
THE CASE METHOD

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Introduction to the Case Method

The National Payroll Institute will use problem-based scenarios as the evaluation method for reinstatement of the Payroll Leadership Professional (PLP) designation. This reflects the importance of decision-making and problem-solving for the payroll professional.

A scenario is a presentation of information about a situation in which a decision must be made. It includes many variables that the decision-maker must analyze to make a good decision.

The case method of teaching, learning and evaluation is a common approach in business and medical schools and for the senior designation of most professional associations because the main task of most professionals is to make informed decisions.

By the time a senior professional, such as a Payroll Leader reaches that position, they know the technical information needed to perform the job. As professionals, they move to planning, supervising, coordinating and problem-solving, where decision-making is a critical competency.

Scenarios provide a snapshot of what the decision-maker would encounter in real life – there are opposing interests, some information is irrelevant, some key pieces of information are not obvious and have to be derived or calculated from the information available and in most incidents, key information is missing and there isn't enough time or resources to arrive at a perfect solution.

The central principle of decision-making is to make the best choice under the circumstances, not the perfect choice. While there is no correct decision, there are choices that are more informed than others.

Those writing the reinstatement evaluation must demonstrate the ability to reason through problems and make informed decisions, based upon their professional and personal experiences and understanding of general payroll management principles.

Why is the case method used to illustrate the decision-making process?

The case method is the most effective tool to illustrate the decision-making process because it gives the opportunity to practice reasoning through situations provided in the scenarios.

The application of knowledge requires decisions. In real life, problems seldom present themselves as neat exercises. There are competing priorities. There is seldom enough time or resources.

What is the decision-making process?

The decision-making process is a four step approach:

1. Identify the issue
2. Analyze the information available
3. Develop alternative solutions
4. Recommend an action plan

This process guides the decision-maker from the point of encountering a problem or issue to making a choice about what to do to resolve the issue.

There are four key words in the decision-making process: **Identify – Analyze – Alternatives – Action**. An easy way to remember the steps is to think **IA³**, or '**I triple A**'

Think of the decision-making process as a checklist in which you ask each of the questions listed on the following page.

TABLE 1: DECISION-MAKING PROCESS

Things to do	Questions to ask
Identify the issue(s)	<ul style="list-style-type: none"> • What is the problem here? • Are there many issues? • What is the main issue?
Analyze the data (information available)	<ul style="list-style-type: none"> • Who are the stakeholders? • What is needed? • What are the resources available?
Develop alternative solutions	<ul style="list-style-type: none"> • What options are possible? • How will the stakeholders be affected by each option? • What are the costs of implementing each option? • What are the strengths and weaknesses of each option?
Recommend an action plan	<ul style="list-style-type: none"> • Which option do you select as the best option available? • Why?

The Case Method

Identify the issue(s)

The issue is the main problem in the scenario. Often there are several problems and the first step is to identify which is the major problem. For payroll, the major problem would be the one that will produce payroll that is inaccurate, late or non-compliant.

Example:

The new Payroll Manager wrote a list of the problems he encountered the first week on the job:

1. The office is cold
2. Three of the staff do not get along
3. The president has placed a freeze on training
4. Mistakes are being made because the staff do not know how to use the new state-of-the-art payroll software

All four items are problems. You should focus on the issue that affects the payroll function most. Ask yourself questions to help decide which is the major issue.

- Does the staff not getting along affect payroll accuracy?
- How long would it take to develop a program to build team spirit? What would happen to payroll accuracy in the meantime?
- What are the obstacles here to producing payroll accurately?

Prioritizing tasks and problems is a skill that has to be developed. There can be different priorities based on who is making the determination.

Example (based on a real case):

One of the plants of a large manufacturing company had been the main employer in a town for decades. The product made in the plant was declining in sales, the equipment was old and new equipment would be very costly. The executives at headquarters defined the issue as “How to terminate 2,000 employees with the lowest cost to the company?” The local plant managers viewed the issue as “How to develop new products that would justify further investment in the plant?”

You have to provide details of the reasoning you used to identify the issue. It is not enough to have an opinion. The process must lead to a feasible and defensible plan of action.

Example: Identify the Issue

Scenario: The computer with the payroll information had crashed and payroll would be delayed for at least a day until the technician could come to fix it. While they waited, the payroll administrators were arguing over who should go through the files to decide which employee should get the next birthday cake in the cafeteria.

Option 1

The issue here is that the payroll administrators should agree more on who does what. Time is wasted with the arguing.

