

H-P Ouster a 'Teachable Moment'

Ethics Advisers Are Seeing Renewed Interest in How to Monitor Expense Reports

By [JOE LIGHT](#) And [JOE WALKER](#)

Firms that help companies thwart expense-report violations say they're seeing more interest in their services since irregularities prompted the ouster of former [Hewlett-Packard](#) Co. chief [Mark Hurd](#) earlier this month.

Ethics advisers and hotline sellers say they're getting more inquiries about expense reporting. The Ethics and Compliance Officer Association, a professional group, said traffic to the expense-report advice section of its website is up 30% to 40% in the past week. The renewed interest comes after many companies tightened expense-report requirements in the past two years to cut costs.

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Brian L. Frank for The Wall Street Journal

LogLogic finance chief Joseph Consul expects questions about expense-reporting policies at its board meeting.





"Companies will often use very public cases as a teachable moment to remind employees why certain policies are so important," said Patricia Harned, president of the Ethics Resource Center, a nonprofit ethics-research organization.

For employers, punishing expense violations often involves judgment calls. A first-time mishap, unless it involves flagrant stealing or an employee getting caught in a big lie, rarely results in firing, ethics consultants say. Employers normally issue an informal warning instead, said David Gebler, president of Sharon, Mass.-based ethics consultant Skout Group LLC.

A second offense, however, would likely result in an official censure for the employee's file, and a third could lead to firing, Mr. Gebler said.

Offenses by senior executives are sometimes viewed more harshly because they are supposed to be setting examples. Even when an administrative assistant processes the reports, the executive is generally held responsible for their accuracy, consultants say.

Nan DeMars, a Minneapolis-based consultant who provides ethics training to companies, said in the past week two clients have asked her to talk about the H-P expenses case in seminars. One is a privately held firm of about 500 employees; the other is a public company where Ms. DeMars is talking to administrative staff.

Companies want to make sure administrative employees understand that they can't knowingly overlook their bosses' violations, Ms. DeMars said. She trained one firm's administrative staff last year after the company discovered an executive had repeatedly violated its expense policy, she said. His assistant, Ms. DeMars added, hadn't thought it was her job to police her boss.

At LogLogic Inc. a 200-employee maker of IT-security and compliance software, Chief Financial Officer Joseph Consul said he anticipates that the board will ask him about the company's expense-reporting policies at its next board meeting on Sept. 27.

"When high-profile cases of any sort of fraud or misrepresentation or poor management occur, the board of directors, just doing their jobs, will say 'Are we covered here? Are we doing the right thing here?,' " he said. Such questions may lead to a review of its practices, he noted.

Mr. Consul said he'll tell the board that he feels the company's policies are strong, and that they've tightened their expense practices in the past couple of years because of the economic downturn.

Two years ago, for instance, the company gave up corporate credit cards; employees now apply for reimbursement after paying. LogLogic also has accountants check the number of dinner attendees listed on the expense report against the dollar amount on the receipt.

"If the expense is not approved because it's inappropriate, the employee is on the hook and that helps to keep expenses in check," said Mr. Consul.

He said the firm has rejected some minor reimbursement requests because employees lacked receipts. Mr. Consul said he hasn't uncovered fraud.

EthicsPoint Inc., a Portland, Ore.-based company that sells hotlines allowing employees to anonymously report malfeasance, has seen a 10% increase in Web traffic this past week, said its vice president of marketing, Bill Piwonka. He said it's too early to tell if sales will increase.

EthicsPoint salespeople normally ask customers how they handle ethical problems such as expense-report inaccuracies. In the past week, customers have mentioned H-P in about a quarter of those conversations, typically saying they want systems that could catch misdeeds earlier, said Mr. Piwonka. "It's certainly been a hot topic of conversation throughout the week," he said.

On Wednesday, Jonathan E. Turner, co-founder of white-collar crime investigators Wilson & Turner Inc., a Memphis, Tenn., firm that does about 200 investigations a year, got a call from the chairman of the board's audit committee at a public company asking for an independent audit of executives' expense reports. (Mr. Turner declined to name the company.)

The caller didn't mention Hewlett-Packard, but Mr. Turner said it is unusual that someone would call asking just about expense reports. Mr. Turner said the caller was concerned that the company's leaders might be too close to audit themselves effectively. The chief executive had led the company for a long time, and had helped hire almost all the internal auditors and directors, Mr. Turner said.

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