

Until the mid-1840s, the Boeuf Prairie community was part of Catahoula Parish. The church was the scene of the first parish organizational meetings, when the parish of Franklin was being established. The first grand jury and the first court were held here, until the courthouse was constructed in Winnsboro, around 1945. Apparently, no one in those days thought it politically incorrect to meet in a church to conduct government business.

By the 1940s, several Baptist families had joined the community. After attending services with the Methodists for a few years, they were able to build a church across the road from the Fort Necessity High School. My father's family attended the Baptist church, and that is where I was baptized and

where my dad and his dad are buried. Although I grew up in the Baptist church, I knew all the folks from the Methodist church just as well (our attendance sometimes was determined by which one was having a potluck lunch or dinner). Both congregations had close friendships and fellowship. Church was the main source of social connection and support in that community for its first 100 years.

I know very little from my dad's side of the family. My dad's great-great-great-grandfather was a showboat entertainer from Natchez, Mississippi. My dad's great-great-grandmother told the story of our legacy to the local newspaper, the *Monroe Morning World*, on her ninetieth birthday, in May 1939. She told of the fun times, such as when her father was a young boy and was fishing on the river when a showboat passed. Being that he was a long way upstream, the boat picked him up and refused to let him leave . . . or, more likely, deep down in his heart, he wanted to stay. That was the last he saw of his people again. When he grew into manhood, the boat stopped in Natchez, and that is where he met the love of his life.

She also told of tough times, such as living through three wars in which the United States was involved. She once even cheated death. While playing in the yard, she heard a voice whisper "get on the porch." Just then, a cannonball struck the tree under which she had been playing. She saw eight of her 10 children die, and lived through spells of bad health and poverty. Yet the article described her as being fondly referred to as "Aunt Mary" and possessed "a jolly and contented spirit." She lived by the motto of her father, "Life Must Go On." Her philosophy was "to only want the simplest and be cheerful over that." I love it! Could this possibly be where I get my penchant for storytelling? Presenting? Could this be the conflict between my educational DNA, and that of a mischievous cartoon character? I digress.

My dad's father, my paternal grandfather, died of heart disease at 56. My dad's grandfather was also the exact same age when he cashed in his chips. My father had his first heart attack at 41 years old, and over the next 10 years, he had several more. He lost his spleen, half his pancreas, and a leg (to diabetes) before the last big attack sent him home a couple of months after his fifty-fourth birthday. Despite these ailments, he continued to work until he passed. One of his biggest fears was being unable to provide (being unable to use the restroom on his own was a close second). One of his brothers and both sisters also had heart attacks early in their lives, but each lived to tell about it. His youngest brother, my second uncle Greg – my lifelong mentor – not only survived, but made it out and thrived. And the world is better because of it. I would have often been lost without him. My dad's mother is also still

with us, at the ripe old age of 89. Nonetheless, and all in all, I spent many nights with both great-grandmothers, a great-grandfather, and both grandfathers. Both of my grandmothers remain with me today (and have good days and bad days). I can tell you whose genes I hope have been passed on to me!

If my family valued faith in God first of all, education ran a close second. In the 1800s, there were public and some private schools (provided by the older, established families), but no high school facility. That changed in 1925; under the leadership of my great-great uncle, John L. Dailey, a beautiful two-story building was built, and 11 grades were taught for the first time at a public school in Fort Necessity. My great-grandmother, Eula Ross (Dailey), was one of six very excited girls in the first graduating class of Fort Necessity High School in the spring of 1926, and she was there for my graduation in 1991. We will get to that in moment.

