

One month after being promoted to audit senior, Tommy O'Connell was assigned to the audit engagement team for the Altamesa Manufacturing Company. * Tommy worked out of his Big Four employer's Fort Worth practice office, while Altamesa was headquartered in Amarillo, the "capital" of the Texas Panhandle. The young senior realized that being assigned to the tough Altamesa engagement signaled that Jack Morrison, the Altamesa audit partner, and the office managing partner, regarded his work highly. Serving as the audit senior on the Altamesa job would allow Tommy to become better acquainted with Morrison. Despite the opportunity presented by his new assignment, Tommy did not look forward to spending three months in Amarillo, a five-hour drive from Fort Worth. This would be his first assignment outside of Fort Worth since his marriage six months earlier. He dreaded breaking the news to his wife, Suzie, who often complained about the long hours his job required.

Altamesa manufactured steel girders used in the construction and renovation of bridges in West Texas, New Mexico, Colorado, and Oklahoma. The company's business was very cyclical and linked closely to the funding available to municipalities in Altamesa's four-state market area. To learn more about the company and its personnel, Tommy arranged to have lunch with Keri Hansel, the audit senior on the Altamesa engagement the two previous years. According to Keri, Altamesa's management took aggressive positions regarding year-end expense accruals and revenue recognition. The company used the percentage-of-completion method to recognize revenue since its sales contracts extended over two to five years. Keri recounted several disputes with the company's chief accountant regarding the estimated stage of completion of jobs in progress. In an effort to "front-load" as much of the profit on Altamesa's long-term contracts as possible, the chief accountant typically insisted that projects were further along than they actually were.

Speaking with Keri had made Tommy even more apprehensive about tackling the Altamesa audit. But he realized that the job gave him an excellent chance to strengthen his fast-track image within his office. To reach his goal of being promoted to manager by his fifth year with the firm, Tommy needed to prove himself on difficult assignments such as the Altamesa engagement.

An Unpleasant Surprise for Tommy

It was late May, just two weeks before Tommy would be leaving for Amarillo to begin the Altamesa audit—the company had a June 30 fiscal year-end. Tommy, Jack Morrison, and an audit manager were having lunch at the Cattleman's Restaurant in the Cowtown district of north Fort Worth.

"Tommy, I've decided to send Carl with you out to Amarillo. Is that okay?" asked Jack Morrison.

"Uhh ... sure, Jack. Yeah, that'll be fine," Tommy replied. "Of all people," Tommy thought to himself, "he would send Carl Wilmeth to Amarillo with me." Carl was a staff accountant with only a few months' experience, having been hired in the middle of the just-completed busy season. Other than being auditors and approximately the same age, the two young men had little in common. Tommy was from Lockettville, a small town in rural West Texas, while Carl had been raised in the exclusive Highland Park community of north-central Dallas. Texas Tech, a large state-supported university, was Tommy's alma mater. Carl had earned his accounting degree from a small private college on the East Coast.

Tommy did not appreciate Carl's cocky attitude, and his lack of experience made him a questionable choice in Tommy's mind for the Altamesa engagement. As he tried to choke down the rest of his prime rib, Tommy recalled the complaints he had heard about Carl's job performance. Over the past six months, Carl had worked on two audits. In both cases, he had performed admirably—too admirably, in fact, coming in well under budget on his assigned tasks.

On one engagement, Carl had completed an assignment in less than 60 hours when the audit budget allotted 100 hours; the previous year, 110 hours had been required to complete that same task. Both seniors who had supervised Carl suspected that he had not completed all of his assigned audit procedures, although he signed off on those procedures on the audit program. The tasks assigned to Carl had been large-scale tests of transactions that involved checking invoices, receiving reports, purchase orders, and other documents for various

attributes. Given the nature of the tests, the seniors would have had difficulty confirming their suspicions.

“Boss” Tommy

Six weeks later, in early July, the Altamesa audit was in full swing. Carl had just finished his third assigned task on the job, in record time, of course. “Boss, here’s that disbursements file,” Carl said as he plopped a large stack of workpapers in front of Tommy. “Anything else you want me to do this afternoon? Since I’m way ahead of schedule, maybe I should take off and work on my tan out on the golf course.”

“No, Carl. I think we have plenty to keep you busy right here.” Tommy was agitated, but he tried not to let it show. “Why don’t you pull out the contracts file and then talk to Rachel Simpson in the sales office? Get copies of any new contracts or proposals over the past year and put them in the contracts file.”

At this point, Tommy simply did not have time to review Carl’s cash disbursements workpapers. He was too busy trying to untangle Altamesa’s complex method of allocating overhead costs to jobs in process. Later that afternoon, he had an appointment to meet with the chief accountant and a production superintendent to discuss the status of a large job. Tommy and the chief accountant had already butted heads on two occasions regarding a job’s stage of completion. Keri had been right: the chief accountant clearly meant to recognize profit on in-progress jobs as quickly as possible.