Option 2

The issue here is that their computer is old.

Option 3

There are two main issues here: (1) payroll is late and (2) there is a breach of privacy; date of birth is personal information and must not be used for purposes for which it was not intended, such as giving birthday cakes.

In this example, only Option 3 looks at the situation from a payroll perspective. Option 1 recognizes there is a human resources issue related to team work, but that is not relevant in the context of late payroll and releasing private information. Less arguing would not resolve the two issues recognized in Option 3. Option 2 does not explain why the computer being old (which wasn't even stated in the scenario) is an issue.

Analyze the information available

To analyze means to break apart into smaller pieces. Once you have identified the issue, you have to break the problem into small parts to be examined. These parts will differ for each scenario, but all have the following common elements:

- Stakeholders
- Needs
- Resource gap and opportunity

Stakeholders are the people or organizations that are affected by the issue or will be affected by the decision made. Examples include employees, various levels of government, shareholders, suppliers, other businesses in the community, unions and customers.

As you look at the scenario, ask “Who is affected by this?”, “Who would you need to get on-side to resolve this issue?” and “Who will oppose your ideas?”

Needs are the resources required to solve the problem. Examples include money, staff, space, training, equipment, software, customers, suppliers, and support from stakeholders.

Your questions here could be: “What will you need?”, “Is it available?”, “How long will it take to get it?”, “How much will it cost?”, “Will there be opposition?” and “Where can you find an ally?”

An analysis of **resource gaps and opportunities** means recognizing and taking into account all the challenges and opportunities that are available to help resolve the issue.

Examples of resource gaps:

- Five payroll administrators will be needed to implement the new system but only two are available
- The new software cost \$50,000 but there is only \$20,000 in the budget

Examples of opportunities:

- A retired payroll administrator has asked to come back to work part-time many times
- The software supplier offers a financing plan

Questions you can ask to draw out the challenges and opportunities include:

- How many people will you need to implement the system?
- Do you have them?
- Is there money in the budget to hire them?
- Are any of them available?
- Is there a gap in your budget? Are there alternate ways to finance the project?

Develop alternative solutions

In some situations, the recommended decision is straightforward. In most situations, there are opposing interests and insufficient resources. In the 'analysis' step all the factors were considered. In this step, the challenge is to articulate the choices available and to weigh the pros and cons of each option.

The discussion of alternatives is a natural progression from the analysis stage and the two processes easily overlap. The step to developing alternatives is essentially a summarizing of the options. You have looked at the roles of the stakeholders, what is needed to resolve the issue, and examined what you need and the opportunities and constraints to obtain the required resources. What options are available?

Recommend an action plan

Now it is decision time. What choice did you make and why; state your decision and justify your reasoning for making that choice over the other available alternatives.

How Should I Approach a Scenario?

The case method may require a new way of thinking about issues. You should approach the scenario by following the four steps in the decision-making process: Identify the issue(s), Analyze the information, Develop alternatives and Recommend an action plan.

TABLE 1: DECISION-MAKING PROCESS

Things to do	Questions to ask
Identify the issue(s)	<ul style="list-style-type: none"> • What is the problem here? • Are there many issues? • What is the main issue?
Analyze the data (information available)	<ul style="list-style-type: none"> • Who are the stakeholders? • What is needed? • What are the resources available?
Develop alternative solutions	<ul style="list-style-type: none"> • What options are possible? • How will the stakeholders be affected by each option? • What are the costs of implementing each option? • What are the strengths and weaknesses of each option?
Recommend an action plan	<ul style="list-style-type: none"> • Which option do you select as the best option available? Why?

How do I identify an issue?

Put yourself in the position of the decision-maker. Given everything you know about payroll and management, is there anything about this situation that is incorrect or could be improved? Is there an opportunity that nobody is noticing?

As a payroll professional, consider what is most important – that payroll be accurate, on-time and in compliance with legislation. As a manager you also have a duty to consider the future of the company and its employees and to be mindful of legislation. Is there anything in the situations below that threatens any of these objectives? If there is, then that is the main issue.