I am the fourth generation in my family (on my mom's side) to obtain a four-year college degree; this was not common in the rural South where I grew up. Those in the community who did not farm typically taught school, or had long retired from doing so. In fact, I counted six teachers who actually taught both of my parents (and a couple who even spanked both my dad and me). My maternal great-grandmother and grandmother both taught English, and my paternal grandmother worked in the cafeteria. The men farmed, and for a while commercial catfish ponds doused the area. If neither of those career opportunities appealed to you, there was also the hope that you would be invited to work offshore on an oil/gas drilling rig, at least until you received your early retirement (aka back injury). My dad was an electrician on drilling rigs and was gone most of the time. When he was home, he raised and sold animals of all types. One week, he might have sold rabbits, whereas the next weekend he was dealing in miniature donkeys. I do not ever remember having a pen to corral any of them. Our animals, to many of our kin's dismay, were "free-range animals." It was a mess.

I must admit, I sometimes felt insecure about my upbringing while living my life in the world of PhDs, attorneys, judges, and Fortune 500 executives. I don't remember anyone in my white-collar world telling me their family only had enough hot water for one family member to have a hot bath, nor have I run across many people in our profession who received free lunch at school and wore homemade clothes until high school. Yet I know they are out there. And perhaps they should share, as I share with you. We'd have more in common and probably be kinder to one another. But, as I write this, I've never been more proud. I think I have made the most out of what I was given. It was a much simpler place and time.

There were two kinds of music: country and western. There were also two types of blue jeans: Sears and Roebuck. In 1985, my father purchased his first full-service gas station. It was just like Goober's Garage from *Mayberry*. From the age of 12 until 18, every free moment I had was spent pumping gas, changing oil, fixing flats, and washing cars. A lot of my experiences from the gas station are best left on the therapist's couch, but I do think some of the best life lessons I learned came from serving others in that small town.

I attended grades K–12 in this small, rural school, where my parents and maternal grandparents all graduated. I was a “spirited” child I am told. I was known to get in trouble intentionally, just so that I could be sent into the hall. I knew the spanking was coming, but I was also able to play for a few minutes before that. Since I wasn't bothered by the spankings, it was a big win! And sometimes, I got several per day (my own “cost/benefit analysis” in kindergarten).

I was 13 years old when *The Untouchables* was released in 1987. Although I did not understand many of the concepts in that film, watching Kevin Costner in the role of Eliot Ness cemented my desire to become a fraud-fighter. I had been infatuated with the idea of catching “bad guys” long before that, staying up past my bedtime to watch mob movies and read about their misdeeds and downfalls (there was always a downfall). I was fascinated by the idea of corralling the smartest of the bad guys, and those types of bad guys didn't always shoot back (at least in the movies). From that point forward, anytime someone asked me what I wanted to be when I grew up, I would answer “a Forensic Accountant.” That did not earn me many friends and it certainly did not earn me a seat at the cool kids table. Think about it . . . have you ever seen a Forensic Accountant Halloween costume? Do you know a single woman who dreams of being swept off her feet by an accountant? It was hopeless.

Now, growing up in a somewhat poor, rural town of 300 people, I knew a lot of bad guys, and I'm not sure I would call any of them particularly smart. I can easily start with my dad. My dad was never accused of being particularly trustworthy, although most of his shenanigans were small, buyer-beware and get-rich-quick schemes. When I started at the gas station, I was instructed to save the plastic containers of certain types of oil, and refill them with another. When I questioned my dad as to the point, he barked at me to do what I was told, and “those containers looked better on the shelf.” What I later realized was he was charging customers for premium oil, but the contents were something else. I moved to his second gas station shortly after that, and made sure we never took part in that nonsense.

I suppose he grew tired of that simplistic scheme and went on to bigger things. In 1990, while my mother was away visiting family (when Mamma traveled, all sorts of “exciting” things often took place), he staged a trip to Mexico with one of the gas station employees and a friend. He returned a few days later and claimed that his truck had been stolen. He quickly filed an insurance claim and bought a bigger and nicer rig. I noticed in the back of the gas station (by the damn oil I was supposed to be refilling) all of his “stolen” truck’s contents were in a crate under a blanket. I confronted him, and asked how that was possible, and whether he was a fortuneteller, predicting the truck’s taking. He would not answer me, and I knew immediately what happened. (I also remembered a year or two earlier that his van had mysteriously caught on fire, during a trip down a road he never used nor had reason to be on.) I wasn’t the only one who found it odd. The sheriff’s office launched an investigation. It wasn’t long until the gas station employee who accompanied Daddy to Mexico got nabbed for a DWI (driving while intoxicated). He cut a deal and told the tale of what really happened in Mexico. I remember being on a lunch break, eating Pop-eye’s Fried Chicken (love that chicken from Popeye’s), when the sheriff’s deputy came and picked up my dad. The deputy had the decency to wait until they were out of my sight to handcuff him. My dad pled guilty to felony insurance fraud charges and received probation. It was the talk of the town. That was the last time I was involved in any business dealings with my dad.

