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Cheating at Ethics: An Ernst and Young Case Study

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Abstract

This teaching case utilizes a real-world example of ethics violations occurring at Ernst and Young, one of the Big Four accounting firms. An SEC investigation revealed widespread cheating by its employees on professional education exams required for CPA licensing. The misconduct violated federal securities laws and the codes of conduct of several professional organizations. It was also not the first time EY had addressed ethical misconduct amongst its employees, but it failed to prevent or stop the practice from continuing. EY was fined \$100 million and required to hire independent consultants to review its policies, ethics and disclosure procedures. Students are required to read through the case and work in groups to answer questions ranging in difficulty based on course level. The EY case is simple enough to be understood by all students, but may be used as a starting point for more advanced discussions on the ethical obligations and responsibilities of accountants and the accounting profession.

Keywords: ethics, misconduct, SEC enforcement, auditing, continuing professional education, professional integrity.

SUMMARY

Ernst and Young (EY), one of the largest auditing firms in the world, recently settled with the SEC and agreed to pay a \$100 million fine after an investigation revealed widespread cheating by its auditors on exams required for professional licensing (SEC, 2022b). EY internally addressed similar cheating and misconduct several years earlier but did not do enough to prevent or stop the practice from recurring. As an indication of the seriousness of the violations, the SEC settlement required EY to hire two separate, independent consultants to review the firm's policies and ethics procedures as well as the firm's failure to properly disclose the cheating (Goldstein, 2022). The misconduct and lack of professional integrity was found to be in violation of federal securities laws, public company accounting oversight board (PCAOB) rules, and the American institute of certified public accountants (AICPA) code of professional conduct.

I. INTRODUCTION

1.1. Ernst and Young (EY)

Ernst and Young global limited is a multinational professional services partnership headquartered in London, England with over 700 office locations in 150 countries and more than 300,000 employees. The U.S. member firm (Ernst and Young LLP, henceforth EY) is formed as a limited liability partnership and is headquartered in New York, New York. EY provides a variety of services, including assurance, audit, tax, consulting and business advisory and is one of the "big four" accounting firms in the U.S. (EY, 2022a). EY is responsible for the audits of many corporate powerhouses (for example, AT&T,

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Coca Cola, General Motors, Wal-Mart, etc.) and maintains significant influence on the accounting profession. Big Four accounting firms audit the majority of publicly traded companies in the United States and serve a role as gatekeepers of the financial markets. Auditors provide an independent audit each year that helps maintain and improve investor confidence and trust in the markets. The auditing profession is absolutely dependent on the trust and confidence of investors.

1.2. CPA Exam Licensure and CPE

To become a licensed CPA in the U.S., qualified candidates must pass all four parts of the CPA exam, which is administered by the National Accounting Standards Board (NASBA) and accepted by all 55 jurisdictions (50 states and 5 additional jurisdictions). In addition to passing the CPA exam, many jurisdictions require candidates to pass some type of ethics exam, the most common being the AICPA ethics exam. The AICPA ethics exam covers the AICPA code of professional conduct and tests candidates on professional ethics issues they may encounter as CPAs. The AICPA's exam is 40 multiple choice questions with a passing score of 90, and candidates have 3 attempts (Boyd, 2022). Alternatively, some jurisdictions administer their own ethics exams through their state society of CPAs, some require candidates to complete an ethics class, and some states don't require any additional ethics testing.

Once a CPA license has been obtained, CPAs are required to complete continuing professional education (CPE) credits in order to maintain and renew it. The CPE requirements are designed to help ensure that professionals maintain and continue to develop their competencies and skill sets as providers of professional services throughout their careers (NASBA, 2022).

Similar to licensing, each individual jurisdiction is responsible for setting the total number of CPE credit hours required, any minimum number of CPE credits per year, as well as content-specific and other requirements. For example, in New Jersey, CPAs in public practice must complete 120 total credit hours each three years period, with a minimum of 20 credit hours per year, with 24 of those credit hours in the areas of accounting and auditing and 4 of those credit hours in NJ law and ethics (NJCPA, 2022).

