

## Case Study – BBDE Health Center

BBDE: non-profit behavioral health center; sole-source provider to an urban western county. Contracts with county government to provide mental health and substance abuse counseling.

- Governed by a volunteer board (average service 10+ years)
- Controller Don reports to Supervisor Randy who reports to CEO Rulan (director and founder)
- Questionable international travel
  - Spouse also traveled
  - Additional travel prior to conference
  - No receipts
  - “Common practice to find an airline ticket price and submit that for reimbursement.”
  - Board member signed the check
- Questionable recreation trip staffed and paid for
  - For troubled teens
  - Rulan’s children attended



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## BBDE Health Center – Discussion Questions



- What actions or decisions taken by the individuals are questionable?
- Who is being affected by the issues you identified in the prior question (both positive and negative)?
- List each action that the CEO, the controller, and the board of directors could take at the end of the case. What would be the consequences of each course of action?
- Consider each of the actions you identified above. What do you think each individual or group should do? What do you think each group or individual would do?
- What guidelines does the IMA’s SEPP offer Blake? Which of the four standards apply? Do you think that the guidance provided by IMA is appropriate for this situation? Defend your answers.

# The BBDE Health Center: A Case Study of Business Ethics

*Jason C. Porter*  
*University of Idaho*

*Darryl J. Woolley*  
*University of Idaho*

## BACKGROUND

BBDE is a behavioral health center that acts as sole-source provider for an urban western county. As a sole-source provider, it contracts with the county government to provide mental health and substance abuse counseling. It is a nonprofit corporation. Rulan Wilson, the center's director, founded the center about 20 years ago and has been the director and CEO since its founding. He is highly respected in the community and in the industry. The center has approximately 100 full-time employees and revenue of around \$11 million. Nearly half of the revenue comes in the form of block grants from the state. Another third of the revenue is from Medicaid. The remaining revenue comes from the county government, insurance, patient fees, and a variety of small contracts with several state agencies. The center provides individual and group therapy, inpatient long-term care, psychiatric care, and recreation therapy.

BBDE is governed by a volunteer board of directors. The board includes a county commissioner, a local certified public accountant (CPA) who acts as the board's financial expert, and five individuals with backgrounds in behavioral health and mental health advocacy. Board members serve two-year terms and may serve for multiple terms. The members of the board nominate and select new members as needed. Most of the current board has served for more than 10 years. The board meets quarterly and approves BBDE's annual budget and hiring plan and reviews the annual financial audit performed by a local accounting firm. None of the board members provide other services for BBDE, and the CPA board member

does not work for the firm performing BBDE's audit. In addition to the independent financial audit, BBDE undergoes an annual Medicaid audit as well as occasional reviews from the state agencies that provide funding.

BBDE is organized with the clinical director as the CEO, a chief financial officer (CFO), and various department managers. Daily operations are managed by the clinical director, who also oversees the information systems. The accounting staff includes the CFO, a controller, and several clerks who perform accounts payable, accounts receivable, and payroll services. BBDE's current controller, Don Blake, has only been with BBDE for about three months. He prepares the financial statements, Medicaid reports, and bills, and reports for major state funding sources. The Medicaid Cost Report is a major portion of his job and takes much more time than preparing the annual financial report. He supervises accounts payable and payroll, but has no authorization duties related to purchasing or cash disbursements. Don reports directly to the CFO and occasionally participates in executive meetings, but only when invited by the management team. Accounts receivable is supervised by the clinical director.

## THE DILEMMA

One spring afternoon, Don sat in his office contemplating his job as BBDE's controller. Things were starting to frustrate him, and he just couldn't seem to focus on his normal work. He needed a few minutes to sort things out. He sighed as he leaned back in his chair and looked out the window. He had

worked at BBDE for several months and had formed some opinions about the people he worked with. He really liked his boss Randy, although he wished that Randy would stand up to Rulan, the CEO. And that, he thought with a sigh, was the real problem. Nobody stood up to Rulan.

Personally, Don thought Rulan was a bright guy with lots of ability. After all, Rulan had started BBDE 20 years earlier, had built it into a successful organization, and had established strong relationships with many people in industry and government circles. It wasn't really Rulan's abilities that were the problem; it was his management style. For example, Rulan seemed to show more interest in the color of carpet laid in one of BBDE's offices than in setting corporate strategy. His micro-management of unimportant issues had upset many people, especially since important issues often seemed to be ignored. To make matters worse, at least to Don, Rulan had a low opinion of the importance of accounting, even though he had once taken an accounting class in college and felt that he had mastered accounting. Don sighed again. How do you tell someone like that that he doesn't even understand the most basic accounting issues? Especially when that person is your boss.

Don's thoughts were interrupted by a knock on the door.

Jamie Opelwhite, the accounts payable clerk, was standing in his doorway. She had some documents in her hand and seemed annoyed. "Hey, Don. How's it going?"

