

Jamaica water properties case study

[Business](#)



Would I be able to do the same thing? I would hope so. Although we never know with 100% certainty what we would do in a specific situation, I would hope that I would handle it the same way he did. David Solo once said, " If you ever obtain something by lying, It's worthless. Integrity Is the highest order of the day. " I completely agree. One of the most Important ways to maintain a good reputation, both personally and professionally, is to have honesty and integrity.

Without those attributes, words are meaningless. I also agree with his session to refuse the " staying on bonus" and leave the company.

Although one might wonder if the outcome would have been different if he had stayed on to see them through the difficult period the company had In its future. But, Mr..

Solo knew that accepting that bonus would not have been a very ethical choice given the dire situation he knew Jamaica Water Properties POP) was about to be In. Had JP fostered an environment where truth-telling and ethical behavior was emphasized, Mr.. Solo might not have been needed. JP would not have had to go though the scandal and embarrassment that followed.

All companies, large and small, should make it easier for others in the organization to have the courage to stand up to wrongdoing.

Having a leadership that Is open to those of their employees who are knowledgeable of the existence of fraud, without fear of retaliation, discrimination, or disciplinary action, come to them with perceived

wrongdoing makes all the difference. This provides an assurance of not being terminated from the company the employee is currently working for. All employees should be able to report serious occurrences without fear.

This “ without fear” atmosphere could be achieved In a number of different ways. These methods include, but are not limited to: The company protecting the weightlessness’s employment and career opportunities. Offering compensation if the whistler’s has to be away from his Job for a period of time due to legal proceedings.

Having an established “ Whistle Blowing System” so the employee knows exactly what to expect and whom to contact- whether this be someone inside the company, or an Independent firm that the company has designated to Investigate concerns. Nannies snouts ensure Tanat ten coincidentally AT ten International revealed through whistle blowing and the identity of the whistler’s is kept confidential for as long as possible. Rewards are also a method to encourage whistle-blowing- whether it be through a promotion, salary increase, or some other form of non-financial compensation such as company acknowledgement (employee of the month, etc.). L, for one, do not believe financial rewards to be a good idea.

Rewarding employees financially for reporting occurrences of fraud could in itself become a window to abuse by allowing he opportunity for making up a false accusation for the purpose of self-interest.

I do however believe that whistle blowing has a cost to employees- whether it be financial (personal legal fees), or non-financial (psychological stress), and there should be compensation of those costs. The bottom line is to foster
<https://assignbuster.com/jamaica-water-properties-case-study/>

a culture of ethical consciousness, thereby ensuring proper conduct of employees at all levels.

There should be proper organization of every corporate structure to reduce, at a very minimum level, the possible conduct of fraud, whether such opportunity may be perceived or actual. While we have talked a lot about the responsibility of the company and its employees to report fraud, or prevent it from occurring at all, we also need to consider the firms that are auditing these companies to make sure that they are not allowing these situations to take place either. One way to do that is to reduce the risk of personal relationships between the client personnel and members of the audit engagement team.

Close, personal relationships make it easier for the audit team to overlook areas that might need further investigation.

Thankfully, the Sarbanes-Oxley Act and SEC Provisions have already addressed the issue of an accounting firm/auditor's independence. As long as the firm adheres to these rules and requirements, their risk is minimized. Some of these measures include: Partner Rotation: Required by the Sarbanes-Oxley Act, the SEC independence rules require the lead and concurring audit partner to rotate off the audit engagement after five years.

Additionally, the SEC also requires that there be a five year "cooling off" period before the partner can return to that audit. Establishment of an Audit Committee so that there is a buffer between any disagreements between management and the auditor.

Maintaining Auditor independence through the exclusion of those with potential direct and indirect financial interest in the client from working on the audit. It was the lack of independence between JP and Ernst & Young that led to many of the issues that were not caught, fixed, and/or prevented from continuing.

A prime example of the lack of independence between Ernst & Young and JP is Ernst & Young decision to accept a three-year retention agreement in 1988 that capped the audit fee charged by Ernst & Young. This agreement was completely inappropriate. In accepting this agreement, Ernst & Young, at the very least was displaying lack of independence in appearance, but more likely, it also caused a lack of independence in the mind of the auditors as well.

And, while it was shown during legal proceeding Tanat capping ten Tee changer 010 not affect ten auditors' addle TTY to reasonably ensure that the client's financial statements were presented fairly, by restricting the amount of time and effort invested, it did serve to cause Ernst & Young to abandon their obligations to insist on the errors being corrected.

I believe that this abandoning of their obligations to issue an independent audit opinion is why Ernst & Young ultimately decided to agree to pay a large settlement to Swaps stockholders.

They knew that according to AH-Jell 10- The objective of the ordinary audit of financial statements by the independent auditor is the expression of an opinion on the fairness with which they present, in all material respects, financial position, results of operations, and its cash flows in conformity with <https://assignbuster.com/jamaica-water-properties-case-study/>

generally accepted accounting principles. The auditor's report is the medium through which he expresses his opinion or, if circumstances require, disclaims an opinion.

In either case, he states whether his audit has been made in accordance with generally accepted auditing standards. These standards require him to state whether, in his opinion, the financial statements are presented in conformity with generally accepted accounting principles and to identify those circumstances in which such principles have not been consistently observed in the preparation of the financial statements of the current period in relation to those of the preceding period.

" The auditors that conducted the audits for JP forgot this.

They also seemed to forget that according to the results of the Securities Exchange Act of 1934, they were responsible not just to the company itself as their client, but also the company's investors and stockholders as third-party interest. They were in violation of due diligence and in knowing that, they knew they were liable to Swaps shareholders. They did not settle with the insurance companies that filed suit however, since Ernst & Young was able to prove initiatory negligence by JP.

Also, the insurance companies were not considered to be third parties under common law. The Jamaica Water Properties study and the actions of David Solo are perfect examples of the rights and wrongs in corporate environments.

It is also the example of how the actions of a few can change the lives and futures of so many. The actions of four men brought down a large corporation through greed and ego, while the actions of one man started to change the corporate views of “ whistle-blowing” for those who came behind him.