CPAs must earn their CPE credits from qualifying programs, such as in-house training at CPA firms, college-level courses, conferences, etc. The national association of state boards of accountancy (NASBA) serves each of the 50+ state-level CPA boards and maintains the official registry of CPE sponsors. According to the standards jointly determined by NASBA and state boards, 50 minutes of an approved program is equivalent to 1 CPE credit (NASBA, 2022). Each individual CPA is responsible for maintaining accurate records of the CPE credits they have earned, including document retention and providing evidence of completion (CPE certificates, college transcripts, graded assessments, etc.).

II. CASE INFORMATION

2.1. Alleged Fraud/Illegal Activity

In December 2014, a whistleblower at EY reported a flaw in the firm's CPE software that allowed CPAs to earn a passing grade on CPE exams without answering the required number of correct responses. Exam takers were able to answer a single question correctly and earn a passing score. This software flaw existed from 2012 - 2015 and during that time over 200 EY audit professionals in multiple offices exploited it to earn CPE credits (SEC, 2022a). EY conducted an internal investigation and despite the widespread cheating, the firm did not disclose the cheating to regulators.

Following the discovery of the misconduct, EY added prominent warnings to their CPE exams, reminding exam-takers that cheating constituted a violation of EY's code of conduct and could result in a disciplinary action. The EY code of conduct is explicit on the subject of professional integrity, explaining that, "we comply with laws, regulations and standards that apply to us in our professional conduct", "we uphold the EY reputation", and "we acknowledge that each of us is responsible for keeping our professional knowledge up to date..." (EY, 2022b, p. 14).

Despite the additional warnings, EY audit personnel continued to cheat on CPE exams in order to earn CPE credits. EY continued to warn its employees not to cheat but failed to implement any additional controls to prevent or detect the misconduct.

On June 17, 2019, the SEC announced a settlement with another Big 4 accounting firm, which included its own cheating scandal on internally administered CPE exams and training courses. According to the co-director of the SEC's enforcement division, "this conduct was particularly troubling because of the unique position of trust that audit professionals hold" (SEC, 2109). Two days later, On June 19, 2019 EY's U.S. chair and managing partner sent out a strongly worded message to all U.S. employees reminding them that, "...sharing answers on internal or external tests or evaluations is highly unethical behavior, in violation of our code of conduct, and will not be tolerated at EY" (SEC, 2022a).

On June 19, 2019, the SEC's division of enforcement sent EY a formal request asking if there had been any whistleblower or ethics complaints regarding the internally administered CPE testing at EY or any of the training programs. EY reported five instances of cheating or misconduct that had occurred but did not include any reference to the 2014 software flaw or any of the recurring cheating complaints and tips. EY purposefully gave the impression that cheating was not an issue at the firm, even when ongoing ethics complaints and tips were being reported to human resources.

Around this same time, a manager reported that a professional in the EY audit group had emailed another employee answers to a CPA ethics exam. EY began an extensive investigation but did not update or correct its original submission with the SEC's enforcement division. By the fall of 2019 EY discovered significant misconduct from its audit professionals: multiple offices engaged in cheating on the CPA ethics exams, as well as a wide variety of CPE courses, including courses on ethics. Ninety-one audit professionals were found to have requested, used or shared answer keys with co-workers, even after the firm-wide warning was sent out by the U.S. chair and managing partner in June 2019.

During the investigation, many of these employees acknowledged that they knew the cheating violated the code of conduct, but that they still cheated due to work commitments, time constraints, or an inability to pass after multiple attempts. Additionally, a significant number of EY professionals did not cheat themselves but were aware of the cheating and failed to report it (SEC, 2022a).

