Ethics Case Study

Problem 3

Programmer Manager, Company: Ignoring Indications of Fraud

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The manager of a computer applications programming department in a large company is responsible for all applications programming throughout the company. Most of the programmers report to him. Several people in other departments also program, but must conform to the standards in the programming department. All computer application programs that are to be run on a continuing production basis must be tested and approved by the quality assurance group in the manager's department before they go into regular production use.

By inflating company assets, the top executive officers of the company are engaged in a massive fraud against the stockholders and other investors. Significant evidence of the fraud is contained in the data files stored and processed by the computer. Several computer programs have been developed to assist in the fraud. A programmer in the inventory control department and a program used in the applications programming department are knowing participants in the fraud. The programs used in the fraud perform unorthodox functions that obviously do not contribute to legitimate business functions. For example, one program causes statistically selected inventoried items which are recorded in master files, to be declared obsolete and ready for disposal. Another program generates inventory records of nonexistent items by copying and slightly modifying records of existing items. These programs have passed quality assurance testing on the pretext that they would be used to generate test master files for use in business simulations for the planning department. Released to the computer operations department for production, they were actually used to modify the master files of the company.

The programming manager was unaware of the involvement of either programmer. The fraud-related programs were not suspicious to him. Several programmers reported to him that unexplained, unusual activities were going on in several parts of the company. He was aware of the company’s severe financial problems and was told to do only what he was asked to do without question, and not to bother about the implications, because the problems would soon be solved.

The fraud was ultimately discovered and the perpetrators prosecuted. The programming manager was identified as an unindicted coconspirator.

Programming Manager: Not Responding to Evidence of Wrongdoing