

DESIGNING A FRAMEWORK FOR MAINTAINING GOOD MORAL CHARACTER
WHEN PROVIDING ACCOUNTING SERVICES
TO THE LEGAL CANNABIS INDUSTRY

by

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Abstract

Cannabis, once relegated to transactions in the shadows and the constant threat of criminal prosecution, has emerged as a booming industry as states continue to legalize it for medical and recreational use. Federal lawmakers have yet to bless the use of cannabis through legislation, so the threat of criminal penalties looms for both cannabis businesses and the businesses that support them, such as CPA firms. State legalization has brought forth an industry that once operated under the radar into the light of legitimacy. With legitimacy comes the obligation to both report and pay taxes at the federal, state, and local levels. Yet, CPAs, conservative by nature, have reasonable objections to offering these services. Both national and state CPA associations require CPAs have good moral character, but providing services to a federally-illegal business has always stood as a violation of that mandate. This qualitative, multi-case research study using semi-structured interviews of CPAs serving the cannabis industry and CPAs that have elected not to serve the industry provides insights into the concerns regarding engaging legal cannabis clients and a framework to protect good moral character when serving the cannabis industry. The framework consists of two parallel paths, due diligence and due care. Due diligence is the processes undertaken to ensure a thorough understanding of the client. Due care is the processes that support protecting both the client and the firm.

Keywords: legal cannabis, good moral character, CPA, due diligence, due care

Dedication

This research study is dedicated to my parents, Wynne and Dean Guy, for always believing in me; to my children, Lucas, Marcus, Nicholas, and Anthony, and my grandchildren, Layla, Zoey, Skylar, and Joey, who continue to inspire me; and to my Lord and Savior, Jesus Christ, who never gives up on me. I would also like to dedicate this work to my friends, Dr. Victoria Holroyd and Dr. Ruthy Watson, who showed me that you are never too old to reach for the stars.

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Section 1: Foundation of the Study

Good moral character is a subjective concept susceptible to a multitude of interpretations, yet it is a standard, more so than an ideal, held out by philosophy, religion, professions, and governments. Those bound to the mores of these institutions are held accountable to upholding the standard, yet often are not told how to do so. In the accounting field, the good moral character requirement is mandatory for practicing CPAs, but no concrete guidelines are offered. For serving an industry on the precipice of legality, such as the cannabis industry, the footing is even more treacherous. This research aspires to create a foundation for more solid ground.

Background of the Problem

The accounting considerations for the legal cannabis industry are unusual and complicated. As such, these organizations require access to competent, knowledgeable accounting services. As the legalization of cannabis inches forward state by state, those in the legal cannabis business find access to professional services, such as accounting, challenging to obtain. Because cannabis is still federally illegal, doubt and uncertainty hover around those contemplating providing accounting services to the legal cannabis industry. CPAs are required to execute their duties with good moral character (National Association of State Boards of Accountancy, 2014), but a professional conflict can arise when state law permits something the federal law does not. The state that grants the license regulates its CPAs, yet many state CPA associations have not taken a formal stance on the subject. As of January 2016, only seven state's boards of accountancy had issued guidance on the matter, and further study or guidance on what might constitute good moral character does not appear to be forthcoming (AICPA, 2016).

The conflict between federal and state laws leaves both those in the industry and those that serve the industry in legal and moral limbo. The Department of Justice under the Obama administration ordered that those in compliance with state cannabis laws not be targeted (Shea, 2012). Under the Trump administration, however, the tide turned, and the passive stance taken previously was reversed. Entrepreneurs that wish to benefit from the legalization of cannabis not only endure the risks associated with starting a new endeavor, but they also encounter additional jeopardy of prosecution and asset seizure. The federal government wields broad powers to seize property used in the commission of a crime (Arthur, 2011). Landlords and banks risk losing assets, at least temporarily (Arthur, 2011). With limited availability of CPAs willing to serve these businesses, the probability of inadequate or inaccurate financial and tax reporting with the potential fallout threatens further legal problems.

For CPAs, exposure comes in the form of threats to professional liability, noncompliance with professional standards, and criminal prosecution (Sterna & Wolfe, 2017). Accountants providing services to the legal cannabis industry may potentially risk charges of aiding and abetting, conspiracy, and racketeering (Sterna & Wolfe, 2017). Additionally, the Internal Revenue Service has strict guidelines prohibiting the providing of professional tax services to businesses engaged in federally illegal activities, yet the IRS has adopted a stance of not enforcing this guideline for accountants providing services to the legal cannabis industry (Internal Revenue Service, 2014). Because Section 61(a) of the Tax Code does not differentiate between legal and illegal income, those in the cannabis industry are required to keep books and file tax returns like any other business (McElroy, 2015). However, those professionals seeking to maintain the standard of good moral character have no framework to navigate providing services to the legal cannabis industry.

