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GREAT NORTHERN SAVINGS BANK: A CASE ON DIVERSITY, EQUITY AND INCLUSION

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ABSTRACT

The case exposes students to the role that diversity, equity and inclusion (DEI) plays in corporate culture and asks students to critically think of the best way to manage a challenge they encounter while role playing as auditors. Students role play as auditors in a situation where there are loan portfolio issues at a savings bank. The audit engagement partner in the accounting firm, states that he will ignore the loan portfolio issue to protect the relationship with the client. The client offends a member of the audit team when he questioned his credentials seemingly motivated by bias against his ethnicity. Students will conduct research and write a memo to the managing partner at the accounting firm and will develop skills in research, critical thinking, and written communication.

Keywords: diversity; equity; inclusion; critical thinking; corporate culture

JEL Classification: M14; M4

I. THE CASE

Molly Fishman is an audit senior for Abrams, Leggman and Tiffany, CPA's, a regional accounting firm in Northern Massachusetts. Molly is the senior assigned to an engagement conducting a due diligence audit for Great Northern Savings Bank (Great Northern). Great Northern is in the process of negotiating an acquisition of Mountainside Community Bank (Mountainside) in Central Massachusetts. Under the direction of the accounting firm manager assigned to the engagement, Miguel Hernandez, Molly is asked to supervise two staff and conduct a due diligence audit of Mountainside's loan portfolio for Great Northern to ensure that loans are documented accurately and reflected in the financial statements. A due diligence audit is standard practice when financial institutions are considering an acquisition or merger.

Great Northern is a successful and well capitalized savings bank. The board of directors of Great Northern feel that Mountainside shares the same values as Great Northern, and that Mountainside's customers and branch network will allow for expansion into a new geographic market in the state. Great Northern is known for exceptional customer service, "old fashioned personal banking," and is recognized for its outstanding Diversity, Equity and Inclusion (DEI) efforts in the communities in which the banks has branches. The Great Northern board of directors stated that an important consideration in the due diligence process will be confirmation that Mountainside shares the same values as Great Northern.

In the preliminary stages of the audit, Molly and the staff become aware of issues with the loan portfolio of Mountainside. Recorded loans are out of Federal compliance as borrowers did not sign proper disclosures, and loan files lack proper documentation to support creditworthiness of the borrower and ability to repay the loan.

Some of the loans are significant dollar amounts and if there are multiple defaults in an economic downturn, there will be a material negative financial impact to the bank. In addition to the financial statement impact, the lack of properly signed disclosures leaves Mountainside liable for class action lawsuits by borrowers and substantial fines by Federal regulators if discovered and reported. The issues are serious enough that Great Northern would typically be advised to terminate the acquisition. If the acquisition proceeds, Great Northern would be responsible for any fines or borrower lawsuits as a result of the disclosure violations of Mountainside.

In addition to the compliance issues in the loan files, the review uncovered that two years ago, a potential borrower that was declined for a loan filed a complaint for violations of the Fair Housing Act. At the time, investigators encouraged the management at Mountainside to modify loan policies to reflect efforts to comply with the Fair Housing Act, to increase efforts to train employees about the provisions of the act, and to ensure DEI is part of all business practices. There is no evidence that this training or policy modification occurred. Despite the recommendations to modify policies, the investigation based on the complaint did not cite Mountainside for wrongdoing. At the time this happened, it was noted by the audit firm (Mountainsides audit firm), in meeting notes that the Mountainside CEO made a comment "I don't see the point in issuing loans in this neighborhood. It negatively impacts our bottom line when owners don't take care of their homes, and we end up dealing with foreclosures. But, if that's the decision, we'll follow it. Just don't come to me when our delinquency ratios start to climb." The manager overseeing the audit at the time raised a concern about the CEO's comments with the Chair of the Board. The Chair responded that he would address the issue with the CEO informally and verbally. There is no documentation to support that the board chair had this discussion with the CEO.

Molly shares her audit findings with Miguel, the audit manager in charge of the engagement. Miguel concurs with the findings and requests that Molly continue with the audit to better understand the full scope of the issues and states that he will share the findings with Robert Tiffany, audit partner in charge of the engagement and the client relationship with Great Northern.

Miguel has worked for Abrams, Leggman and Tiffany, CPA's for eight years, specializing in bank and credit union audits. Miguel graduated Summa Cum Laude from a top ranked accounting program and passed the CPA exam on the first attempt. Miguel was recognized with a full tuition college scholarship dedicated for Hispanic students with outstanding grades, service records and professional promise. During college, Miguel worked part time for a local bank as an assistant in the loan department. Miguel was assigned to the audit due to his qualifications, significant experience in the banking industry as an auditor and prior work experience in college. Molly has worked at the firm for three years and worked on several engagements with Miguel and Robert. Robert recruited Molly to the firm from her college, as he is an alumni and a member of the college's Accounting Advisory Board. Robert's clients are mainly bank and credit union audits. Overall, the scale of work on this due diligence audit is minor compared to audits often conducted on much larger bank clients by Robert, Miguel, and Molly.