EXERCISE 1:

1. Theresa left for the day and put the payroll files she had not finished on her desk. There was a locked filing cabinet in the office but Theresa had lost the key.
2. When there was a power outage, Colleen commented, “Thank goodness it was only the power, I thought the payroll computer crashed. We would lose everything.” The internet service provider (ISP) offers the company storage space on its servers but Colleen doesn’t know how to upload data.
3. The company announced that it had received a 300% increase in orders for its newest product. To meet the demand, the company would have the product manufactured in China and packaged by new part-time workers at the plant.
4. Sandra has been the office manager and payroll administrator in a family business for 30 years. She plans to retire next year when she is 65 years old. Last year the president hired an executive assistant but hasn’t been able to find enough work for her to do.
5. You are surprised when you notice that the employee who drives a \$100,000 car and lives in a large house has an annual salary of \$48,000. This employee socializes with the account manager for the company that supplies your company with all its office supplies.

See suggested responses in the Appendix.

What does ‘Analyze the data’ mean?

To analyze the data means to examine all the factors, both positive and negative, that will affect the resolution of the issue you have identified. Are there resources available? Is there a resource shortage? Who are the stakeholders? Which of them would resist any change? Which would welcome change? Are there opportunities that no one has recognized? Are there barriers to resolving the issues?

EXERCISE 2

In Exercise 2, consider all the factors in the scenarios listed in Exercise 1 and the impact of this information on the likelihood that the issue can be resolved. See suggested responses in the Appendix.

What are alternatives?

Most problems have a number of possible solutions. Each is called an alternative, as in “You could do this, or you could do that” Some alternatives are not realistic or likely to be feasible, so while they provide the perfect solution, if they aren’t feasible they won’t happen. Some alternatives have more negative consequences than potential positive outcomes and therefore are not advisable. At this stage, you are simply identifying what the options are. In developing alternatives, you draw upon all the knowledge you have gained from your many life experiences. Feasible alternatives related to payroll would have to be consistent with the mission that payroll be accurate, on-time and compliant with legislation and regulations.

EXERCISE 3

Review Exercise 1 and explore what choices are available. In looking at alternatives, you will draw upon the questions you raised during the analysis stage. In real life, you may be able to get answers to some of these questions, but not always. You will never have perfect information and will have to make a decision based on the information available and the knowledge you have gained from your education, training and life experience.

Suggested alternatives are provided in the Appendix.

How do I recommend an action even if I don't have enough information?

There is seldom enough information. Sometimes people claim they cannot make a decision when they do not have enough information. To do nothing is itself a decision and has consequences. In Scenario 1, Theresa is leaving the employees' personal information unprotected on her desk. If you are the new Payroll Manager and decide to do nothing, you are ethically, morally and possibly legally responsible for the potential damage the release of personal information will have. To do nothing is always a choice, but can be a very poor choice.

What should the person in this situation do? You have to make the decision based on the information available. To make the best decision under the circumstances, you have identified the problem, analyzed all the factors that affect the situation and listed all the solutions that are possible under the circumstances. Now it is time to make a decision.

Your decision may not bring the perfect solution, but it offers the best solution under the circumstances.

EXERCISE 4

State what action you would recommend in each of the five scenarios presented in Exercise 1, based on the alternatives you developed. Suggested action plans are listed in the Appendix.

Appendix:

Exercise 1: Issue

Situation	Issue
1. Theresa left for the day and put the payroll files she had not finished on her desk.	Protection of personal information. The files should be locked away.
2. When there was a power outage, Colleen commented, "Thank goodness it was only the power, I thought the payroll computer crashed. We would lose everything."	Risk management. There should be off-site back-ups of the payroll information.
3. The company announced that it had received a 300% increase in orders for its newest product.	Preparation for growth. Does the payroll department have the resources to effectively handle the increased workload that will result from hiring new part-time staff?
4. Sandra has been the office manager and payroll administrator in a family business for 30 years. She plans to retire next year when she is 65 years old.	Risk management and succession planning. Does the company have someone who can take over Sandra's duties? Is there anyone in the company who understands the processes and procedures Sandra has developed over the years?
5. You are surprised when you notice that the employee who drives a \$100,000 car and lives in a large house has an annual salary of \$48,000. This employee socializes with the account manager for the company that supplies your company with all its office supplies.	Potential fraud. Where is this employee getting the money to live beyond their means? Is money being stolen from the company? Is this employee getting bribes from customers?