Despite showing much promise as a grease monkey, I was undeterred in my pursuit of a forensic accounting career. The school I mentioned combined elementary through high school grades. At our highest enrollment, K–12 totaled 323. While I was a “spirited” child throughout most of my time there, I made good grades. I entered high school with 15 people in my homeroom class. The challenge was that our school did not have, nor had it ever had, an accounting class. I could not major in accounting at the university without taking at least one of them. Our endearing business teacher, Ms. Betty Byergeon, assembled a class for me, and I had a friend who agreed to attend. And wouldn’t you know it? I finished at the top of my class in accounting. I even received a small trophy at the end of the year – although I do believe that was the last time I topped any of my accounting classes.

I went to a small college in Monroe Louisiana: Northeast Louisiana University. Despite having an annual enrollment of less than 10,000 students, it felt enormous and frightened me. I remember filling my Isuzu pickup truck with dorm room furnishings and making the one-hour trek from my home to Monroe. I was ticketed for speeding within 20 minutes of leaving my house, and the first night on campus, my toolbox was stolen from the back of my truck. Welcome to the big city, country boy!

I played baseball, basketball, and tennis in high school. The university awarded me a \$500-a-semester job as an intramural referee. It was a disaster. In a new place where I knew no one, *no* one wanted to hang out with the referee who cost them the game or blew a call. I did not need any other reason to be uncool! Not long after that, I took a job at the local Mexican restaurant. After a year and a half, I left the restaurant business and followed my uncle into the banking world. I met tons of people and made good money for a college student.

As my classes began to get tougher, I grew to hate accounting. The meticulous detail necessary to complete homework conflicted with my social and work schedule, and I found nothing enjoyable about it. I remember contemplating changing my major a number of times, but I had come too far. My dreams of the FBI or the IRS were fleeing, and I became resigned to being a banker. After all, I had excelled as a loan officer at one of the world's largest loan companies, and I was making \$13 an hour. That was a lot of money in 1994 for someone without a degree. In addition, despite working part-time, I won many monthly origination (sales) contests and received multiple prizes that enabled me to furnish my apartment and replace some tools.

I remember asking my supervisor questions about the value of collateral we were accepting as security, which included items such as water hoses, lawn mowers, weight benches, and furniture. It became sort of a game to see what outrageous items you could add to the collateralization form. It was even more fun to call our customers when they had fallen behind, to check and see if the treadmill was still working, and to ask when I could come by and pick up their dishes. I don't ever remember seizing one single item, but those calls became the highlight of my day as I was able to defer their payments here and there and occasionally waive penalties. I could also insert some humor and encouragement into what had likely become a stressful situation for them.

Despite the comfortable living I was achieving while working 32 hours a week, I felt depressed and guilty for selling loans to people when, despite what the formulas and supporting documentation showed, I knew, deep down, they could not afford the terms. As graduation neared, the loan company offered me a full-time job, with a salary that would have placed me at the top of my graduating accounting class. It was more than a Big Four firm offered a friend of mine who graduated with a perfect 4.0. I turned it down and never looked back. I wanted to feel good about what I did for a living, and this was not the place for me.

