Case Study #1 WALITAN CONSTRUCTION COMPANY

Ashley Wesley is the assistant controller at the Walitin Construction Company. Walitin is headquartered in Miami, Florida, and has a general contractor’s license in 30 differ­ent states. It is a privately held company with about 5,000 stockholders, with the majority of the stock being owned by the Walitin family.

Roberta Walitin has been the CEO of Walitin Construction for the previous 12 years. Everyone considers her an excellent leader with excellent business skills. She has an undergraduate degree from the University of Illinois in engineering and an MBA from the same school with a concentration in accounting.

Roberta has always insisted on ethical business practices, so two years ago she worked  
with Ashley to set up an ethics hotline, which Ashley personally manages on a daily  
basis. Anyone either inside or outside of the company can submit tips anonymously by e-mail, telephone, or a special Web page she had set up. There is a prominent link to the hotline on the home page of the company’s Web site.

Since Ashley set up the hotline, she has received three tips, all via the Web. In every case, the tip was about a subcontractor overbilling the company for services ren­dered. In two of the cases, she was unable to confirm or disconfirm whether there was fraud, mainly because it is almost impossible to investigate the work of a sub­contractor on a job that has already been completed. But in the other case, she caught a roofer billing for fictitious work. She did not report the fraud to authorities, but Roberta did immediately replace the subcontractor with another roofing company. Ashley reports to Bob Benson, Walitin’s controller. He’s been with the company for many years and works very closely with Roberta. His main interest seems to be producing the financial statements and working with her to obtain new clients. Roberta and Bob spend large periods of their time going to lunches with clients, participating in civic meetings, and helping in small community-service construc­tion projects.

Because Bob is busy so much of the time with outside activities, Ashley pretty much runs everything in accounting on her own except for the software and hardware, which Bob manages in conjunction with the head of the IT department.

Bob is not interested in details, and anytime Ashley tries to explain something to him, he simply waves a hand and says, “Don’t worry me with operational issues. Just take care of it.” Ashley has learned to live with his hands-off approach.

Overall, Ashley runs everything smoothly. Her main problem is that Betty Grabber, the senior accountant reporting to her, wants Ashley’s job. To make things worse, Betty is a niece of Roberta Walitin’s husband.

Betty is a very wily person. Her goal is to have Ashley fired, and she’s been using her family connections to get the message to Roberta that Ashley is scheming to have Bob Benson, the controller, fired. Ashley also suspects that Betty has been spreading a rumor that she’s planning to go to work for a competitor if she is not successful in tak­ing over Bob’s job.

Ashley is unsure as to whether Bob is aware of the rumors. He seems to be avoiding her recently, and there seems to an edge in his usually friendly voice. Ashley is feeling depressed just thinking about it. She’s heard that Bob is having serious marital prob­lems. Perhaps those problems are affecting the way he acts.

This morning Ashley had a major surprise when she started reading her e-mail, which contained a new anonymous tip. Someone had submitted it last night via the Web, and it had automatically been forwarded to her via e-mail. The tip read as follows:

To: Walitin Tip System

From: <http://www.webuser@walitinconstructionservices.com>

Sent: Tuesday 8/1/2015

Ms. Wesley,

I’m sending this tip to help you. I understand what you are going through. You’re working for a liar and a thief. Bob Benson is hacking the accounting system to produce fraudulent financial statements. He’s doing it in such a way that you’ll get the blame. It’s going to be a big mess.

What should Ashley do? Should she try to investigate? Should she report the tip to Roberta?

Evaluate Walitin’s hotline and make recommendations for its improvement.