Exercise 2: Analysis

Situation	Analysis
<p>1. Theresa left for the day and put the payroll files she had not finished on her desk. There was a locked filing cabinet in the office but Theresa had lost the key.</p>	<p>Theresa does not appear to know that employees' personal information must be protected at all times. Storage is available, but it is unclear if the cabinet can be opened. Also, where is the key? The cabinet will not be secure if there is a key in an unknown person's possession. Is a locksmith available to change the lock? Will the management object to the expense? Does the cabinet contain payroll files?</p>
<p>2. When there was a power outage, Colleen commented, "Thank goodness it was only the power, I thought the payroll computer crashed. We would lose everything." The interest service provider (ISP) offers the company storage space on its servers but Colleen doesn't know how to upload data.</p>	<p>Does the company have an IT specialist who can train Colleen? Would the ISP's support desk help Colleen through the process? Can the payroll files be easily duplicated so they can be copied on a flash drive? How secure would it be for an employee such as you or Colleen to take a copy of the payroll files home as a back-up?</p>
<p>3. The company announced that it had received a 300% increase in orders for its newest product. To meet the demand, the company would have the product manufactured in China and packaged by new part-time workers at the plant.</p>	<p>There will be an increase in the number of employees and you have to find out when and how many will be hired so your department can prepare for the increase in workload. Will you be provided resources to handle the additional workload? If the sales increase continues, there will likely be a move to transfer some of the part-time workers to full time status.</p>
<p>4. Sandra has been the office manager and payroll administrator in a family business for 30 years. She plans to retire next year when she is 65 years old. Last year the president hired an executive assistant but hasn't been able to find enough work for her to do.</p>	<p>The under-utilization of the executive assistant's time could be an opportunity. Could the executive assistant be trained to take over the payroll function? Could she at least be a back-up? Is the president open to recruiting a replacement for Sandra in the next few months so that there will be an easy transition? Will the president fund payroll training for the executive assistant? Has Sandra documented the processes she has developed?</p>
<p>5. You are surprised when you notice that the employee who drives a \$100,000 car and lives in a large house has an annual salary of \$48,000. This employee socializes with the account manager for the company that supplies your company with all its office supplies.</p>	<p>Since you don't know the employee's household income, it would be inappropriate to accuse this employee of fraud. Perhaps the spouse has high earnings. There is information to be gathered: How much is spent on office supplies? How long has this employee's friend had the account? Who on the management team should you confide in with your suspicions?</p>

Exercise 3: Alternatives

Situation	Alternatives
<p>1. Theresa left for the day and put the payroll files she had not finished on her desk. There was a locked filing cabinet in the office but Theresa had lost the key.</p>	<ul style="list-style-type: none"> • Look for the key to the cabinet • Buy a new filing cabinet • Hire a locksmith to install a new lock
<p>2. When there was a power outage, Colleen commented, “Thank goodness it was only the power, I thought the payroll computer crashed. We would lose everything.” The interest service provider (ISP) offers the company storage space on its servers but Colleen doesn’t know how to upload data.</p>	<ul style="list-style-type: none"> • Contact the IT department – someone must be in charge of communication with the ISP • If nobody in the company knows how to upload, contact Support at the ISP • Provide Colleen with a flash drive and ask her to back-up the data every day. The back-up on the server will be an off-site back-up.
<p>3. The company announced that it had received a 300% increase in orders for its newest product. To meet the demand, the company would have the product manufactured in China and packaged by new part-time workers at the plant.</p>	<ul style="list-style-type: none"> • Alert management about the implication of an increased workforce on the payroll function • Wait until the part-time staff are hired to see if your department can handle the extra workload • Become more efficient so you can handle the increased workload
<p>4. Sandra has been the office manager and payroll administrator in a family business for 30 years. She plans to retire next year when she is 65 years old. Last year the president hired an executive assistant but hasn’t been able to find enough work for her to do.</p>	<ul style="list-style-type: none"> • Do nothing. Sandra may not retire and there is lots of time to think about succession planning later. • Ask Sandra to develop a succession plan • Alert the president that some steps must be taken to replace Sandra in a year • Ask the president to appoint his executive assistant to your department part-time for the next year • Work with Sandra to develop a succession plan that involves documenting the processes she follows and begin discussions on recruiting internally or externally, based on the skill set needed to replace Sandra.