For all of the potential risks, there are enticements as well. Secondary service providers - like accountants - that accept the risks are likely to reap additional rewards. Because of the intricate web of knowledge and experience required to service the legal cannabis industry, demand for the services of CPAs far outweighs supply, and clients are plentiful (Schroyer, 2017). Fees for a tax return for a cannabis business can be thousands of dollars (Schroyer, 2017). The same opportunities exist in providing other accounting services, as well.

Both the legal and medical professions have made greater inroads into defining the good moral character requirement that exists within their professional requirements (Craddock, 2008). Bar associations outline specific acts that violate the good moral character requirement and provide an open door for rehabilitation (Swisher, 2012). Contemporary medical ethics require beneficence, non-maleficence, autonomy, and justice (MacKenzie, 2009). Numerous court cases have refined the expectations for doctors and lawyers, but the accounting profession is lagging behind in guiding its members.

If the conflict between federal and state laws continues, severe consequences may present themselves from an accounting perspective for those engaged in the legal cannabis business (Taylor, Bunker, Johnson, & Rodriguez, 2016). The national AICPA organization has passed the responsibilities of defining good moral character to the states, yet few states have addressed it, and none have provided a framework. Specific guidelines and research on how to maintain good moral character while providing access to competent accounting services for the legal cannabis industry are sparse. Legal cannabis business taxpayers, however, should be entitled to secure appropriate, professional services but struggle to do so (Hampton, 2016). Additional research aimed at understanding the issues and creating solutions for establishing and maintaining good

moral character while standing on the shaky legal ground on which the cannabis business currently stands can benefit both that industry and the accounting profession.

Problem Statement

A problem statement clearly lays out the issue or issues to be addressed in a study. It is then further broken down into the general problem and the specific problem. For this research, the general problem was the lack of a clear definition of good moral character from either national or state CPA associations. The specific problem focused on how that void negatively impacts the legal cannabis industry.

General problem. CPAs are required by the AICPA to maintain good moral character when rendering services to their clients, but the AICPA fails to provide a framework that defines good moral character. The AICPA's requirement that CPAs be of good moral character (AICPA, 2014) is vague. CPAs are referred to their state associations for guidance, but few have provided it. The AICPA has attempted to codify moral behavior in the accounting field in the AICPA Professional Code of Conduct. The principles of the code outline the concepts of good moral character: sensitive and moral professional judgments, serving and honoring public trust, a commitment to professionalism, maintaining the highest regard for integrity, due care, and independence (Duska, Duska, & Ragatz, 2011). Critics point to two insufficiencies of the principles: vagueness and lack of enforcement (Duska et al., 2011). The rules of the code are more specific but remain painfully oblique regarding outlining expectations of good moral character. The code warns against discreditable acts but lists only generalities as examples: discrimination and harassment of employees, failure to adhere to auditing standards, negligence of financial statement preparation, disregard for requirements of other regulatory agencies,

cheating on the CPA exam, and failure to remain current with tax obligations (Duska et al., 2011).

Specific problem. Given that cannabis is legal in many states but still federally illegal, those in the industry have trouble accessing professional accounting services because of the good moral character caveat that discourages CPAs from providing the services these businesses require to comply with federal and state tax laws. In 2015, the AICPA issued a brief on state marijuana laws with regards to obligations of CPAs that provides minimal guidance to those contemplating the provision of services to the legal marijuana industry (AICPA, 2016). The brief goes further to caution that serving the legal marijuana industry could be in violation of good moral character and an act discreditable, but gives no direction or foundation for the assertion (AICPA, 2016). Suggestions include referring to state guidelines (although few exist) and guidance from the U.S. Department of Justice and the Securities and Exchange Commission (AICPA, 2016). As stated previously, state guidance is sparse and slow in coming. The Department of Justice has provided numerous memos on various aspects of the disparity between state and federal laws, most of which have centered on issues that would be relevant, regardless of state law, such as access to cannabis by minors and driving under the influence (Taylor et al., 2016). The Securities and Exchange Commission has primarily focused their attention toward investment vehicles centered on the cannabis industry (Taylor et al., 2016).