After Molly's discussion with Miguel, and his concurrence with the serious nature of the issues uncovered within the audit, Miguel and Molly share the information with Robert. Robert, Miguel, and Molly then meet with the CEO of Great Northern to discuss the significant issues uncovered in the audit. The CEO is an older white male. The CEO responds as follows. "*We completed due diligence prior to this audit. Mountainside has been in existence since 1941 and has not experienced staff turnover in the lending office. Your audit team must be missing something. This merger is not only important to my board, but is beneficial to me. There is a significant payout to shareholders if* *this merger occurs. Mountainside cannot have serious compliance issues in its loan department. Robert, I know you are relying on Miguel to do much of this work, are his credentials really what they appear to be? He does not seem competent."*

Miguel was upset after the discussion and felt that the CEO attacked his credentials based on his ethnicity. Miguel is further upset as the client file shows that this CEO has a past history of making racist remarks with no formal record of anything being done to address it. Molly agrees with Miguel and feels that the treatment by the CEO was inappropriate. They have a discussion with Robert and suggest that their accounting firm be removed from the audit and that Great Northern find another audit firm to replace Abrams, Legmman and Tiffany, CPA's. To their surprise, Robert responds by saying "*The CEO is a difficult man and he is not open-minded, but that does not matter. We have an engagement to complete, and our accounting firm needs to complete it. After this audit is complete, we will not assign either of you to the Great Northern audit engagement again. The acquisition of Mountainside must move forward to completion."* Miguel and Molly did not find this response from Robert sufficient.

The firm managing partner, Samantha Abrams, continually emphasizes the importance of DEI, within the firm and mandates quarterly training for all employees and partners at the firm. In communications relative to DEI, Samantha states that practices that go against values of DEI should be reported directly to her. Staff are encouraged to file direct reports, or report through an anonymous online reporting system that the firm enacted. The firm policy of Abrams, Leggman and Tiffany, CPA's states that DEI are key values and a part of all business decisions, and non-acceptance of DEI principles are intolerable at the firm. Despite the statements in support of DEI, there is no formal printed DEI policy that is shared with employees or clients.

Molly and Miguel decide to come forward and share the incident with Samantha in person, but are also concerned of repercussions that may occur if the complaint is not properly supported. Molly and Miguel together draft a formal memo to Samantha summarizing the incident, including a discussion of how DEI values were violated, and suggest solutions based on firm policies that can fairly resolve the conflict in a non-confrontational manner. Miguel and Molly are concerned that Robert ignored the comments of the CEO of Great Northern when he questioned Miguel's credentials seemingly motivated by prejudice against Miguel's Hispanic ethnicity and expects the audit to continue and the transaction to occur, despite the significant audit concerns reported by Miguel and Molly and the statement by the Great Northern board of directors that strong values are a key criteria to support the acquisition.

As a student working on this case, you are to assume the role of Molly, the audit senior, and Miguel, the audit manager. To assist in preparing the memo, conduct research on DEI to develop support for your arguments and locate resources, including resources from the AICPA that firms can use to implement DEI within their firm: https://us.aicpa.org/career/diversityinitiatives/resources-for-firms.html

Requirement:
As you are role playing Molly and Miguel, write a professional memo to Samantha, the managing partner that addresses the following concerns:

1. The comment made by the CEO of Great Northern to Miguel related to his qualifications and ethnicity during the meeting with the audit firm engagement partner, Robert Tiffany.
2. The response by Robert Tiffany when Molly and Miguel share their concern after the meeting that the CEO of Great Northern's comment was inappropriate.
3. How you think this situation can be best resolved between Abrams, Leggman and Tiffany, CPA's, and Great Northern.
4. In addition to the overall appropriateness of Robert Tiffany's response when the CEO's comment related to Miguel's qualifications and ethnicity were discussed, consider Robert's duty of ethics to the audit engagement. The AICPA has a Code of Conduct, available on the AICPA Website at aicpa.org. Review the code of conduct and discuss any areas that Robert may have violated. Discuss the specific codes of conduct potentially violated. Additionally, are there any ethical violations to consider that may have occurred at the state CPA level (Massachusetts)?

Suggestions and comments to address the requirements above must be supported by facts. Use the internet to do research and provide citations to support suggestions to resolve this situation. In addition to the AICPA resources provided, locate published DEI policies from other public accounting firms and use the policies to make suggestions. Consider the code of ethics for Massachusetts CPA's as available on the Internet.

II. CASE LEARNING OBJECTIVES AND IMPLEMENTATION GUIDANCE

Motivation for the Case

The primary motivation for this case is to expose students to the role DEI plays in the workplace and ask them to critically think of how to manage a personal challenge that involves DEI. As a secondary motivation, this case allows students to build on research and communication skills using a DEI issue that a student might encounter in a professional setting. Specifically, students are asked to role play as members of an audit team that encounter a client who exhibits bias. The bias is contrary to principles of DEI. Students are asked to consider a situation where the audit engagement partner in the firm ignores the bias to protect the client engagement and relationship. The requirements allow students the opportunity to further develop research, critical thinking and written communication skills, in addition to other professional skills discussed within the learning objectives.

Using cases to teach disciplinary research concepts assists in closing expectation gaps that exist between the profession and the classroom, CPA exam requirements, and employer expectations of minimum skills expected of a new hire (Lawson, Blocher, Brewer, Cokins, Sorensen, Stout, Wolcott and Wouters, 2014). The ability to research, review and evaluate primary and secondary source material and synthesize sources to advise clients on specific issues develops research and critical thinking skills, as deemed important by Larkins (2008), and enhances key skills that are routinely tested on the CPA exam (Franklin and Morrow 2017). Johnson and Xia (2002) conduct regression analysis and find that students with greater exposure to diversity in the context of college educational exposure have greater cultural awareness. Though writing and communication skills are key for accounting graduates, Noga and Rupert (2017) demonstrate that writing assignments create significant stress on college students. Our research case that includes a significant written component requirement can provide necessary reinforcement of skills to reduce anxiety. This case links development of professional writing skills to diversity, and it also addresses a key call to improve critical thinking skills as defined by Wolcott and Sargent (2021), and a call for faculty to link subjects across disciplines to teach critical thinking.