2.2. Aftermath

EY continued to broaden its investigation and eventually reported the cheating to the PCAOB in March 2020. The firm completed a thorough investigation and provided substantial information about the misconduct, but failed to, "...self-police, self-report, remediate or cooperate in the commission's investigation" (SEC, 2022a, p.7). Ultimately it was the PCAOB that notified the SEC of the misconduct at EY.

According to the SEC, EY violated the rules of several regulatory bodies, including PCAOB rule 3500T, which requires the firm and its professionals to comply with ethics standards, including maintaining integrity when performing any professional service in connection with the preparation of an audit (SEC, 2022a). The firm also failed to comply with PCAOB quality control standards, which require that, “policies and procedures should be established to provide the firm with reasonable assurance that personnel...perform professional responsibility with integrity, and maintain objectivity in discharging professional responsibilities” (PCAOB, 2022). EY also failed to comply with the AICPA code of professional conduct.

As part of the settlement, EY agreed to pay a \$100 million fine, twice as large as the fine paid by the other Big 4 firm in 2019 and the largest ever imposed by the SEC against an auditing firm (Goldstein, 2022). EY admitted that a significant number of EY audit professionals cheated on the ethics component of CPA exams and CPE courses, and that the firm conveyed to the SEC it did not have a problem with cheating when it was known to senior members and lawyers at EY that an internal investigation on cheating was taking place (SEC, 2022a).

According to EY, “...nothing is more important than our integrity and our ethics. Our response to this unacceptable past behavior has been thorough, extensive, and effective” (Ganun, 2022). Public accounting firms serve as gatekeepers in the financial markets, making their independence and integrity (in both appearance and in fact) extremely important. The cheating scandal comes on the heels of a string of failed audits that have caused EY reputational damage and loss of client trust (Michaels, 2022)

In addition to the penalty, the SEC ordered EY to retain two separate independent consultants to engage in extensive undertakings to review and remediate the internal deficiencies that allowed the cheating to occur as well as EY’s failure to disclose the misconduct or correct its misleading submission (SEC, 2022b).

As part of the settlement, EY was required to provide all its issuer audit clients with a copy of the SEC Order. Further, all of its audit professionals and all EY partners that were involved or aware of the cheating were required to complete a minimum of 6 credit hours of ethics and integrity training every 6 months (SEC, 2022a).

III. DISCUSSION QUESTIONS AND SUGGESTED SOLUTIONS

3.1. Discussion Questions

- 1) Describe the multiple unethical practices of EY that were uncovered in this scandal and provide a brief timeline of the unethical behavior.
- 2) How was the scandal uncovered?
- 3) Why do you think the cheating was not uncovered sooner? Explain the motivations of both EY employees and top management to conceal the cheating.
- 4) What would have been the appropriate way for EY to handle the unethical behavior?
- 5) What were the costs to EY as a result of the cheating scandal?
- 6) Do you think the SEC fine was appropriate in this case? Is it large enough to serve as a deterrent to future cheating?
- 7) Did EY implement additional internal controls to prevent cheating after the initial cheating scandal was uncovered in 2014? Do you think the firm’s response was sufficient to deter or detect additional misconduct?
- 8) What type of internal controls could have prevented this behavior? Provide three examples.
- 9) Explain the different functions of the SEC, PCAOB, and the AICPA in relation to the case.

- 10) Locate the AICPA code of professional conduct:
 - A. How does the code define “integrity” and what does it require of members?
 - B. Locate the “acts discreditable rule”. Do you think this case constitutes a violation of this rule? Explain your answer.
- 11) Over multiple years, a significant number of EY audit professionals cheated on a variety of examinations required to maintain their licenses. While this was ongoing, EY knowingly withheld and misrepresented the misconduct from the SEC during an ongoing investigation. Which do you think is the more serious ethical violation and why?
- 12) One of the roles of public accounting firms is to ensure the integrity of the financial reporting completed by public companies and to hold those companies accountable. Explain why the misconduct at EY is especially troubling in this context.