With four decades of experience, Scrooge—a nickname Keri had pinned on the chief accountant—obviously considered the young auditors a nuisance and did not appreciate their probing questions. Each time Tommy asked him a question regarding an important issue, the chief accountant registered his disgust by pursing his lips and running his hand through his thinning hair. He then responded with a rambling, convoluted answer intended to confuse rather than inform.

To grasp Altamesa’s accounting decisions for its long-term contracts, Tommy spent hours of nonchargeable time each night in his motel room, flipping through copies of job order worksheets and contracts. Occasionally, he referred to prior-year workpapers, his firm’s policy and procedures manual, and even his tattered cost accounting textbook from his college days.

Carl, on the other hand, spent most of his evenings in the motel's club being taught the Texas Two-step and Cotton-eyed Joe by several new friends he had acquired.

During July and August—supposedly the “slow” season for auditors—Tommy and Carl worked 50 to 60 hours per week on the Altamesa engagement. Several times, Tommy wondered whether it was worthwhile to work so hard to earn recognition as a “superstar” senior. He was also increasingly concerned about the impact of his fast-track strategy on his marriage. When he tried to explain to Suzie that the long hours and travel would pay off when he made partner, she was unimpressed. “Who cares if you make partner? I just want to spend more time with my husband,” was her stock reply.

To Tell or Not to Tell

Finally, late August rolled around, and the Altamesa job was almost complete. Jack Morrison had been in Amarillo for the past three days combing through the Altamesa workpapers. Nothing seemed to escape Morrison's eagle eye. Tommy had spent 12 hours per day since Morrison had arrived, tracking down missing invoices, checking on late confirmations, and tying up dozens of other loose ends. Carl was already back in Fort Worth, probably working on his golf swing. Morrison had allowed Carl to leave two days earlier after he had finished clearing the review comments in his workpaper files.

"Tommy, I have to admit that I was a little concerned about sending a light senior out to run this audit. But, by golly, you have done a great job." Morrison did not look up as he signed off on the workpapers spread before him on Altamesa's conference table. "You know, this kid Carl does super work. I've never seen cleaner, more organized workpapers from a staff accountant."

Tommy grimaced as he sat next to Morrison at the conference table. "Yeah, right. They should look clean, since he didn't do half of what he signed off on," Tommy thought. Here was his opportunity. For the past several weeks, Tommy had planned to sit down with Morrison and talk to him regarding Carl's job performance. But now he was reluctant to do so. How do you tell a partner that you suspect much of the work he is reviewing may not have been done? Besides, Tommy realized that as Carl's immediate supervisor, he was responsible for that work. Tommy knew that he was facing a no-win situation. He leaned back in his chair and remained silent, hoping that Morrison would hurry through the last few workpaper files so they could make it back to Fort Worth by midnight.

Epilogue

Tommy never informed Jack Morrison of his suspicions regarding Carl's work. Thankfully, no problems—of a legal nature—ever arose on the jobs to which Carl was assigned. After passing the CPA exam on his first attempt, Carl left the accounting firm and enrolled in a prestigious MBA program. Upon graduation, Carl accepted a job on Wall Street with one of the large investment banking firms. Tommy reached his goal of being

promoted to audit manager within five years. One year later, he decided that he was not cut out to be a partner and resigned from the firm to accept a position in private industry.

Questions

1. Compare and contrast the professional roles of an audit senior and a staff accountant. In your analysis, consider the different responsibilities assigned to each role, the job-related stresses that individuals in the two roles face, and how each role contributes to the successful completion of an audit engagement. Which of these two roles is (a) more important and (b) more stressful? Defend your choices.
2. Assume that you are Tommy O'Connell and have learned that Carl Wilmeth will be working for you on the Altamesa audit engagement. Would you handle this situation any differently than Tommy did? Explain.
3. Again, assume that you are Tommy. Carl is badgering you for something to do midway through the Altamesa job. You suspect that he is not completing all of his assigned procedures, but at the time, you are wrestling with an important accounting issue facing the client. What would you do at this point? What could you do to confirm your suspicions that Carl is not completing his assignments?
4. Now, assume that Jack Morrison is reviewing the Altamesa workpapers. To date, you (Tommy) have said nothing to Morrison about your suspicions regarding Carl. Do you have a professional responsibility to raise this matter now with Morrison? Explain.
5. Assume that at some point, Tommy told Morrison that he suspected Carl was not completing his assigned tasks. The only evidence Tommy had to support his theory was the fact that Carl had come in significantly under budget on every major task assigned to him over a period of several months. If you were Jack Morrison, how would you have handled this matter?

Case 6.9. Avis Love, Staff Accountant

Personal use only. do not reproduce.
2025-08-25
iac572@pitt.edu

Personal use only. do not reproduce.
2025-08-25
iac572@pitt.edu

Personal use only. do not reproduce.
2025-08-25
iac572@pitt.edu

Personal use only. do not reproduce.
2025-08-25
iac572@pitt.edu