A recent working paper examines diversity by interviewing audit staff of all ranks to understand how their experiences with their colleagues relate to individual and firm DEI outcomes and find that diverse auditors need emotional safety. The authors suggest that auditors of all backgrounds and levels can contribute to building a more diverse and inclusive workspace to increase auditors' feelings of emotional safety (Griffith, Holmstrom, and Malone, 2022). We reviewed key educational journals to ensure the case does not duplicate other cases. Specifically, we reviewed the papers synthesized in Apostolu, Churyk, Hassell, and Matuszewski (2023), and Apostolu, Dorminey, and Hassell (2022, 2021, 2020, 2019) which includes relevant literature from the following journals, *Journal of Accounting Education*, *Accounting Education*, *Advances in Accounting Education*: *Teaching and Curriculum Innovations*, *Issues in Accounting Education*, and *The Accounting Educators' Journal* over the past five years. We found no other case like this case, and we differ from similar cases in that our topic on DEI is unique and we integrate ethics into the case study.

There is a need for diversity in accounting to improve decision making, attract the best talent, and improve employee satisfaction. Managers need to 'understand, embrace, and leverage the demographic differences among their employees if they are to succeed in today's multicultural organizations' (Avery and Thomas 2004). Clients prefer to see the diversity of their company reflected in the staff of the auditing firm, for example when auditing firms give presentations bidding for the engagement. Organizations, including public accounting firms, understand that embracing the principles of DEI is essential for employee engagement and success and to achieve the best possible business performance for their clients. As each employee brings their own brand of thought to the engagement, a diverse audit team provides a more innovative, positive environment with a broader and more global perspective.

Case Development

After the initial version of this case was developed, two of the authors administered the case in undergraduate accounting courses at a large private university and a small private regional college, both in the Northeast.

The case was administered near the end of the semester. Prior to administration, both faculty members engaged in a class discussion on the understanding of DEI and how it impacts the accounting profession. Following administration, faculty members had a class discussion on what students learned from the case on the importance of DEI in the workplace.

An author assigned the case to be completed on an individual basis in a tax and business strategy class at a private university in Spring 2022. While we feel the case may be best used in a graduate audit course, graduate tax students are a suitable audience for the topic. Class enrollment was 18 students and 17 of the students completed the case. The assignment was worth 30 out of 400 total points in the course, or 7.5% of the final grade. The 4 free response questions completed by students as deliverables were as follows:

1) 'What challenges have you found in your workplace experiences relative to diversity, equity and inclusion?',
2) 'What challenges have you found as a college student relative to diversity, equity and inclusion?',
3) 'What could your workplace experiences have done better to address issues relative to diversity, equity and inclusion?',
4) 'Reflecting on your education experiences, what else could have been done better within your academic program to educate and prepare you to understand diversity, equity and inclusion?' The students had varied work experience including internships at accounting firms, corporate experience in accounting or marketing, and on-campus employment to use as a basis for answering questions 1 and 3. The student work experiences were both domestic and international.

Student experience with diversity, equity and inclusion issues as asked in question 1 ranged from perceived bias related to gender, age or newness in work environment (lack of seniority), and language ability not comparable to colleagues (i.e., interning in another country where the predominant language is not your native language). Students also mentioned difficulty meeting others in a remote working environment and lack of diversity within small remote work groups assigned. Other challenges included language barriers across team members or the issue where individuals who speak the same language or are from the same country form groups with only one another. Students also noted a lack of discussion of DEI issues (safer not to talk about DEI), and questioned whether onboarding and online trainings are enough without other more integrative approaches. Students also discussed complications arising from different preferred methods of communication such as email, Microsoft Teams, etc.

Student responses to question 2 mentioned a preference for instructor assigned groups because the groups can include diversity and if you do not know anyone in the class it is difficult to join a group. Students also mentioned differences in learning approaches in the U.S. as compared to China. Specifically, groups are used for discussion and assignments in the U.S., while in China the typical class format is to take notes individually. Other responses noted that students with local identification are more likely to be hired. Some students mentioned coming from a more (or less) diverse high school than the private university and the related adjustment. Others mentioned incidents of racial bias, harassment, hate crimes, violence, and lack of transparency at the university.

In response to question 3, students think more team bonding opportunities with colleagues outside of the work environment and an outside support person to help resolve communication issues would be helpful. Hiring a more diverse workforce was also a frequent response. A student mentioned that an anonymous reporting system that offered the option to talk to a higher-level individual rather than your direct boss was useful and thought this should be used on a more widespread basis. Another student mentioned that specific time set aside each month to discuss DEI would put the issue at the forefront, while another response suggested that a more organic conversation around DEI would be most effective.

Question 4 answers include additional courses on international law and relationships when doing business. Responses suggested more scholarships to increase the diversity of the student body. One response suggested that while learning communities can be positive, they may also have a negative effect on those that do not choose to join because that individual will have less chance to interact with others from different backgrounds. Other students mentioned more DEI programs, activities, podcasts, vlogs, seminars, and lectures. A required one credit class that discusses DEI issues required freshman year and for graduate students was also a suggestion. Other students felt DEI could be addressed in case studies within current courses. Another response mentioned that taking more classes outside of the business school could broaden a student’s worldview, such as classes on women’s and gender studies, LGBT studies, religion courses, etc. The insights from student responses motivated us to discuss the case with a partner from a regional firm.