3.2. Suggested Solutions

- 1) Describe the multiple unethical practices of EY that were uncovered in this scandal and provide a brief timeline of the unethical behavior.

The unethical behavior started in 2012 when an internal ethics test given for CPE credit within the firm had a software glitch that allowed test takers to receive a passing grade with only one correct answer. This unethical practice was utilized by over 200 EY audit professionals from 2012 to 2015.

In 2014 a whistleblower reported the problem to management. Following this discovery, warnings were issued at the beginning of the CPE exam stating that cheating was against EY’s code of conduct and could result in disciplinary action. EY continued issuing these warnings and apparently took some disciplinary actions. However, the cheating continued until 2015.

Subsequently on June 19, 2019 the SEC Division of Enforcement sent an official request to EY asking if there had been any whistleblower or other ethical complaints regarding cheating on the company’s internally administered CPE exams or other testing programs. EY responded with a report of 5 occurrences of cheating or misconduct giving the impression that cheating was not a problem within the firm.

At the same time an employee reported that audit professionals were sending the answer key to the ethics portion of the CPA exam to colleagues within the firm. An intensive investigation was conducted at the firm but management did not update the SEC Division of Enforcement of this finding. EY failed to inform the SEC Enforcement Division as to the discovery of significant cheating at the firm and information on the intensive investigation being conducted.

Finally in March of 2020, EY notified the PCAOB of the cheating scandal at the firm and consequently the PCAOB notified the SEC.

- 2) How was the scandal uncovered?

EY reported the scandal to the PCAOB in March of 2020 and the PCAOB notified the SEC Enforcement Division. The SEC noted that EY continued to misrepresent the company’s ethical issues and failed to update the Commission as to the seriousness and widespread occurrence of cheating after the SEC’s inquiry on June 19, 2019, therefore, hindering the SEC’s investigation.

- 3) Why do you think the cheating was not uncovered sooner? Explain the motivations of both EY employees and top management to conceal the cheating.

This is a difficult question to answer. Overall, the cheating was reported by a whistleblower in 2014 for the initial problem of the internally administered CPE ethics test. At that time the management of EY chose to issue warnings regarding the behavior.

If any disciplinary action was taken it apparently was ineffective in discouraging the unethical behavior. The audit professionals took the lead from top management and continued to cheat as there appeared to be little if any negative consequences for the unethical behavior.

Surprisingly EY management did not lead by example. Management was motivated partly by maintaining company reputation. Integrity of the firm is paramount to servicing clients and maintaining confidence in the marketplace. One of the main roles of an auditor is to attest to the fair presentation of a company's financial statements so that investors and creditors can make investment decisions based on the audited financial statements. Publicity for EY that suggested unethical behavior could harm the reputation of the firm. Additionally, it would be disruptive and costly to address the cheating issue. It is difficult to ascertain whether management was aware of the extent of the cheating at first. However, by the beginning of 2020 management and the attorneys must have realized that it was widespread during the firm's intensive investigation of the reports of unethical behavior in 2020.

The audit professionals at the firm that participated in the unethical behavior were motivated by pressure of the job. Accountants typically work long hours and can be under a great deal of stress particularly during the busy season. Therefore, the stress of the job, and the pressure to meet these requirements coupled with no apparent adverse consequences to cheating perpetuated the cheating.

The professionals at EY who didn't participate in the cheating but knew about it were also guilty of unethical behavior. They were motivated to not report because they did not want to get their team members in trouble so they looked the other way.

4) What would have been the appropriate way for EY to handle the unethical behavior?

It is always easier to comment on appropriate responses after the fact. However, clearly EY did not have an effective response to the cheating when it was first reported by a whistleblower in 2014. Some responses could have been censure or suspension for audit professionals that had violated the EY code of conduct. Monetary penalties could have been imposed. Moreover, an investigation into how the software flaw happened and why it wasn't discovered sooner would have been appropriate. Quality control measures to prevent such software issues and internal control procedures to help discover such problems sooner could have been put in place.