"I'm doing great, Jamie," Don said a little too quickly. "Come on in and have a seat." Jamie shut the door as she came in.

Don shook his head. "That bad, huh?"

Jamie gave him a hard look. "What do you mean?"

"If you're shutting the door, then it must be bad news, which means I'm going to have to answer hard questions." He sighed in (mostly) mock frustration. "Well, let's get it over with. What do you want to talk about?"

"Don, I think you should know about this. It happened a while ago, before you were even hired, but it still bothers me." Jamie handed a copy of a check to Don. The check was written to Rulan Wilson for \$6,140.50. The explanation stated that it was for a trip to an Eastern European country for a conference. The check was signed by a member of the board of directors.

"Seems like a lot, Jamie, but we are talking about international travel. What do you think is wrong?"

"Well, first of all, his wife went with him, and we paid for it. Also, he traveled around Europe before his conference, and we seemed to pay for a lot of that, too. Finally, I never

got any receipts or even ticket stubs for the airfare, just this travel itinerary."

Jamie handed Don the documentation for the disbursement. As Jamie had said, it included a trip itinerary printed about five weeks before the trip happened. It also included motel receipts from two different cities, taxi receipts, receipts for getting visas, and a meal per-diem request form for the director's wife.

"I don't like the look of this either, Jamie. Let me check up on it a little bit more."

That afternoon Don talked to the CFO, Randy White, about the check. Randy said that the board of directors had approved the trip and the check. Furthermore, it was common practice to find an airline ticket price and submit that for reimbursement. If the employee could find a better deal, they could take it and keep the difference. Don asked if this didn't allow for some abuse, but Randy assured him that the trip would only be approved if the amount were reasonable.

## TWO MONTHS LATER

It was a fall evening. Don was walking his dog and ran into Dave Brooks, who was walking the other way with his wife. Dave was a local surgeon who served on BBDE's board of directors and lived in Don's neighborhood. "Don, I don't know about that director of yours down there," Dave sighed.

"You mean Rulan? What about him?"

"Oh, he's got us into a lawsuit. He wanted to buy a piece of property – use it to have kids getting help at BBDE ride horses and stuff. Thing is, it's right next to his house. You know Rulan—he probably has some plans of his own about it."

"Oh, really? You think he wants to keep his own horses there or something?"

"I don't know, but people are talking. The guy who was selling the property got mad at Rulan and stopped the deal. Now Rulan is suing; he's calling it discrimination against the disabled."

"So, do you think he's right?"

"I don't know. I probably should just keep my big mouth shut." Dave looked down at his watch. "Hey, we've got to get home and get the kids to bed. Anyway, I'll see you later."

Dave and his wife walked down the street. Don stood in thought for a minute. Since his first talk with Jamie, he had noticed several other things about the center that made him uncomfortable. Like some of the recreation trips staffed and paid for by BBDE. While BBDE often did river rafting trips for troubled youth, several of the recent trips didn't really

seem to be for troubled teens, but for anybody willing to pay. And the staff on the trips often included some of Rulan's children. Don wondered whether Rulan's children were really there as employees, or were just enjoying a free trip.

He turned and watched Dave walking quickly down the street. What should he do? Should he report his concerns to Dave? Would Dave do anything about it? Maybe he should make a report to the full board. Maybe he should report to the government agencies that helped fund BBDE. On the other hand, maybe he should be quiet and keep earning his paycheck. After all, he didn't really have any proof that anything inappropriate was happening, just a lot of hearsay and a bad feeling.

## CASE REQUIREMENTS

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1. What decisions or actions taken by the individuals in this case are questionable? (HINT: You might want to consider the actions of the CEO (Rulan), the controller (Don), and the board of directors.)
2. Who is being affected by the issues you identified in question 1? Are the effects good or bad? (HINT: You might want to consider this question from the point of view of CEO, the controller, the board, the employees, the funding sources, etc.)
3. List each action that the CEO, the controller, and the board of directors could take at the end of the case. What would be the consequences of each course of action?
4. Consider each of the actions you identified in the previous question. What do you think each individual or group should do? What do you think each individual or group would do? Explain.
5. The Institute of Management Accountants' Statement of Ethical Professional Practice can be found at [http://www.imanet.org/PDFs/Statement%20of%20Ethics\\_web.pdf](http://www.imanet.org/PDFs/Statement%20of%20Ethics_web.pdf). What guidance does the statement offer Don Blake? Which of the four standards apply? Do you think that the guidance provided by IMA is appropriate for this situation? Defend your answers.

This case is based upon actual events, but the names of individuals and organizations have been changed.

### ABOUT IMA

With a worldwide network of more than 60,000 professionals, IMA is the world's leading organization dedicated to empowering accounting and finance professionals to drive business performance. IMA provides a dynamic forum for professionals to advance their careers through Certified Management Accountant (CMA®) certification, research, professional education, networking and advocacy of the highest ethical and professional standards. For more information about IMA, please visit [www.imanet.org](http://www.imanet.org).