Following the above development exercise, the authors had a discussion with a partner from a regional certified public accounting firm in the northeast to discuss challenges faced with new hires and the understanding of DEI. The partner advised the authors that there are many misconceptions faced, and that a properly written case to educate students on DEI, and ethics would be well received and an important part of an accounting curriculum to hiring firms. Feedback from this discussion was used to develop the case and specific questions we should ask students to reflect on.

Following administration of the initial version of the assignment, it was refined and developed to the fact pattern and role play as advised by the CPA reviewer of the preliminary exercise and real-life work experience in the banking industry and due diligence audits of one of the case authors. The authors of the case had the case reviewed by non-author university faculty at other schools to ensure the situation is as realistic as possible for a case of this type.

The courses used in this study had not completed any other assignments during the term that specifically involved diversity in the profession, but throughout the course of the term did discuss ethics at various times relating to current topics as covered in the class, not directly related to DEI.

Learning Objectives

This case requires students to role play as a member of an audit team involved in a due diligence audit for the merger of two banks. During the audit, issues were uncovered, and the competence of the audit manager was questioned with references to his ethnicity. The staff and manager were not satisfied with the resolution by the partner in charge of the audit, and as a result made the decision to prepare a formal memo to document a complaint to senior leadership of the audit firm. Specific learning objectives for the case include:

LO1: Explain the role DEI values play in the accounting profession.
After a class discussion of DEI in the workplace, students will demonstrate their ability to understand the critical need to be aware of DEI in a professional setting, and how behaviors that are not inclusive of DEI can have a negative impact on the quality of work performed and completion of roles expected in a client setting. As DEI is discussed with the class, the instructor may wish to search the Internet, as well as academic literature to provide resources pertinent to discuss the importance of DEI. Though there are many resources available to develop discussion materials, instructors are encouraged to locate materials they feel most comfortable discussing, Campbell and Helleoid (2022) provide a relevant and timely case that can be used for background by instructors to plan their discussion.

LO2: Evaluate the role staff at all levels of an organization should play to ensure DEI is properly embraced within a firm.
Students should be able to reflect on the person responsible for assurance that DEI is appropriately considered within an organization per policies. The student should understand that reporting responsibility occurs at all levels of employees within an organization, when reporting should consider the chain of command, and how to report properly ensuring appropriate chains of command are obeyed, and that reporting to the traditional next person in the chain of command may not be appropriate, much as students learn in a fraud class when potential fraud is detected. Students should also develop an awareness that many organizations should have formal policies of DEI, and know what their responsibilities are within any organization where they are employed.

LO3: Discuss a typical process of how staff in a firm should manage a situation that violates the rights and workplace protections of an employee and have ramifications on a client outcome.
As presented in the previous objective, there may be a typical process to report DEI violations, often to a supervisor within an organization at the next level of the corporate organization chart. This may not be possible if potential offenses to DEI are occurring by employees with direct supervisory responsibility of the reporting employee. This project allows the student to see a process of reporting DEI that may be suggested in a firm, and suggests ways to improve reporting to levels of management that can protect those who report and make employees feel more comfortable to report organizational issues with DEI.

LO4: Research, analyze and synthesize applicable professional codes of conduct that would be relied upon to assess the conduct of the client, partner and overall audit firm in this engagement against the employee allegedly subject to discrimination and the overall quality of the client engagement.

LO5: Prepare professional documentation to demonstrate applicability of ethical standards within the profession, and how the behavior of the firm may violate these principles relative to DEI and the overall audit engagement.

Students will create a professionally crafted internal memo addressed to the firm managing partner. This behavior will address the behavior of the client, response of the engagement partner and discuss how the behavior violates the rights of the audit manager, and as a result puts the quality of the audit engagement at risk.
Table 1 provides a map of learning objectives to specific case requirements.

Implementation Guidance

This case is designed for use in either an undergraduate or graduate accounting course, specifically one to be taken near the end of their program. The schools that have utilized this case as a classroom assignment do not offer a specific accounting capstone course, but the authors suggest that this case may be a best fit within a capstone course. Over 90% of the students completing this case were in their final year of academic study within their program. This case was designed with the intention to be completed as an individual assignment but can be easily adapted to a group assignment. This case also has an objective of professional writing skill development and should be administered after students have exposure to professional writing. In all institutions where this case was utilized, students have completed prior coursework in professional writing as well as accounting courses within the major that have emphasis on research and professional writing.

Based on feedback provided, this case was revised substantially prior to the implementations utilized herein. The case was also reviewed by other instructors who suggested that the case was well-written, relevant for classroom use and would be willing to utilize it within their classes when teaching appropriate subject matter.

During author use of this case, the case was assigned later in the semester. In all situations where the case was implemented, students were exposed through discussion to the importance of DEI in the workplace and discussed their personal perceptions of it based on their own experiences.

Evidence of Efficacy and Feedback

The overarching goal of the case is to expand student exposure to DEI importance within the accounting profession through the application of a realistic DEI client issue that a practicing accountant may face at work. The goals for students, as laid out in the learning objectives in the previous section, can be evaluated by asking the following questions when reviewing student deliverables:

1. Did the student provide clear and actionable comments for the questions requested?
2. Did the student discuss the process of managing a potential behavior that threatens DEI values within an organization?
3. Did the student critically analyze alternatives to address the conflict?
4. Did the student properly apply appropriate primary source material to the managing partner to support a resolution of the conflict?
5. Did the student write and format the professional memo as instructed?

