**Case 1-7 Eating Time**

**This case is treated as GVV in the Test Bank IM in Chapter 2. Faculty can assign the case in Chapter 1 or delay it until Chapter 2, if they plan to use it for GVV testing purposes in Chapter 2.**

Kevin Lowe is depressed. He has been with the CPA firm Stooges LLP for only three months. Yet the partners in charge of the firm—Bo Chambers and his brother, Moe—have asked for a “sit-down.” Here’s how it goes:

“Kevin, we asked to see you because your time reports indicate that it takes you 50 percent longer to complete audit work than your predecessor,” Moe said.

“Well, I am new and still learning on the job,” replied Lowe.

“That’s true,” Bo responded, “but you have to appreciate that we have fixed budgets for these audits. Every hour over the budgeted time costs us money. While we can handle it in the short run, we will have to bill the clients whose audit you work on a larger fee in the future. We don’t want to lose clients as a result.”

“Are you asking me to cut down on the work I do?” Lowe asked.

“We would never compromise the quality of our audit work,” Moe said. “We’re trying to figure out why it takes you so much longer than other staff members.”

At this point, Lowe started to perspire. He wiped his forehead, took a glass of water, and asked, “Would it be better if I took some of the work home at night and on weekends, completed it, but didn’t charge the firm or the client for my time?”

Bo and Moe were surprised by Kevin’s openness. On one hand, they valued that trait in their employees. On the other hand, they couldn’t answer with a yes. Moe looked at Bo, and then turned to Kevin and said, “It’s up to you to decide how to increase your productivity on audits. As you know, this is an important element of performance evaluation.”

Kevin cringed. Was the handwriting on the wall in terms of his future with the firm?

“I understand what you’re saying,” Kevin said. “I will do better in the future—I promise.”

“Good,” responded Bo and Moe. “Let’s meet 30 days from now and we’ll discuss your progress on the matters we’ve discussed today and your future with the firm.”

In an effort to deal with the problem, Kevin contacts Joyce, a friend and fellow employee, and asks if she has faced similar problems. Joyce answers “yes” and goes on to explain she handles it by “ghost-ticking.” Kevin asks her to explain. “Ghost-ticking is when we document audit procedures that have not been completed.” Kevin, dumbfounded, wonders, what kind of a firm am I working for?

**NOTES**

This case has students explore the pressure to cheat or lie. This case is good case to discuss the slippery slope of ethical situations. It also deals with how the culture of a firm (i.e., eat time) should affect one’s actions when trying to act ethically.

**Ethical Issues**

Rights Perspective: Working a regular overnighter is setting one up for burn-out, if not a health safety threat. Employees have the right to receive a competitive wage. However, working twice the hours without being paid overtime is working for half the pay.

Kevin should consider the short and long run consequences. In the short run, Kevin does not hurt anyone but himself and his family if he doubles up on work and sacrifices family responsibilities. In the long run the client gets a cheaper audit and a worse audit as Kevin starts cutting corners; the partners get higher profit than if they paid for actual hours worked. The long term effect to Kevin is that he learns secrecy, deceit, and lies.

The Pillars in this case include trustworthiness, responsibility, fairness, caring and citizenship.

**Questions**

1. **Kevin is not a CPA yet. What are his ethical obligations in this case?**

As an inspiring CPA candidate, Kevin has the same the ethical obligations as a CPA. He should place the public interest ahead of all other interests, be independent of the client, make decisions objectively, exercise due care in the performance of professional services, and act with integrity. He also has a responsibility to others in the firm who might be held to the same standard if Kevin establishes a willingness to “eat time” to meet the goals set by Bo and Moe.

Kevin needs to carefully consider the ethics of “eating time.” It is a dishonest practice and one that sets an unrealistic standard for other employees to meet.

1. **Given the facts in the case, evaluate using deontological and teleological reasoning whether Kevin should take work home and not charge it to the job. What about engaging in ghost-ticking?**

Kevin might be tempted to work off the clock automatically. Kevin might feel that he has no choice to do otherwise or else he will be fired. The pressure to lie about doing the work may add more pressure to Kevin and add to the possibility of burn out. If Kevin were to take the work home, he may start cutting corners and performing at a less than optimal level. Likewise, there may have been changes with the client personnel or unexpected accounting issues that are causing the extra work. For instance, the area of capital expenditures may have changed dramatically during the year. The company may have expanded facilities or changed to leasing assets rather than purchasing, or vice versa. In rushing to meet the time budget, complex accounting issues may not be fully considered or accounted for properly. The public (i.e., investors and creditors) want to know that the accounting for these important assets is following generally accepted standards. Kevin has a duty to these stakeholders to ensure that the audit work is done properly and thoroughly.

If the true desire of the firm was for quality audits, then Kevin needs to be properly trained and supervised. Extended time on the audit might indicate a problem area in the audit which should not be ignored. Instead of rushing Kevin, the firm should try to understand why the work is taking longer. Kevin also needs to consider that if he is being pressurized to lie in one area of his job, he may be asked to lie in another area in the future.

Accountants working in public accounting firms have an ethical obligation to perform their work with due diligence, and to only document and record work that has actually been completed. Documenting audit procedures that have not been completed, known as "ghost-ticking," is ethically wrong and may place an accountant or the accounting firm at risk. In addition, some auditors may feel pressured to meet time budgets by recording fewer hours than they actually worked. This phenomenon, called "eating time," is prohibited by nearly every major accounting firm. Accountants should recall that this practice is tantamount to falsifying records and is ethically questionable, at best.

Ghost ticking, or dry tick marks, is another form of lying. When the Big 4 was the Big 8, one of the firms let it be known that new hires would have their work checked on a random basis. If any ghost ticking or dry tick marks were found, that individual would be let go immediately. Joyce may have done ghost ticking to cover for work not completed in a given day. What if she gets sidetracked the next day and cannot return to the previous ticking? What if neither she nor another team member gets back to the testing? What if the ghost ticking includes the transactions that would have uncovered a material error, fraud, misstatements, or an illegal act? Kevin has a duty to the public to complete work with integrity and due diligence. He should not do ghost ticking to cover up work that is not complete.

1. **What would you do if you were Kevin and why? How would you explain your position to Bo and Moe when you meet in 30 days?**

Kevin should try to track his time over two weeks to determine what is causing the excess time. Is he taking too long trying to figure things out? Should he be asking questions sooner in his work to ensure that he is on the right track and for clarification before he has invested too much time? Is there a supervisor or senior at the client’s that can answer his questions and provide guidance? When Kevin runs across something that he considers unusual, does he check with the supervisor or senior to see if it is really unusual and what the next steps should be? Is Kevin slow at filling out his electronic work papers? Does he need to spend time on his Excel skills? (Many a professor has a story of the old days when as a new staff person she was given a phone book to enter phone numbers to develop speed on a 10-key adding machine.) Is Kevin keeping the client late to complete work papers? If that is the case, that might be the reason to take work home, not to hide unreported time but rather as a courtesy to the client. At the end of two weeks of examining why the work is taking so long, Kevin should have a good idea if he needs more training, supervision or need to find a better job fit for his skills. If Kevin needs more training or supervision, that must be conveyed to Bo and Moe.