Situation	Alternatives
<p>5. You are surprised when you notice that the employee who drives a \$100,000 car and lives in a large house has an annual salary of \$48,000. This employee socializes with the account manager for the company that supplies your company with all its office supplies.</p>	<ul style="list-style-type: none"> • Do nothing; the kind of car a person drives is none of your business • Concentrate on quietly collecting information. Enquire about how long the office supply contract has been in effect and how long this employee has been working for the company. • Raise the red flag of suspicion to your supervisor and say nothing to the employee. • Call the police

Exercise 4: Recommendations

Situation	Recommendations
<p>1. Theresa left for the day and put the payroll files she had not finished on her desk. There was a locked filing cabinet in the office but Theresa had lost the key.</p>	<p>First talk with Theresa about the importance of securing employees' personal information. Ask if she had tried to find the key. If the key is truly lost, inform management of its legal obligation and seek a budget for a locksmith to replace the lock. Order a lock that has a key that cannot be replicated to ensure that only authorized personnel have access to the cabinet. Discuss security steps, to protect personal information and the key, with Theresa.</p>
<p>2. When there was a power outage, Colleen commented, "Thank goodness it was only the power, I thought the payroll computer crashed. We would lose everything." The internet service provider (ISP) offers the company storage space on its servers but Colleen doesn't know how to upload data.</p>	<p>Immediately back-up the payroll data on a flash drive or DVD and store it in a locked cabinet.</p> <p>Obtain help from the IT specialist in the firm or the ISP provider to create a password protected folder on the off-site server to upload payroll data.</p> <p>Through these measures, there will be two immediate back-ups of the payroll data.</p>
<p>3. The company announced that it had received a 300% increase in orders for its newest product. To meet the demand, the company would have the product manufactured in China and packaged by new part-time workers at the plant.</p>	<p>Speak to the manager who can give more details about when the new employees will be hired, if they will receive benefits and how many will be hired.</p> <p>If the increase in workload is significant, document the increases and present a proposal for more resources to management. Through these steps, you are being a partner in the expansion and will contribute to its success.</p>
<p>4. Sandra has been the office manager and payroll administrator in a family business for 30 years. She plans to retire next year when she is 65 years old. Last year the president hired an executive assistant but hasn't been able to find enough work for her to do.</p>	<p>Since Sandra is the person who knows all the processes, she should be consulted about the succession planning. Involve her in steps to document what she does and ask her advice about what resources should be in place when she retires. Ensure she has the time to prepare this documentation.</p>

Situation	Recommendations
	<p>Have a conversation with the president about Sandra's retirement and the need for a replacement. Gather information to determine if the executive assistant is the person who should be recruited or if the company should hire a person from outside who already has payroll training and experience.</p>
<p>5. You are surprised when you notice that the employee who drives a \$100,000 car and lives in a large house has an annual salary of \$48,000. This employee's spouse is an account manager for the company that supplies your company with all its office supplies.</p>	<p>It is a very serious offense to accuse someone of wrongdoing without adequate evidence. Even mentioning your suspicions to your supervisor can begin the rumour mill and destroy the employee's reputation based on one observation about a car and house. It should not be difficult to quietly find out if the office supply account is in any way connected with the employee's status in the company. For example, does this employee have purchasing authority? Has there been a change in contacts since the employee obtained that authority.</p> <p>If there is mounting evidence of fraud, report your findings to your supervisor. Do not gossip about your suspicions.</p>

Scenario Summaries

Scenario 1

Theresa left for the day and put the payroll files she had not finished on her desk. There was a locked filing cabinet in the office but Theresa had lost the key.

Issue:

Protection of personal information. The files should be locked away.

Analysis:

Theresa does not appear to know that employees' personal information must be protected at all times.

Storage is available, but it is unclear if the cabinet can be opened. Also, where is the key? The cabinet will not be secure if there is a key in an unknown person's possession. Is a locksmith available to change the lock? Will the management object to the expense?

Alternatives:

- Look for the key to the cabinet
- Buy a new filing cabinet
- Hire a locksmith to install a new lock

Recommend Action:

First talk with Theresa about the importance of securing employees' personal information. Ask if she had tried to find the key. If the key is truly lost, inform management of its legal obligation and seek a budget for a locksmith to replace the lock. Order a lock that has a key that cannot be replicated to ensure that only authorized personnel have access to the cabinet. Discuss security steps, to protect personal information and the key, with Theresa.

Scenario 2

When there was a power outage, Colleen commented, “Thank goodness it was only the power, I thought the payroll computer crashed. We would lose everything.” The internet service provider (ISP) offers the company storage space on its servers but Colleen doesn’t know how to upload data.

Issue:

Risk management. There should be off-site back-ups of the payroll information.

Analysis:

Does the company have an IT specialist who can train Colleen? Would the ISP’s support desk help Colleen through the process? Can the payroll files be easily duplicated so they can be copied on a flash drive? How secure would it be for an employee such as you or Colleen to take a copy of the payroll files home as a back-up?