Table 1 Panel B maps these questions to the learning objectives evaluated. For purposes of grading, the teaching notes contain a sample answer, as well as discussion of items a student should include in their answer. Due to the significant variation in DEI resources available, the answer provided is a general guide. Faculty who utilize this case should reflect on their own experiences, as well as other DEI resources they may be familiar with in evaluation of responses. It is also important to note that students may reference additional or differing DEI guidance from alternate sources to conduct their evaluation. As discussed further in the teaching notes, instructors should focus on how well students apply the references they provide to reach a conclusion, and not expect that all students will locate the same resources. Instructors may determine at their own discretion if they want to provide students specific references to use. As shown in the rubrics within the teaching notes, evaluation includes both analytical content and writing style. Recognition and communication of writing style errors is one way to improve a common significant weakness for students in professional writing skills, as found by Noga and Rupert (2017). This feedback should also be constructive and, to a certain extent, kind rather than punitive.

This case was implemented by two instructors at their respective institutions. This was administered as a standard assignment, and formal course activity.

The authors of this case also had a discussion with a partner from a large regional CPA firm on the relevance of the case. The CPA reviewer conferred that the fact pattern of the case, topic and deliverables are realistic and of value for a college student to be exposed to in a classroom project. Additionally, entry level public accountants were asked to provide feedback, as well as executives in the banking industry as to the realism of the fact pattern.

Practitioner Reaction

Practitioners at the senior and partner level affirmed that the case is well prepared, makes students aware of proper reporting protocols, and assists students in critically thinking about a situation they may encounter at work that involves managing the pressure of breaking the chain of command to address issues involving DEI. This case alerts students that it is OK to break the chain of command when warranted when there are issues of non-compliance and/or concerns of a hostile work environment. Partners mentioned appreciation for the professional writing component.

Entry-level staff were impressed with the quality of the assignment. They felt that the importance and assurance that it is OK to speak out, even if outside of the chain of command is important. One reviewer shared the following comment "I have worked with several clients who clearly have no understanding or respect for DEI, this really hit home and is realistic of what a new hire will encounter all the time when working with clients."

The case was also reviewed by an executive from a regional financial institution. The executive concurred that the fact pattern is realistic and consistent with what a staff may find if conducting a due diligence audit. The executive also affirmed that if a similar audit occurred at a small or mid-sized financial institution that new hires and interns may be involved in a similar scenario, and that the case is written to a level appropriate to the audience.

Faculty Reaction

This case has been reviewed by non-author faculty at various stages in its development process. Reactions have been positive and state that the deliverables are clear, that the expectations are mapped to the learning objectives, and that the objectives are relevant. One faculty suggested that with minor tweaks this case is suitable for use in courses in the HR/Management area, perhaps as an overall senior capstone.

The other faculty reviewer provided the following feedback:
"I like the use of a realistic audit setting to teach DEI to accounting students. It makes it more tangible to students and helps them realize that they may be facing an accounting/auditing issue with a client at the same time as a DEI issue that could be related to the client, or an internal matter of their own team or firm. The use of a familiar financial accounting/auditing type setting should help reduce anxiety that students might experience learning about DEI in a more generic setting. I think challenging accounting students to address a DEI issue in a class setting will enable them to identify and handle DEI issues better when they face them in the workforce.

Having students use their research and writing skills from accounting specific projects in a DEI setting is a nice aspect of the case. Requiring students to reference supporting materials is a great way to cover the AICPA Code of Professional Conduct, material that I find hard to find interesting ways to teach. I think students will gain an understanding of how challenging DEI issues are, but that there are support frameworks in place to help them navigate the issue."

Student Reaction

Students completed this exercise as a standard in-class assignment. One of the instructors routinely asks students to reflect on all graded deliverables during the semester as part of the end of semester teaching evaluations. This evaluation includes the quality of general homework assignments as well as projects and cases assigned. The instructor uses comments received to continually improve the course and quality of assignments administered. The end of semester teaching evaluation response rate for the term this assignment was used was 65%. Of the respondents, many students had positive feedback on this assignment, while other students offered constructive criticism. Some applicable quotes are:

"one of the best assignments I have done. Realistic and relates to work."
"as a student of color that has had three internships, this assignment shows what happens to me all the time. Great learning experience so I now can handle these situations better."

The most common constructive criticism from students was the lack of specific research support provided. The expectation that students locate their own DEI resources was criticized. The authors think this assignment is more beneficial if specific references are not provided, due to the large variety of available references. Instructors have the flexibility to include specific references to provide guidance and avoid student criticism.

Classroom Validation

This assignment was used by an author to measure mastery of the programs' AACSB Assurance of Learning assessment pertaining to written communication skills, analytical reasoning, and ethics. Based on the rubric specific to the AOL objectives, 90% of students satisfied the learning goals assessed.

Pre- and post-assignment surveys were administered at two different United States institutions for a sample of 36 students. One institution was a large private university in the Northeast. The second school was a small private college in the Northeast. A majority of students from the small private college had 2 to 3 courses that focus exclusively on ethics prior to completion of the case. Students from the other university did not have formal coursework on ethics prior to this case.

Prior to assigning the case, instructors required students to complete a pre-assignment questionnaire to rate themselves on a Likert scale of 1 – 7 (where 7 equals Strongly Agree) on the following 7 items:

1. I am comfortable with the definition of Diversity, Equity, and Inclusion (DEI) and the role it plays in the accounting profession.

