

**A questionable expenditure is made. What should be done?**

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**ABSTRACT**

As Chief Financial Officer, you become aware of possibly questionable expenditures made by an Executive Vice President. Your Superior is aware of the expenditures as is the President. Although the money was spent for goods, the payments were made to a company consisting of the wives of a senator and a representative. Someone could call these disguised campaign contributions. What should be done? What are your ethical obligations to the employees involved, to the company, and to the public? This case examines the actions taken by the CFO who handled this problem.

Keywords: political contributions, ethics, campaign contributions

## THE ORIGINAL BILL

You are CFO of a highly regulated California company which often interacts with legislators in Washington, particularly on tax legislation. You have been asked to contribute and have contributed to your company Political Action Committee as well as directly to certain Senators and Representatives. Since company executives constantly travel to Washington, your legal counsel (an Executive VP) has arranged the purchase of a condominium for about \$200,000 near Georgetown for them to stay in while visiting. He also arranged with an interior decorating company to decorate the 2 Bedroom condo. They have done so by purchasing expensive furnishings and then sending you a bulk bill for \$75,000 with no detail. The bill was paid based on a rush basis on the XVP's authority.

### Questions for Discussion

1. As CFO, you are responsible for safeguarding the company's assets. What general procedures should be in place to pay invoices?
2. What should be the procedure for rush invoices?

## THE FOLLOWUP

Since no detail was provided for the invoice, you write the decorating company asking them to provide detailed information as to what the money was used for. You don't get a response, so you send a follow-up letter advising they will get no further business, unless they provide the requested information. You still get no response.

### Questions for Discussions

1. Why do you think this happened?
2. What should be your next steps to get the information?
3. How can you prevent this from happening in the future?

## YOUR BOSS WEIGHS IN

As you are deciding what to do, you are called in your boss's office—another XVP—and asked what you needed the information for. You explain that, as a regulated company, we get audited and must justify the expenses. You advise him that this bill never would have been paid except for the insistence of the legal counsel. He tells you that this is a startup company consisting of two women who have done a great job of decorating the condo but are not business people. As such they did not keep the invoices. He says to just drop the matter.

### Questions for review

1. What explanations can you think of for his telling you to drop the matter.
2. What do you do about what your boss is telling you to do?
3. Should you stop here?
4. Should you try to do something else? If so, what?

5. What do you tell your employees?

### THE REAL STORY

Later you learn that the two women are wives of a Senator and a Representative.

#### Questions for Discussion

1. What are the possible ramifications of this transaction?
2. Could this be a crime?
3. How would it look if this transaction shows up in the newspaper?
4. What do you do now to protect the company?

### THE RESOLUTION

You have reason to visit the East Coast and visit the property. It is well decorated with fine furniture. You inventory it and bring the list back to your office. You prepare a memo to file conferring with legal counsel as you do so. You want to give your memo some semblance of Attorney-Client privilege. You then write a letter to the XVP with copies to your boss and the President explaining that you have documented the matter and laying out the procedure for incurring costs on behalf of the company. You also meet with your controller to determine that procedures are in place to keep incidents like this from occurring in the future.

#### Questions for Discussion

1. What do you think of the resolution?
2. Is there something else you should do?

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