Is Falsifying Expense Reports Grounds for Termination?



Fudged expense reports is an all-too-common problem for many companies. In many cases, the transgressions are minor: a taxi reimbursement without a receipt or a meal that had nothing to do with work. The cost to the company may be small, but the company's response shouldn't be. Many companies hold that any form of employee dishonesty is grounds for dismissal. The question is, will a court rule that the company had just cause to fire the employee?

The answer: It depends. Take a look at how the following two cases were decided. While they're both from Ontario, they're typical of how courts in all provinces approach this question.

FALSIFYING EXPENSE REPORT NOT JUST CAUSE

FACTS

An account manager hands in an expense report that indicates he made two sales calls at a time when in fact, he was snowmobiling with a client. The accounting department has been watching the manager carefully due to suspicions about previous expense reports and discovers this new discrepancy. When confronted, the manager offers a lame excuse: "I lied because the accounting department wouldn't have understood that the snowmobile trip was business-related," he claims. The employer doesn't buy the story and fires the manager without notice. The manager sues for wrongful dismissal.

DECISION

The Ontario Superior Court of Justice rules that the employer didn't have just cause to fire the manager.

EXPLANATION

The court explained that employers must consider the "circumstances and context" of the dishonest act, as well as the nature and seriousness of the act. The court acknowledged that the manager in this case was in a position of trust; that he lied on the expense report; and lied to the HR director when questioned about the report. Still, the court said there were extenuating circumstances. There were tensions between the sales department and accounting department about expense reports before the incident. This tension explains why the manager thought the accounting department

wouldn’t understand that the snowmobiling trip was business-related. Plus, the manager did make work-related calls on the day in question. Dismissal without notice was deemed too harsh a penalty, according to the court.

Graham v. Cuddy Food Products, [2003] O.J. No. 2432, May 29, 2003

FALSIFYING EXPENSE REPORT IS JUST CAUSE

FACTS

A sales rep for an amusement park pays a $300 fee to join a board of trade so he can develop business contacts. He knows his supervisor will deny that the fee is a business expense. So, to recoup the money, he inflates his mileage reimbursement claims on his expense reports. When he gets caught, he admits that he lied, but claims that the whole affair was his supervisor’s idea. The employer fires the sales rep without notice. The sales rep sues for wrongful dismissal.

DECISION

The Ontario Superior Court of Justice rules that the employer had just cause to fire the sales rep.

EXPLANATION

The court noted that “dishonesty by itself is insufficient to create just cause for dismissal.” But, the court continued, the ultimate issue “is whether the proved dishonesty establishes a breakdown in the employment relationship.” Here, the rep’s conduct was more than just dishonest. He falsified his expense report to recoup a fee for which he knew he wasn’t entitled to reimbursement. Even though the amount in question was small, the rep was in a position of trust—he had access to several thousand complimentary tickets to the amusement park, which were worth $40 a pop. The rep’s behaviour “destroyed the position of trust” that his employer demanded of him, the court concluded.

Cosman v. Viacom Entertainment Canada Inc., [2002] O.J. No. 1828, April 19, 2002