2. I feel that I need further reinforcement to improve my understanding of DEI within the accounting profession.

3. I am comfortable with ethics and its role in the accounting profession.

4. Prior exposure to ethics in the accounting profession has increased my comfort to evaluate and define unethical behavior in the profession.

5. I understand how professional ethics impacts DEI efforts within the profession.

6. I feel comfortable reviewing and applying professional standards of ethics to efforts of DEI within a professional situation.

7. I feel comfortable with my ability to write in a professional manner as would be expected of me as a practicing CPA.

Table 2 reports that students had a high level of confidence in their comfort and performance as it pertains to professional ethics, with a 6.02/7 indicating that most students felt they did not need further reinforcement to improve ethics skills, and felt they had a high level of comfort applying ethics to a DEI situation, with a 5.58/7. The primary objectives of this assignment were not specific to ethics, but to develop an understanding and ability to apply principles of DEI to a real-life situation, and the table reports that student confidence was lower on this question. Though not the primary objective, the authors decided to apply ethics to the case due to the importance of the role ethics play in DEI and the continual need to introduce ethics in the accounting profession.

Though we present data in the aggregate of both schools tested due to the limited sample size, it is important to note that students at one school had exposure to ethics principles prior to completing this assignment. Students at the other institution had no prior courses dedicated to ethics. Students at the school with the prior dedicated ethics coursework rated their confidence in ethics considerably higher than their counterparts at the other school.

These questions, used on both the pre and post test instruments, have been mapped to the learning objectives of the case. Students felt that this case did a strong job educating them as to how DEI can be applied in the workplace.
Insert Table 2 here
After the assignment was completed but prior to instructor feedback, and posting of grades, students were asked to complete a post-assignment questionnaire. As shown in Table 2, students rated themselves in a better position with regards to all measures related to DEI post-assignment. The results do not show improvement in learning on the assessed ethics principles. As stated in the previous paragraph, when the data is analyzed by school, students from the school not offering coursework in ethics prior to this case showed significant improvement in learning for ethics principles as well as the DEI measures. Students were also asked by the instructors who implemented the case to include written comments on what they learned. Student comments on the learning experience were mainly positive. The only comments for improvement were that the instructor provide specific references to work with, and not request the open-ended research to locate DEI policies. We believe the research component is critical for this assignment to develop an understanding of the broad approaches taken to manage DEI within the profession. The authors do not suggest providing this resource to students, due to the wide variety of approaches and resources available. The learning experience is more beneficial, and potential instructor bias is removed when students seek their own resources and analyze the approach they select.

Table 1 Panel A
Map of Learning Objectives to Case Requirements

Case Requirement	Learning Objective(s)
Part 1: Evaluate the appropriateness of the comment made by the CEO to Miguel during the meeting when his qualifications were questioned due to his ethnicity.	LO4 LO5
Part 2: Evaluate the response by Robert Tiffany when Molly and Miguel shared their concerns with the appropriateness of the Great Northern CEO's comment following the meeting.	LO1 LO2 LO3 LO4
Part 3: How do you think this situation can be amicably resolved between the Abrams, Leggman and Tiffany, CPA's, and Great Northern Bank?	LO2 LO3 LO4
Part 4: In addition to the appropriateness of Robert Tiffany's response when the CEO's comments were discussed, consider his duty of ethics to the engagement. The AICPA has a Code of Conduct, available on the AICPA Website at aicpa.org. Review this code of conduct and discuss any areas that Robert may have violated with his behavior. Address these areas in the memo. Additionally, are there any additional ethical violations that may have occurred at the state CPA level (Massachusetts) to be considered?	LO4
Part 5: Answers to the above should be summarized in the form of a professional memorandum to the firm managing partner, Samantha.	LO5

Table 1 Panel B
Evaluation of Learning Objectives

Performance Evaluated	Learning Objective(s) Measured
Did the student provide clear and actionable comments for the questions requested?	LO4 LO5
Did the student discuss the process of managing a potential behavior that threatens DEI values within an organization?	LO1 LO2 LO3 LO4
Did the student critically analyze alternatives to address the conflict?	LO2 LO3 LO4
Did the student provide appropriate primary source material to the managing partner to support a resolution of the conflict?	LO4
Did the student write and format the professional memo as instructed?	LO5

Table 2: Quantitative Student Feedback

Panel A: Pre-assignment Questionnaire

Survey Question	**Mean Response n=**	**Learning Objective**
I am comfortable with the definition of Diversity, Equity, and Inclusion (DEI) and the role it plays in the accounting profession.	5.05	LO1 LO2
I feel that I need further reinforcement to improve my understanding of DEI within the accounting profession.	4.36	LO1 LO2 LO3
I am comfortable with ethics and its role in the accounting profession.	6.02	LO4 LO5
Prior exposure to ethics in the accounting profession has increased my comfort to evaluate and define unethical behavior in the profession.	5.58	LO4 LO5
I understand how professional ethics impacts DEI efforts within the profession.	5.00	LO4
I feel comfortable reviewing and applying professional standards of ethics to efforts of DEI within a professional situation.	5.31	LO3 LO4
I feel comfortable with my ability to write in a professional manner as would be expected of me as a practicing CPA.	5.61	LO5

Students were asked to indicate their level of agreement based on a seven-point Likert scale where 7 = "Strongly agree'' and 1= ''Strongly disagree.''