I had not given the loan company an answer, and their offers continued to increase. I felt an enormous amount pressure and stress. While a number of big banks had expressed their interest, their offers were 30% less than the

one I had with the finance company. I was truly thankful to have the opportunity, but I had worked hard putting myself through school, and I did not feel loan-sharking was my calling. I was restless. At the time, I lived in an abandoned newspaper factory that contained a makeshift loft apartment. It was not in a safe area, but it was far away from the distractions of campus, which I desperately needed to avoid if I wanted to graduate. I often biked (well, until my bike was stolen) the levies of the Ouachita River at midnight when I could not sleep. In fact, I once discovered a body on the Ouachita River bank in the wee hours one morning. I dismounted my mountain bike (another contest prize) and saw that it was indeed a body wrapped up in a blanket. I approached the body, and nudged it with my foot. My heart was racing. I nudged it again. Nothing. Keep in mind, this was long before cell phones, and my legs were too shaky to speed away on my bike. I had no clue what to do, but I needed to know for sure if it was a body, and whether it was alive or dead. So I reached down to peeled back the blanket, and that's when his hand grabbed mine. I screamed like a wild banshee. I am fairly certain I soiled myself, but considering the current company, that wasn't as embarrassing as it could have been.

I snatched my hand from his mitts, tripped over my bike, and crawled to a safe distance. I said a few choice words and quickly came to my wits. I asked him if he needed help. "Would you like a Hot Pocket or a Pop-Tart?" His response was gruff: "What I really need is some money." And I had the perfect response: "I do have some money for you. Anything in that shopping cart I can hold as collateral?" I had no doubt that I could get him approved. Shortly thereafter, my bike was stolen from the top of my car in broad daylight as I was preparing for a ride. I bet it ended up on someone's loan collateralization form.

The job interviews continued on campus: one bank after another and an occasional insurance company. I grew anxious, and I had no direction. Then, everything changed early one Thursday morning in March 1995.

In March 1995, I was sequestered to a "meeting" being held by the department head of accounting. The meeting was set for the afternoon, which conflicted with my work schedule. I sat down in a room full of graduating accounting seniors a little after noon. The department head shared that we were required to take an "aptitude test" in order to assess the accounting department's teacher competencies, and while the exam would not count for or against us as students, it was important to the department. He estimated the exam would take four hours. Ever the accountant, I quickly determined the exam would cost me nearly \$100 in wages. That was a lot of money to me then, as it is now!

Much to the department head's ire, I walked my exam to the front of the room after 10 minutes. You can only imagine the exchange the two of us had, as I walked out of the room and headed to work.

Two days later, on a Thursday morning, the department head came to my morning Accounting Systems class, opened the door, pointed his finger at me, and motioned me to come with him. I panicked. I knew what it was about, and I knew he was about to punish me for exiting the exam room earlier.

I accompanied him to his office. He asked me to explain myself. I told him that I had work, and that I was not positive that I even desired a career in accounting. I went into great detail as to my plans to become an investigator for the FBI, the DOJ, or some other agency. I took him back to my early years, from Sunday school to high school. I knew my purpose.

He took a deep breath, and stated, "I thought you would say that. I just received a call from a friend of mine from the Louisiana Legislative Auditor's Office, who is also an alumnus. He is building a public corruption and forensic accounting department for the state, and is looking for a smart accountant who does not seem to fit in with the others. Someone who is not easily intimidated, but respectful. I thought of you. Would you like my recommendation?"

I cried out on the spot. And screamed "Yes!" To which he replied, "I thought you would say that, too." As he pulled something from his desk, he added, "But first, I need you to take this damn test."

Ha! I did, and the rest is history. I interviewed with the department and got the job. It truly was a dream come true.

If I haven't made this abundantly clear by now, I was taught to value faith, family, and education. And while I have had far more than my fair share of struggles, I have strived to pass these values on to my own children. If only they could inherit the good and leave out the bad. I have included some history of my environment to partially explain my deep connection to family roots, and why I have always had such strong ideas of right and wrong. While this background is a moral foundation that helps guide my decisions and is a stabilizing influence, it can also cause some internal conflict, both in my personal and professional life. Perhaps, through these passages, I stir something in you. Something you can draw on in times of need and when you feel challenged.