Alternatives:

- Contact the IT department – someone must be in charge of communication with the ISP
- If nobody in the company knows how to upload, contact Support at the ISP
- Provide Colleen with a flash drive and ask her to back-up the data every day. The back-up on the server will be an off-site back-up

Recommend Action:

Immediately back-up the payroll data on a flash drive or DVD and store it in a locked cabinet.

Obtain help from the IT specialist in the firm or the ISP provider to create a password protected folder on the off-site server to upload payroll data.

Through these measures, there will be two immediate back-ups of the payroll data.

Scenario 3

The company announced that it had received a 300% increase in orders for its newest product. To meet the demand, the company would have the product manufactured in China and packaged by new part-time workers at the plant.

Issue:

Preparation for growth. Does the payroll department have the resources to effectively handle the increased workload that will result from hiring new part-time staff?

Analysis:

There will be an increase in the number of employees and you have to find out when and how many will be hired so your department can prepare for the increase in workload. Do you have enough resources? Will you be provided resources to handle the additional workload? If the sales increase continues, there will likely be a move to transfer some of the part-time workers to full time status.

Alternatives:

- Alert management about the implication of an increased workforce on the payroll function
- Wait until the part-time staff are hired to see if your department can handle the extra workload
- Become more efficient so you can handle the increased workload

Recommend Action:

Speak to the manager who can give more details about when the new employees will be hired, if they will receive benefits and how many will be hired.

If the increase in workload is significant, document the increases and present a proposal for more resources to management. Through these steps, you are being a partner in the expansion and will contribute to its success.

Scenario 4

Sandra has been the office manager and payroll administrator in a family business for 30 years. She plans to retire next year when she is 65 years old. Last year the president hired an executive assistant but hasn't been able to find enough work for her to do.

Issue:

Risk management and succession planning. Does the company have someone who can take over Sandra's duties? Is there anyone in the company who can understand the processes and procedures Sandra has developed over the years?

Analysis:

The under-utilization of the executive assistant's time could be an opportunity. Could the executive assistant be trained to take over the payroll function? Could she at least be a back-up? Is the president open to recruiting a replacement for Sandra in the next few months so that there will be an easy transition? Will the president fund payroll training for the executive assistant? Has Sandra documented the processes she has developed? Does Sandra have any thoughts about what will happen when she retires?

Alternatives:

- Do nothing. Sandra may not retire and there is lots of time to think about succession planning later.
- Ask Sandra to develop a succession plan
- Alert the president that some steps must be taken to replace Sandra in a year
- Ask the president to appoint his executive assistant to your department part-time for the next year
- Work with Sandra to develop a succession plan that involves documenting the processes she follows and begin discussions on recruiting internally or externally, based on the skill set needed to replace Sandra

Recommend Action:

Since Sandra is the person who knows all the processes, she should be consulted about the succession planning. Involve her in steps to document what she does and ask her advice about what resources should be in place when she retires. Ensure she has the time to prepare this documentation.

Have a conversation with the president about Sandra's retirement and the need for a replacement. Gather information to determine if the executive assistant is the person who should be recruited or if the company should hire a person from outside who already has payroll training and experience.

Scenario 5

You are surprised when you notice that the employee who drives a \$100,000 car and lives in a large house has an annual salary of \$48,000. This employee socializes with the account manager for the company that supplies your company with all its office supplies.

Issue:

Potential fraud. Where is this employee getting the money to live beyond their means? Is money being stolen from the company? Is this employee getting bribes from customers?

Analysis:

Since you don't know the employee's household income, it would be inappropriate to accuse this employee of fraud. Perhaps the spouse has high earnings. There is information to be gathered: How much is spent on office supplies? How long has this employee's friend had the account? Who on the management team should you confide in with your suspicions?

Alternatives:

- Do nothing; the kind of car a person drives is none of your business
- Concentrate on quietly collecting information. Enquire about how long the office supply contract has been in effect and how long this employee has been working for the company.
- Raise the red flag of suspicion to your supervisor and say nothing to the employee.
- Call the police

Recommend Action:

It is a very serious offense to accuse someone of wrongdoing without adequate evidence. Even mentioning your suspicions to your supervisor can begin the rumour mill and destroy the employee's reputation based on one observation about a car and house. It should not be difficult to quietly find out if the office supply account is in any way connected with the employee's status in the company. For example, does this employee have purchasing authority? Has there been a change in contacts since the employee obtained that authority.

If there is mounting evidence of fraud, report your findings to your supervisor. Do not gossip about your suspicions.