

Broken Trust: Control Breakdowns in a Governmental Setting

Case Abstract

Public officials are entrusted with hard-earned tax dollars meant to benefit the community in ways set out by their elected representatives. Controls and policies are put into place to ensure that individuals do not misappropriate those funds for other purposes, including their own personal gain. Sometimes safeguards are insufficient or break down in the face of human failings and human relationships. This case illustrates ways in which the principles of proper accounting and information systems controls, good personnel management, and effective ethical reasoning were all lacking in some way.

This case is about a controller who rose from humble beginnings and earned the trust of his community. This individual had been instrumental in modernizing the software systems of his department. He built a good reputation as a home-grown technology expert. He then began an inappropriate romantic relationship with the representative of a software vendor with whom his department had a large, multi-year contract. The controller used his position to forge checks and embezzle funds to finance the affair. In addition to using phone calls and trips to conduct this affair, he communicated explicitly in written messages using the department's email system and office computers. The existing internal controls did not catch him, and none of his thievery was discovered until after he went to work for a different organization. Activity in a checking account for a defunct association and recovered email messages were part of the evidence used to charge him. When confronted with this evidence, he pled guilty. This once-trusted official threw away years of hard work and a valuable reputation when he pled guilty and was sentenced to a hefty fine and prison time. In addition, he was fired from his new job.

This multi-disciplinary case provides background information about the individual and governmental department, the illegal behavior and the subsequent investigation. A series of questions require students to examine what went wrong and how the governmental department might have seen earlier warnings.