Okay, enough on all that. Why are we here? Well, during the course of my career, I have learned to embrace accounting. Similar to my heritage, the accounting profession is known for its strict standards and ethical requirements. Other than perhaps law and patient care, there are few occupations

that define “acts discreditable to the profession.” Considering that I have chosen a career that largely focuses on the alleged misconduct of others, I often see where good people do bad things. I see where strong practitioners are exposed in moments of weakness. In fact, I even thought of calling this book *Accountants Gone Wild*, but calmer heads prevailed.

It seems fitting to put this right here. This is a personal journey. Any views or opinions represented in this work are personal and belong solely to me. They do not represent those of people, institutions, or organizations that I may or may not be associated with in any professional or personal capacity, unless explicitly stated. Heck, I’m just glad they still claim me (and that’s only on occasion). And I certainly do not intend to convey legal advice. Them lawyers charge way more than I do. Ha!

For this narrative, I have included standards from the American Institute of Certified Public Accountants (AICPA), the Association of Certified Fraud Examiners (ACFE), and the Institute of Internal Auditors (IIA). I have compiled case law and related cases. I have also obtained white-papers and interviewed those who could have easily spun this yarn. We will get to all of those, but I find the public is more aware of the AICPA, so let’s start with those I frequent the most.



STATEMENT ON STANDARDS FOR CONSULTING SERVICES

Most of the work I do will fall under the Statements for Consulting Services. (That will change in 2020. In July, 2019, the AICPA released new standards for those practicing forensic accounting. Among other changes, the AICPA specifically defines “investigation” and “litigation”. The standards will be into effect for 2020. Nonetheless, research and watch for updates on this development.) Statements on Standards for Consulting Services are issued by the AICPA Management Consulting Services Executive Committee, the senior technical committee of the Institute designated to issue pronouncements in connection with consulting services. Council has designated the AICPA Management Consulting Services Executive Committee as a body to establish professional standards under the Compliance with Standards Rule (ET sec. 1.310.001) of the Institute’s Code of Professional Conduct (code). Members should be prepared to justify departures from this statement.

Consulting services that CPAs provide to their clients have evolved from advice on accounting-related matters to a wide range of services involving diverse technical disciplines, industry knowledge, and consulting skills. Most

practitioners, including those who provide audit and tax services, also provide business and management-consulting services to their clients.

Consulting services differ fundamentally from the CPA's function of attesting to the assertions of other parties. In an attest service, the practitioner expresses a conclusion about the reliability of a written assertion that is the responsibility of another party, the asserter. In a consulting service, the practitioner develops the findings, conclusions, and recommendations presented. The nature and scope of work are determined solely by the agreement between the practitioner and the client. Generally, the work is performed only for the use and benefit of the client.

The general standards of the profession are contained in the General Standards Rule of the code (ET sec. 1.300.001 and 2.300.001) and apply to all services performed by members. They are as follows:

- *Professional competence.* Undertake only those professional services that the member or the member's firm can reasonably expect to be completed with professional competence.
- *Due professional care.* Exercise due professional care in the performance of professional services.
- *Planning and supervision.* Adequately plan and supervise the performance of professional services.
- *Sufficient relevant data.* Obtain sufficient relevant data to afford a reasonable basis for conclusions or recommendations in relation to any professional services performed.

You will also read a lot about:

- *Integrity.* Integrity (ET sec. 0.300.040) is described as follows: "Integrity requires a member to be, among other things, honest and candid within the constraints of client confidentiality. Service and the public trust should not be subordinated to personal gain and advantage. Integrity can accommodate the inadvertent error and the honest difference of opinion; it cannot accommodate deceit or subordination of principle."
- *Objectivity.* Objectivity and Independence (ET sec. 0.300.050) are differentiated as follows: "Objectivity is a state of mind, a quality that lends value to a member's services. It is a distinguishing feature of the profession. The principle of objectivity imposes the obligation to be impartial, intellectually honest, and free of conflicts of interest. *Independence* precludes relationships that may appear to *impair* a member's objectivity in rendering attestation services."