It is difficult to know if management was aware of the extent of the cheating during the 2012-2015 period and how forcefully they attempted to stop the behavior. However, when management became aware of the unethical behavior on the CPA exam in 2020 an intensive investigation by EY revealed a serious problem. At this time, it would have been appropriate for EY to report their findings to the SEC Enforcement Division and cooperate in the SEC investigation.

5) What were the costs to EY as a result of the cheating scandal?

Ultimately, the cheating scandal had significant costs for EY. The obvious cost is the \$100 million penalty. Other significant costs included the company's engagement of an independent consultant to review and remediate any internal deficiencies that allowed the cheating to take place. In addition, a three-person committee of EY senior personnel not involved in the June 2019 Enforcement Division Request had to retain a consultant to review and make recommendations regarding the misleading submission to the SEC and the failure to resubmit updated information regarding the firm's knowledge and intensive investigation of cheating at the firm.

Furthermore, EY had to provide all issuer audit clients with a copy of the SEC Order. All EY audit professionals and partners who participated in the cheating or were aware of the cheating were required to take at least 6 credit hours of ethics and integrity training every six months. In addition, there were significant legal costs.

6) Do you think the SEC fine was appropriate in this case? Is it large enough to serve as a deterrent to future cheating?

It seems that the SEC fine was appropriate. It is difficult to say if the fine will deter future cheating. However, it seems that with all the repercussions of this scandal that EY will be hesitant to dismiss any future whistleblower complaints or reports of misconduct.

7) Did EY implement additional internal controls to prevent cheating after the initial cheating scandal was uncovered in 2014? Do you think the firm's response was sufficient to deter or detect additional misconduct?

The initial cheating was made possible by a software flaw in EY's testing platform, which allowed EY staff to pass ethics exams even when a low percentage of questions were answered correctly. As a result of the initial investigation, EY fixed the software flaw and took a variety of disciplinary actions against individuals who engaged in the misconduct. The firm also added prominent warnings to CPE exams and repeatedly warned its audit professionals not to cheat on ethics exams or other types of CPE, but no additional internal controls were implemented.

Clearly the firm's response was not sufficient to deter future misconduct, as evidenced by the continued cheating by EY staff over several years. EY failed to have adequate policies and procedures in place to provide its staff with the ethical and technical training necessary to monitor for, deter and/or detect the misconduct.

8) What types of internal controls could have prevented this behavior? Provide three examples.

There are many ways EY could have addressed the cheating, including:

- a) Separating the test-taking and scoring function - EY could have outsourced the testing process to an external provider.
 - Utilize third party test-taking technology meant to prevent or detect cheating.
- b) Limit access to exam solutions - EY could have limited access to the solutions so that audit staff who had completed the exams could no longer log back in to view the questions and answers.
 - Prevent users from downloading solutions.
 - Limit the number of log-ins once an exam is completed.
- c) Increased monitoring - EY could monitor how long users took to complete an exam, or how long users had the solutions open.
 - Monitoring the scores/solutions for test-takers - for example, what percentage of users were getting certain questions incorrect.
- d) Spot checking actual exam answers versus reported exam scores.
- e) Requiring a more thorough employee sign-off process before they are able to submit CPE scores or records.
 - Including CPE completion or scores as part of the ongoing employee evaluation process.
 - Increased ethics and integrity training for all employees of EY.
- 9) Explain the different functions of the SEC, PCAOB, and the AICPA in relation to the case.

SEC - the SEC is an independent agency of the U.S. government with the goals of protecting investors, maintaining fair markets and facilitating capital information. The SEC was responsible for bringing charges against EY for violations of PCAOB Rule 3500T within Section 4C(a)(3) of the Exchange Act and Rule 102(e)(1)(iii) of the SEC's Rules of Practice and of Section 4C(a)(2) and Rule 102(e)(1)(ii).

