Phantom Expenses

Topic: Padding Expense Accounts

Characters: Jane Adams, New sales person with a small appliance manufacturer
Ann Green, Seasoned sales person with whom Jane Adams was assigned to work

Jane Adams had just completed a sales training course with her new employer, a major small appliance manufacturer. She was assigned to work as a trainee under Ann Green, one of the firm's most productive sales reps on the East Coast. At the end of the first week, Jane and Ann were sitting in a motel room, filling out their expense vouchers for the week

Jane casually remarked to Ann that the training course had stressed the importance of accurately filling out expense vouchers. Ann immediately launched into a long explanation of how the company's expense reporting resulted in underpayment of actual costs. She claimed that all the sales reps on the East Coast made up the difference by padding their under $25 expenses, which did not require receipts. A rule of thumb used was to inflate total expenses by 25 percent. When Jane questioned whether that was honest, Ann said that even if the reported expenses exceeded actual expenses, the company owed them the extra money, given the long hours and hard work they put in.

Jane said that she did not believe reporting fictitious expenses was the correct thing to do and that she would simply report her actual expenses. Ann responded in an angry tone, saying that to do so would expose all the sales reps. As long as everyone cooperated, the company would not question the expense vouchers. However, if one person reported only actual expenses, the company would be likely investigate the discrepancy and all the sales reps could lose their jobs. She appealed to Jane to follow the agreed-upon practice. They would all be better off. No one would lose his or her job. And besides, the company does not really need the money. They are very profitable already.

Author: David J. Fritzsche, Visiting Professor, University of Washington.