Panel B: Post-assignment Questionnaire

Survey Question	**Mean Response**	**Learning Objectives**
This assignment increased my comfort level with the definition of Diversity, Equity, and Inclusion (DEI) and the role it plays in the accounting profession.	5.88***	LO1 LO2
This assignment provided positive reinforcement to improve my understanding of DEI within the accounting profession.	6.08***	LO1 LO2 LO3
This assignment increased my comfort with ethics and its role in the accounting profession.	6.04	LO4 LO5
This assignment allowed me to better relate prior exposure to ethics in the accounting profession and increased my comfort to evaluate and define unethical behavior in the profession.	6.04	LO4 LO5
This assignment helped me to better understand how professional ethics impacts DEI efforts within the profession.	6.25***	LO4
This assignment increased my comfort to review and apply professional standards of ethics to efforts of DEI within a professional situation.	6.13	LO3 LO4
This assignment has increased my ability to write in a professional manner as would be expected of me as a practicing CPA and/or business professional.	5.92	LO5
The case was interesting.	5.71	
The case was an effective learning assignment.	6.00	
The case was well-written	5.70	
The case required critical thinking of the main issues.	6.04	
I recommend this case be used in the future.	5.71	

Students were asked to indicate their level of agreement based on a Seven-point Likert scale where 7 = "Strongly agree'' and 1= "Strongly disagree.''
****, ** Significance when compared to pre-test value is indicated at $p < 0.01$ and $p < 0.05$, respectively; all tests two-tailed.*

III. TEACHING NOTES

The teaching notes provide rubrics and suggested solutions. The teaching notes are designed to be used in conjunction with the Case Learning Objectives and Implementation Guidance (CLOIG) provided in Section II of the case. DEI is an important topic for use in undergraduate or graduate level courses. However, given the emphasis on improving decision making, attracting the best talent, and improving employee satisfaction, the case is appropriate for use in any course (i.e., corporate governance) with a moral ethics component. Organizations (i.e., public auditing firms) today understand that embracing the principles of DEI is essential for employee engagement and success as well as to achieve a high level of business performance for their clients.

The case engages students in an interactive-class discussion about methods of creating a strong cultural environment in the DEI context. The case addresses the basics of DEI and how each employee brings their own brand of thought to the table, which creates a more innovative, positive environment and a broader, global perspective. The case exposes students to decision making in an ethically ambiguous situation and requires students to be creative and consider multiple factors in addressing a DEI issues in a company. Similar to prior research (e.g., Dole and Schroeder 2001; Broadbent and Kirkham, 2008; Cushen, 2013; Haynes 2013; Empson, Muzio, Broschak and Hinings, 2015), the case immerses the student into a situational accounting professional environment. However, this case goes further and introduces the business accounting professional to problematic racism and social inequity. The case challenges students, role-playing as audit professionals, to identify shared concerns and concerns with duty of ethics with the partner in charge of the engagement. In addition, students are required to identify comments made by the CEO of Great Northern to Miguel, and the response made by Robert Tiffany when Molly and Miguel shared their level of discomfort with the CEO's comments. Students are also asked to determine any ethical violations that may have occurred at the state CPA level.

Exhibit 1 contains a written communication rubric that was approved at an author-instructor's university for use for assurance of learning goals and is adjusted to be specific to this case. To set student expectations and explain the grading process, instructors who implemented the case in testing provided students with a copy of the written communication rubric. Exhibit 2 includes sample solutions provided to help instructors implement the case for the first time. This is an example of what an "excellent" submission is, but instructors can decide what an "excellent" submission looks like based on whether the class is undergraduate or graduate, the case is assigned to individuals or groups, and other relevant factors.

Introducing the Case

The instructor should provide students with the case and explain that the students will be role playing Molly and Miguel, and that the requirement is to write a professional memo to Samantha, the managing partner that addresses the following concerns.

Requirements

1. Discuss the comments made by the CEO of Great Northern about Miguel during the meeting in reference to his qualifications.
2. Discuss the response by Robert Tiffany when Molly and Miguel share their concerns about the appropriateness of the Great Northern CEO's comments after the meeting.
3. Discuss how you think this situation can be resolved between the Abrams, Leggman and Tiffany, CPA's, and Great Northern.
4. In addition to the overall appropriateness of Robert Tiffany's response to Molly and Miguel when the Great Northern CEO's comments were discussed, consider Robert Tiffany's duty of ethics as the engagement partner of the accounting firm. The AICPA has a Code of Conduct, available on the AICPA Website at aicpa.org. Review this code of conduct and discuss any areas that Robert may have violated. Address the potential violations in the memo. Additionally, discuss whether there any ethical violations that may have occurred at the state CPA level, in this case Massachusetts.

EXHIBIT 1
Sample Rubric: Written Communication

Performance Criteria	**Below Expectations**	**Meets Expectations**	**Exceeds Expectations**
Topic and conclusion	Memorandum is poorly developed, with supporting details that are absent or vague. Trite ideas and/or unclear wording reflect lack of understanding of the case fact pattern. Basic template of a professional document is not followed. 1	Memorandum is properly developed, and addresses the specific questions as requested, with some supporting details, generally meets requirement of assignment. Template of document format is followed. 2	Memorandum is well developed consistent with template(s) provided, effectively supported and appropriate for the assignment. Effective thinking is clearly and creatively expressed. All issues specifically requested are addressed, and done so to a manner that exceeds overall expectations. 3
Logic and organization	Does not develop ideas cogently. Uneven and ineffective overall organization, unfocused introduction or conclusion. Unclear where and how the specific action issues requested in case are addressed. 1	Develops unified and coherent ideas within paragraphs with generally adequate transitions; clear overall organization relating most ideas together, good introduction and conclusion. The reader can clearly see where and how each requested item is addressed. 2	Develops ideas cogently, organizes them logically with paragraphs and connects them with effective transitions. Clear and specific introduction and conclusion. Each requested item is clearly addressed in a way that exceeds expectations. 3
Language	Uses words that are unclear. Sentence structures inadequate for clarity, errors are distracting. 1	Word forms are correct. Sentence structure is effective. Presence of a few errors is not distracting. 2	Develops concise standard English sentences, balances a variety of sentence structures effectively. 3