PCAOB - the PCAOB is a private-sector non-profit corporation created by the Sarbanes-Oxley Act of 2002 to oversee the auditors of public companies. The PCAOB issues its own standards and interpretive guidance, completes its own inspections and enforcement, in the name of protecting investors and the public interest. The SEC oversees the PCAOB. EY violated PCAOB Quality Control Standards, which requires it to have a system of quality control in place that provides reasonable assurance that its audit staff perform all professional responsibilities with integrity, as well as requiring CPAs to be honest and candid.

AICPA - the AICPA is the national professional organization of CPAs in the U.S. As a member of the AICPA, EY is required to comply with the AICPA's Code of Professional Conduct, which requires firms to maintain integrity in connection with the provision of professional services.

10) Locate the AICPA code of professional conduct:

a) How does the Code define "integrity" and what does it require of members?

The AICPA code of professional conduct, effective as of December 15, 2014 is published by the AICPA here: <https://pub.aicpa.org/codeofconduct/Ethics.aspx>

The code defines integrity in the preface (0.300.040 integrity):

- (1) Integrity principle. To maintain and broaden public confidence, members should perform all professional responsibilities with the highest sense of integrity.
 - (2) Integrity is an element of character fundamental to professional recognition. It is the quality from which the public trust derives and the benchmark against which a member must ultimately test all decisions.
 - (3) 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 or advantage. Integrity can accommodate the inadvertent error and honest difference of opinion; it cannot accommodate deceit or subordination of principle.
 - (4) Integrity is measured in terms of what is right and just. In the absence of specific rules, standards, or guidance or in the face of conflicting opinions, a member should test decisions and deeds by asking: "am I doing what a person of integrity would do? Have I retained my integrity?" Integrity requires a member to observe both the form and the spirit of technical and ethical standards; circumvention of those standards constitutes subordination of judgment.
 - (5) Integrity also requires a member to observe the principles of objectivity and independence and of due care.
- b) Locate the "acts discreditable rule". Do you think this case constitutes a violation of this rule? Explain your answer.

The acts discreditable rule states that, "a member shall not commit an act discreditable to the profession" (AICPA Code 1.400.001 acts discreditable), (AICPA, 2014). The misconduct that occurred at EY is a clear violation of this rule and the fact that so many EY staff cheated for so many years on the ethics and CPE exams emphasizes the seriousness of the issues.

- 11) Over multiple years, a significant number of EY audit professionals cheated on a variety of examinations required to maintain their licenses. While this was ongoing, EY knowingly withheld and misrepresented the misconduct from the SEC during an ongoing investigation. Which do you think is the more serious ethical violation and why?

Both are serious ethical violations and answers may vary depending on student opinions. Because of the role EY and the other public accounting firms play in instilling confidence in the capital markets, the fact that EY knowingly withheld the misconduct from the SEC after directly being asked about it could be considered more serious. EY's submission to the SEC created the impression that there were no issues with cheating, while it was known to many working in Human Resources that there was a recurring problem. Claiming integrity and ethics are of paramount importance while omitting material information about employee misconduct from regulatory investigation is both hypocritical and a serious ethical violation.

- 12) One of the roles of public accounting firms is to ensure the integrity of the financial reporting completed by public companies and to hold those companies accountable. Explain why the misconduct at EY is especially troubling in this context?

As a public accounting firm, when EY performs audits of public companies it is literally the firm's job to ensure the integrity of the financial reporting. High quality audit work supports a functioning economy and helps protect investors and the public interest. Users of financial statements, including businesses, investors, government entities, taxpayers, etc. gain confidence because auditors apply specialized, independent third-party judgment to financial reporting (as well as other matters), which enhances the credibility and reliability of the information. If the opinion or judgment of auditors is called into question, it could fracture the foundation of the profession and diminish the public trust and investor protections of audits.