- *Conflicts of interest.* Conflict of Interest (ET sec. 1.110.010) may occur “if a *member* or the *member’s firm* has a relationship with another person, entity, product, or service that, in the member’s professional judgment, the client or other appropriate parties may view as impairing the *member’s* objectivity.”

A *member* may perform the *professional service* if he or she determines that the service can be performed with objectivity because the *threats* are not significant or can be reduced to an *acceptable level* through the application of *safeguards*.

As a Certified Fraud Examiner, I also fall under the purview of the Association of Certified Fraud Examiners. The ACFE is the world’s largest anti-fraud organization and premier provider of anti-fraud training and education. Together with nearly 85,000 members, the ACFE is reducing business fraud worldwide and inspiring public confidence in the integrity and objectivity within the profession. Based in Austin, Texas, the ACFE was founded in 1988 by the preeminent fraud expert and author Dr. Joseph T. Wells, CFE, CPA. Dr. Wells’s insight as an accountant-turned-FBI-agent led to the formation of a common body of knowledge known today as fraud examination.

Bruce Dorris is the ACFE president and CEO. The ACFE’s objective is to reduce business fraud worldwide and inspire public confidence in the integrity and objectivity within the profession.

Mr. Dorris’s travel has taken him around the globe, speaking on professional standards and ethics, which has provided him with a global perspective. Most notably, the realities of the profession vary by country and by industry. For example, some developing countries are still struggling to combat corruption in many sectors and to put solid anti-fraud frameworks in place. Consequently, the need for recognition and support between government, business, and industry is imperative to successful fraud risk management strategies.

However, the ACFE’s professional standards do not vary by country; all ACFE members in every jurisdiction are held to the same high standard of ethics and professionalism. This is important because the ACFE believes that to effectively combat fraud around the globe, its members must be the change that they wish to see – that is, they must set the ethical tone and display the professional conduct necessary to truly create an environment that is contrary to the fraud and corruption they are all working to fight. While cultural norms and customs might vary across geographic lines, the hallmarks of an ethical anti-fraud professional are universal.

The one constant “language” spoken by all countries is the desire to deter and detect fraud and misconduct. Mr. Dorris recalls a recent conversation with a Certified Fraud Examiner (CFE) in the Middle East regarding a

government agency partnering with the ACFE to provide education for anti-fraud professionals. It has opened a new door in the region for collaboration with business, industry and academia for anti-fraud training. Strong leadership in fighting fraud makes a huge difference in bringing all these groups together.

- In keeping with the mission to reduce the incidence of fraud and white-collar crime and to assist the membership in fraud detection and deterrence, all ACFE members must meet the rigorous criteria for admission to the Association of Certified Fraud Examiners. Thereafter, they must exemplify the highest moral and ethical standards and must agree to abide by the bylaws of the ACFE and the Code of Professional Ethics. An ACFE Member shall, at all times, demonstrate a commitment to professionalism and diligence in the performance of his or her duties.
- An ACFE Member shall not engage in any illegal or unethical conduct, or any activity which would constitute a conflict of interest.
- An ACFE Member shall, at all times, exhibit the highest level of integrity in the performance of all professional assignments and will accept only assignments for which there is reasonable expectation that the assignment will be completed with professional competence.
- An ACFE Member will comply with lawful orders of the courts and will testify to matters truthfully and without bias or prejudice.
- An ACFE Member, in conducting examinations, will obtain evidence or other documentation to establish a reasonable basis for any opinion rendered. No opinion shall be expressed regarding the guilt or innocence of any person or party.
- An ACFE Member shall not reveal any confidential information obtained during a professional engagement without proper authorization.
- An ACFE Member will reveal all material matters discovered during the course of an examination which, if omitted, could cause a distortion of the facts.
- An ACFE Member shall continually strive to increase the competence and effectiveness of professional services performed under his or her direction.¹

¹ACFE 2019 Code of Ethics, <https://www.acfe.com/code-of-ethics.aspx>.