The problem addressed by this research was the need for additional guidance for CPAs to negotiate the decision to provide accounting services to the legal cannabis industry while complying with the good moral character requirement of the AICPA and the requirements of federal law. The lack of leadership exhibited by these organizations has created an informational vacuum for CPAs that might otherwise tackle the challenges of the legal cannabis industry. Lack

of definitive guidelines jeopardizes the ability of cannabis businesses to access necessary tax and accounting services (Borchardt, 2015). This research attempted to discover the critical issues of moral character contemplated when CPAs either accept or decline the opportunity to work with businesses in the legal cannabis industry and to create a framework with which to navigate in the future.

Purpose Statement

The purpose of this qualitative, multiple-case study with cross-case conclusions was to provide a good moral character decision framework of best practices for CPAs when contemplating the provision of services to the legal cannabis industry. As taxpayers, businesses deserve access to competent accounting services and financial statements to assess and report their tax obligations accurately and to manage their businesses diligently. Those in the legal cannabis industry, however, encounter challenges in gaining this access because of the problems accountants perceive based on the disparity between federal and state laws governing cannabis. Many accountants choose not to offer their services to these businesses because of the uncertainty around the good moral character requirement. To date, no scholarly research has been conducted in this arena. This study of CPAs that have either accepted or declined the opportunity to serve the cannabis industry attempted to lay a foundation for further research as the industry and legalities evolve.

Nature of the Study

Researchers are required to select a research methodology that most efficiently addresses the research problem and questions. Careful consideration of all potential methods before the selection of one methodology is essential to ensuring the validity of the study. Both qualitative and quantitative methods or a combination of the two should be considered to provide the most

meaningful results. Because this research spoke to a thought process and not a statistical incident, a qualitative method, as opposed to quantitative, was required to garner the experiences of the participants. Quantitative studies are utilized to attempt to confirm a hypothesis with the use of statistics and other significant numbers. Because the consideration of good moral character is a highly individual and subjective process, a quantitative study would be unable to drill down to the heart of the question. Thusly, a qualitative research method was required.

Of the available methods of qualitative research, the multiple case study method was selected. The essence of a case study is to illuminate a decision (Yin, 2014). Case studies aptly apply to a distinctive situation that exhibits an array of variables that requires triangulation (Yin, 2014). Case study methodology is most appropriate to understand a contemporary phenomenon when the boundaries between the phenomena and the context are unclear (Rowley, 2002). Delving into the decision process of CPAs when deciding to provide services to the legal cannabis industry is a very specific situation in which the lines of demarcation may be unclear, thus lending credence to the use of the case study methodology.

Other methods of qualitative research considered, and rejected, include narrative, phenomenological, grounded theory, and ethnographic. Narrative research requires an in-depth look at the experience of research subjects within the context of their lives (Creswell & Poth, 2018). The research proposed requires the study of corporate culture more than the individual, lived experiences of a CPA, and thus narrative research was rejected. Phenomenological research focuses on a single lived experience (Creswell & Poth, 2018). The decision to provide services to the legal cannabis industry is one that can be revisited infinitely. The purpose of grounded theory research is to generate a theory for a process or action (Creswell & Poth, 2018). In this instance, however, the creation of a framework is the desired outcome, not a theory on the

subject. Ethnography centers on the study of patterns in the culture of a connected group to determine how it works (Neergaard & Ulhoi, 2007). This type of research relies on observation and participation in the subject environment and is therefore not conducive to this study (Neergaard & Ulhoi, 2007).

The methodology employed took a holistic perspective, with individual CPAs as the primary unit. In-depth interviews targeted a minimum of three CPAs who had consciously chosen to serve the legal cannabis industry and a minimum of three CPAs that had chosen to decline the opportunity. A maximum of 20 total interviews were conducted but were discontinued when saturation was achieved. Because of the highly sensitive and personal nature of the research, CPAs in states that had legalized cannabis were chosen randomly and asked to participate until there were sufficient subjects to achieve saturation on both sides. Additional evidence was also included, such as court cases, legal briefs, and administrative notices and memos prepared by the legal, governmental, and CPA communities. Construct validity was established with the use of multiple sources of evidence, participant review of the report, and an established chain of evidence (Rowley, 2002). A framework for maintaining good moral character was developed from the research and submitted to each participant for feedback.