IV. LEARNING OBJECTIVES AND IMPLEMENTATION GUIDANCE

4.1. Learning Objectives

This case demonstrates a pervasive issue in today's competitive business environment. It is difficult to assess how widespread cheating is within an organization. This case highlights how long cheating can be perpetuated even after the initial whistleblower complaint.

The case is appropriate for an introductory financial reporting class as well as audit classes and business ethics. Students can link the initial unethical misconduct of exploiting a software glitch starting in 2012 to the perhaps more serious cheating that was uncovered in 2019 that involved using answer keys for the ethics component of the CPA exam. The case illustrates how management's verbal warnings of unethical behavior were clearly insufficient to stop the behavior.

Table 1 links the case questions to the learning objectives of the case. After completing the case students will have an understanding of the main aspects of the EY cheating scandal. They will discuss the ethical challenges of audit professionals that engaged in cheating as well as firm professionals that knew of the cheating but failed to report. Also, EY management and their legal team neglected to disclose the behavior once it was reported. Therefore, the case demonstrates how the scandal impacted multiple layers of professionals within the firm.

Students will also examine the different roles of the SEC, PCAOB, and the AICPA relevant to this case. In addition, appropriate internal control procedures are introduced to help safeguard against potential unethical behavior within the firm.

Table 1
Learning Objectives Mapped to Discussion Questions

Learning Objectives	Discussion Questions
(1) Students will explain the EY cheating scandal and how it violated various ethics and integrity standards for accounting professionals.	Q1, Q10
(2) Students will identify how the scandal was uncovered and discuss the unique ethical challenges faced by accounting professionals.	Q2, Q3, Q4, Q11, Q12
(3) Students will describe the negative consequences of violating ethical standards.	Q5, Q6
(4) Students will identify internal controls that safeguard against unethical behavior.	Q7, Q8
(5) Students will identify the role of the SEC, PCAOB and AICPA in the case.	Q9

4.2. Implementation Guidance

This case can be used in undergraduate courses in financial accounting, business ethics, and auditing. Also, different parts of the case as well as the level of complexity covered can be adapted to the individual course. For example, the case can be used at the introductory level when covering ethics and the auditor's role in accounting. The different roles of the SEC, PCAOB, and the AICPA can also be covered. An auditing course can emphasize an in-depth coverage of the AICPA's code of conduct and the internal control implications of the scandal. This case is also relevant in a business ethics course as cheating is a problem across many disciplines.

Once the case is assigned to students we suggest spending approximately 30 minutes in class discussing the main issues in the case. At that point students can be organized into groups of 3 to 4 students to discuss and complete the questions assigned to that particular class. For an introductory course the case timeline is easily determined. Once that is established students may need some help separating the multilayers of professionals that engaged in misconduct. The first inclination is to focus on the audit professionals that actually cheated. Discussion of the ineffective response by management and then the failure of management and legal counsel to disclose the problems of unethical behavior to the SEC during their investigation needs to be emphasized. The role of the auditor and the functions of the regulatory agencies can be introduced and discussed at this time.

For an auditing class more emphasis can be placed on the internal control issues that could safeguard against this unethical behavior. Also, The AICPA code of conduct can be analyzed and applied to the case. An ethics course in business can be tailored to the level of instruction and can emphasize the overall elements as the case emphasizing the role of EY in the audit environment and how the reliability and assurance of accounting information is critical to maintain integrity in the capital markets.

4.3. Case Contribution

Cheating is a serious problem in today's competitive environment. This case illustrates a scandal that was perpetuated over many years and shows the consequences of such unethical behavior. Students are familiar with this topic and the case is easily understood by them.

The case contributes to the body of literature that helps instruct future accountants and business executives regarding what defines unethical behavior and the ultimate consequences of such behavior. Management and legal teams can review the details of

the case to evaluate possible deterrent behavior and internal control procedures to help prevent future unethical activities. Bringing these examples of misconduct to the forefront can communicate to the various stakeholders a commitment to addressing and discouraging potential unethical behavior.

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