Did you hear about the KMPG scandal? According to news reports, six firm accountants, three of whom were former employees of the PCAOB, were charged by the SEC with leaking sensitive confidential data to help the accounting firm clear regulatory inspections. By knowing in advance which public company audits the PCAOB would select, KPMG could scrub its audit files and identify any gaps in workpaper documentation before the reviewers showed up. According to the criminal indictments, KPMG allegedly recruited at least one of the regulators at a time when nearly 50 percent of audits reviewed by the PCAOB were found to have deficiencies. Another showed up with more information, and (allegedly) both firm accountants received additional information from a PCAOB employee who was seeking employment with the firm.

Francine McKenna quoted Jim Ulvog, as saying, “From my auditor’s perspective, this situation has the feel of a ‘red flag’, meaning something that seems odd on the surface and which is actually a warning sign there could be a far more serious problem, potentially systemic and possibly quite material.” Indeed, this is not the first time KPMG has been in the news in a less than positive fashion. Readers may recall a certain tax shelter case from years ago.

But it’s not just KMPG. Each of the other Big 4 firms has had its own ethical challenges. For example, Deloitte paid $2 million in 2013 for violating Sarbanes-Oxley and PCAOB rules. Going back a few years more, the firm’s Vice Chairman, Tom Flanagan, was charged with providing insider information on the companies he audited to traders. Those charges were settled in 2010.

And let’s not forget that EY had several employees and a partner barred from performing public audits by the PCAOB, because they “created, backdated, and added documentation to an audit file when they learned it would soon be inspected by the board.”

What about PwC? It’s had its own problems, including allegations of theft of trade secrets and allegations that it provided unlawful tax avoidance advice. (To our knowledge the firm has not admitted any liability in those matters.)

The point is, these four bastions of professional accountancy have each had ethical breaches. Perhaps that’s to be expected. Any large population of individuals is going to have a Bell curve of distribution of ethical behavior. And some of those individuals are going to fall on the tails of the distribution. On the other hand, partners are supposed to be vetted before ascension, and

one would like to think that ethical concerns would be a barrier to partnership. Perhaps that's just wishful thinking, but still…

When you evaluate your company for ethical concerns, remember these anecdotes and allegations. No company is immune from ethical concerns.

No company. Not even your company.

The first line of defense against fraud and corruption is not your six DFARS Business Systems. No. The first line of defense against employee fraud and ethical breaches is the corporate culture. As part of your evaluation of your company for ethical concerns, do not forget to evaluate the corporate culture. A weak corporate culture, with ineffective or inconsistent discipline for wrongdoing, is the first sign that there could be wide-spread or even systemic corruption.

Note, if you will, that several of the allegations discussed above could pertain to a government contractor undergoing review of a DFARS Business System. For example, if you knew a CPSR was coming up, it would sure be helpful to know exactly which procurement files the reviewers were going to select, wouldn't it? And if you got to those files first, and you found gaps, how would you deal with the temptation to correct those gaps? Would you create missing documents? If you did, would you backdate them? Would your management encourage you to do those things—potentially violating the False Statements Act—or would your management discipline you for doing them?

Perhaps you are not in the Big 4. Perhaps you are not in the accounting profession. Maybe you're just a run-of-the-mill government contractor. If so, you might think you have nothing in common with those big, expensive, firms.

But you'd be wrong.

There is a lot to be learned from those big, expensive, professional accounting firms, if you have the awareness to see it.