Spelling and grammar	Writing contains frequent spelling and grammar errors which interfere with comprehension. 1	While there may be minor errors, the writing follows normal conventions of spelling and grammar throughout and has been carefully proofread. 2	The writing is essentially error-free in terms of spelling and grammar. 3
Examples and supporting evidence	Provides few or inappropriate examples. Evidence does not support conclusions. Majority of examples provided and evidence does not come from sources that professionally would be deemed credible. 1	Provides appropriate examples. Evidence generally supports conclusions. Majority of evidence and support provided does come from credible business acceptable sources, though a small number of references that may not be acceptable can be noted. 2	Examples strongly support topic. Evidence leads directly to conclusions. Evidence is all properly documented and from sources that would be considered professionally credible. 3

EXHIBIT 2
Suggested Solutions Memo
Header of your choice

Our audit engagement team at Abrams, Leggman and Tiffany, CPA’s was recently tasked with conducting a due diligence audit of the loan portfolio of Mountainside Community Bank (Mountainside) for Great Northern Savings Bank (Great Northern). Great Northern is negotiating an acquisition of Mountainside. During the audit, the audit team uncovered several issues with the loan portfolio, including missing proper disclosures from borrowers, lack of proper documentation to support the creditworthiness of borrowers, loans out of Federal compliance, and a complaint filed against Mountainside for violating the Fair Housing Act. It was additionally noted that there is documentation of past racist behavior by the CEO of Mountainside at the time these findings were communicated that do not appear to have been addressed by the Board of Directors. We brought these issues to the attention of the CEO of Great Northern, who expressed skepticism about the findings and questioned Miguel's credentials, seemingly motivated by prejudice against Miguel's Hispanic heritage. The audit engagement team believes that Miguel is well-qualified and experienced to conduct a thorough and accurate audit and we feel that the CEO's comments were inappropriate and an act of bias against Miguel's ethnicity.

Miguel and Molly felt marginalized by Robert's response after expressing their concerns about the offensive comments made about Miguel by the CEO of Great Northern. Robert's dismissive attitude toward the feelings of his staff, Molly and Miguel, violated several ethical codes, including the AICPA Code of Professional Conduct and Massachusetts’ Code of Ethics and Rules of Professional Conduct, as well as the company's DEI values. Molly and Miguel believe that Robert's behavior could be considered discriminatory. Furthermore, Molly and Miguel believe that Robert did not comply with the laws and regulations outlined in the AICPA Code of Professional Conduct and failed to show integrity and strong moral principles, as stated in the Code of Ethics. Molly and Miguel feel that the partners at Abrams, Leggman and Tiffany, CPA’s should remove the firm from the audit of Great Northern and believe the suggestion is being ignored.

To address the recent situation involving Robert Tiffany and Great Northern, it is imperative that Abrams, Leggman, and Tiffany, CPA’s establish a Diversity, Equity, and Inclusion (DEI) team, led by a DEI officer, that establishes written policies and monitors the firm's commitment to DEI. Abrams, Leggman, and Tiffany, CPA’s should also establish a list of inclusive leadership behaviors, such as curiosity and cognizance of bias, to educate and guide employees in promoting diversity and inclusion. To resolve the current situation, both Abrams, Leggman, and Tiffany, CPA’s and Great Northern should undergo DEI training, implement an official DEI policy that protects employees and promotes diversity, and create metrics to track progress towards diversity goals. DEI policies can include incentivizing employees to achieve diversity goals and developing programs to counter the perception of underrepresented professionals. As evidenced by successful DEI policies at firms like PWC, creating a culture of belonging and a diverse and inclusive environment can result in all employees feeling valued and included.

We believe that implementing policies promoting DEI would greatly benefit Abrams, Leggman, and Great Northern, as well as protect employees from discrimination and prejudice. Despite current DEI policies, there seems to be a lack of understanding in the workplace regarding a diverse and inclusive environment. To address this issue, we recommend holding a meeting with Molly, Miguel, Robert Tiffany, the CEO of Great Northern, and a DEI expert to educate individuals and improve the workplace. Considering the recent offensive behavior by Robert and the CEO, we suggest informing the Public Companies Accounting Oversight Board (PCAOB) to conduct an investigation and determine if violations occurred. Our research on the codes of professional conduct from the AICPA and the Massachusetts CPA’s, as well as DEI policies published by other firms, has led us to conclude that Robert's comments violated the codes of ethics and displayed a discreditable act toward the staff at his firm and to the profession. Studies show that inclusive cultures are more likely to meet or exceed financial targets and achieve better business outcomes. Therefore, we believe it is imperative for Abrams, Leggman, and Tiffany, CPA’s to strive for a more inclusive workplace and continue DEI education. We look forward to your thoughts on the matter and working toward a solution that is best for our firm going forward.

Use the Signature Block You Prefer Here.

Sources

AICPA Code of Professional Conduct:
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Massachusetts Public Accountancy Code of Ethics and Rules of Professional Conduct:
https://www.mass.gov/doc/252-cmr-3-code-of-ethics-and-rules-of-professional-conduct/download

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