Research Questions

The research for this study sought to answer three overarching questions. The focus of the questions centered on the thought and business processes undertaken when CPAs contemplate and undertake serving the legal cannabis industry. These questions sought to ferret out how each CPA came to a decision and how the good moral character requirement influenced the process. The research questions were:

1. What factors are relevant when contemplating providing accounting services to a legal cannabis company, especially with regard to the good moral character requirement? The purpose of this focus is to determine what accountants prioritize when considering the engagement.
2. What due diligence is necessary, or even helpful, before the CPA reaches a conclusion? Ideally, a CPA considering a cannabis client would make a concerted effort to understand the business before entering an engagement. Maintaining good moral character would appear to be challenging without intimate knowledge of the processes, systems, and corporate culture of the business in question and the legal and regulatory complexities of the industry.
3. What continuing measures are put in place to ensure the protection of the good moral character requirement? The goal is to understand how those CPAs that move forward with an engagement with a legal cannabis company monitor and support their decision while maintaining good moral character. For those that decline to engage with legal cannabis clients, this question would be irrelevant.

Conceptual Framework

A conceptual framework is a collection of related objectives utilized to assess the environment of the research concern, anticipate the considerations that may arise, and to contemplate solutions (FASB, 2018). The research attempts to translate the conceptual framework into a working model that can serve as a foundation for setting standards that guide the end user in situations that present difficult challenges (FASB, 2018). This conceptual framework described the current conflict between federal and state laws regarding cannabis, the lack of direction provided CPAs, the potential consequences of servicing the industry, and an

overview of good moral character standards in other realms. With these considerations, the research ideally will identify the risks for serving the legal cannabis industry, considerations for protecting moral character, best practices to mitigate risk, and the importance of monitoring to substantiate efficacy (Figure 1).

Theory. Ethical orientation falls along a spectrum of theories that can be classified into two major categories: deontological and teleological (Geisler, 2010). Some examples of orientation include justice (ethical fairness), relativism (ethics culture), utilitarianism (ethics of the greater good), and egoism (ethics of self-interest; Cohen, Pant, & Sharp, 2001). This research will focus on the deontological aspects of ethical orientation, as this view encompasses ethical actions driven by rules and duty. Complying with a good moral character requirement is, essentially, complying with a rule.

Concepts and themes. Concepts to be included are the standards utilized by other professions; the influence of religion, ancient philosophy, and modern ethics theory; and the impact of governmental attempts to regulate character. In the answering of the research questions, emerging themes anticipated are moral conflicts between the character requirement and the opportunity for considerable financial remuneration. Other potential themes include: (a) Will the absence of criminal convictions be sufficient to ensure good moral character for accountants?; (b) Does ethics education have an impact on this decision process?; (c) Are those accountants that decline a cannabis engagement more risk averse?; and (d) If the federal government legalizes cannabis, how would this change the decision-making process?

Environment. In the current environment, the legal distribution of cannabis faces uneven regard. Federal law deems it illegal as a Schedule 1 drug; some state laws do not. The Controlled Substances Act established a system of classification to regulate controlled

substances (National District Attorneys Association, 2017). Drugs that have a potential for abuse, lack accepted medical use, and have safety issues are classified as Schedule 1 (National District Attorneys Association, 2017). Herein lies the discord. Many believe that this classification is unfounded. Numerous petitions have requested removal of cannabis from Schedule 1, and recent voter referendums have evidenced growing support for the legalization of cannabis (Campbell, 2015).

Complicating the moral issues of the legalities is the lack of specificity given by the AICPA on what constitutes good moral character. The rules outline specifics for those convicted of crimes or license suspension or revocation for acts involving fraud, dishonesty, or deceit (AICPA, 2014). The AICPA (2014) remains alarmingly silent on any other potential violations other than to say that the rules are not limited to the outlined acts – leaving the door open for any and all possibilities. Certainly, any powers-that-be are hesitant to codify, or even standardize, something so subjective and personal, but how can CPAs adhere to rules that do not state specifically the expectations?

