

Uncharged Hours

Topic: Performance Appraisal

Characters: Dave Leppla, First-year in-charge on a not-for-profit engagement
Bob Wilson, Engagement manager

Dave Leppla has recently completed his second year on the audit staff of a CPA firm. During the past year, he was assigned as a staff-level auditor to the first-year audit of the financial statements of a not-for-profit speech and hearing clinic. Dave has been assigned the in-charge responsibility on this year's audit engagement and believes that, if all goes well, he stands an excellent chance of being promoted to senior auditor later in the year. In addition to Dave, the audit team includes a first-year staff person, the engagement manager (Bob Wilson), and the engagement partner. Among Seniors, Bob Wilson is thought to be somewhat difficult to work for, although he is widely believed to be a good bet for admission to the partnership before long. Similar to last year's, the current engagement letter specifies a fixed-fee billing arrangement.

Dave initially believed that the budgeted audit hours would be sufficient, and early on he conveyed that expectation to Bob. However, as the budgeted hours were nearly exhausted, Dave realized that there were several days of audit work and related administrative tasks yet to be completed. He was uncertain to what extent his inexperience as an in-charge generally or his relative unfamiliarity with voluntary health and welfare organizations specifically may have been factors in an imminent budget overrun. Also, in Dave's view, the staff-level auditor's inexperience had contributed to problems in meeting the budget.

One Saturday morning at the CPA firm's office, Bob saw Dave working on some of the engagement's "loose ends," and he asked Dave whether the audit would be completed within the budget. Dave couldn't very well avoid acknowledging the reality of the situation, and he wondered how much responsibility he should take personally. He was aware that the firm had no policy on "eating time." When Dave commented cautiously that he didn't know how he could finish the engagement with the few remaining hours in the budget, Bob replied without expression, "Well, I trust you'll make the right decision."

Author: Donald E. Tidrick, Assistant Professor of Accounting, University of Texas at Austin

Co-author: Michael G. Bower, Assistant Professor of Management, University of Notre Dame