Considerations. The conflict between federal and state laws leaves both those in the industry and those that serve the industry in legal and moral limbo. The Department of Justice under the Obama administration ordered that those in compliance with state cannabis laws not be targeted (Shea, 2012). The Trump administration, however, has given conflicting statements. Entrepreneurs that wish to benefit from the legalization of cannabis not only endure the risks associated with starting a new endeavor, but they also encounter additional jeopardy of prosecution and asset seizure. The federal government wields broad powers to seize property used in the commission of a crime (Arthur, 2011). Landlords and banks risk losing assets, at least temporarily (Arthur, 2011). For CPAs, exposure comes in the form of threats to

professional liability, noncompliance with professional standards, and criminal prosecution (Sterna & Wolfe, 2017). Accountants providing services to the legal cannabis industry also risk charges of aiding and abetting, conspiracy, and racketeering (Sterna & Wolfe, 2017). Additionally, the Internal Revenue Service has strict guidelines prohibiting the providing of professional tax services to businesses engaged in federally illegal activities, yet have also asserted they would not target tax professionals providing services to legal cannabis businesses, provided no criminal activity occurs (Internal Revenue Service, 2014). Noncompliance with professional standards centers on the good moral character requirement of the AICPA and state CPA organizations. Those professionals seeking to maintain the standard of good moral character have no road map to navigate this complex issue. Below is the identification of practical framework for CPAS (Figure 1).

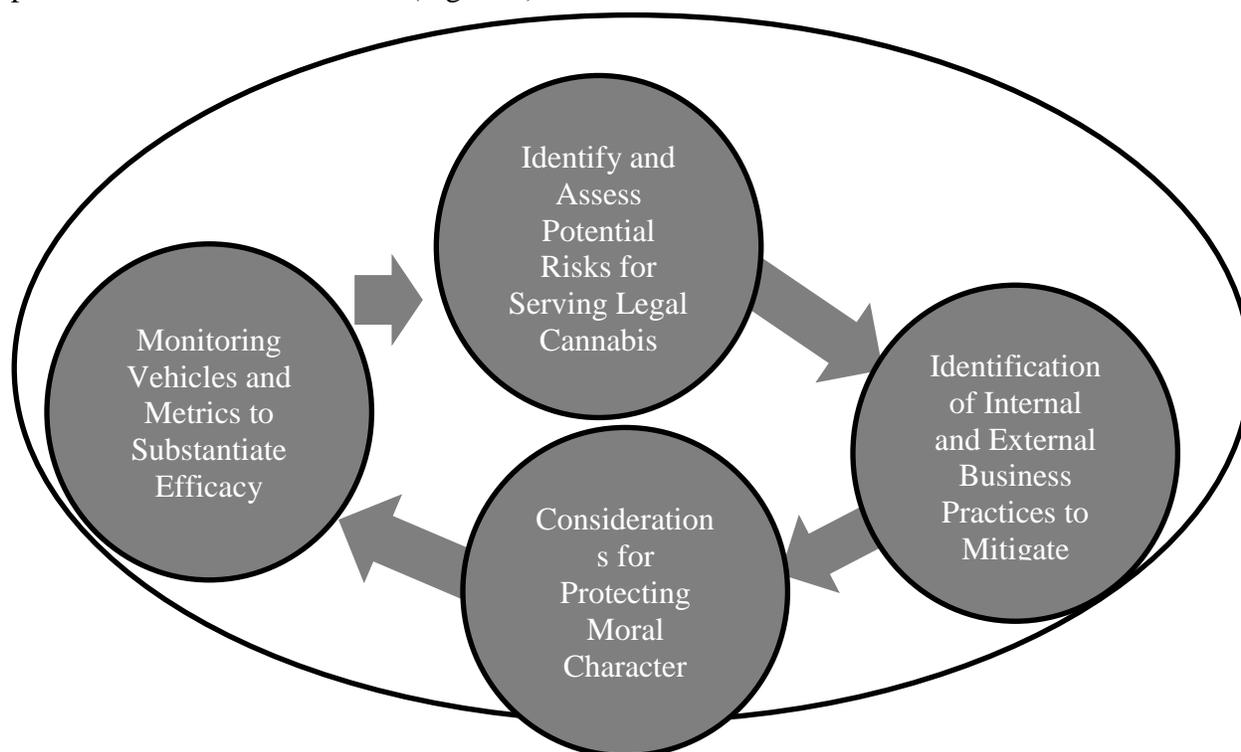


Figure 1. Conceptual Framework.

For all of the potential risks, there are enticements as well. Secondary service providers, such as accountants, that accept the risks are likely to reap additional rewards. Because of the intricate web of knowledge and experience required to service the legal cannabis industry, demand for the services of CPAs far outweighs supply, and clients are plentiful (Schroyer, 2017). Fees for a tax return for a cannabis business can be thousands of dollars (Schroyer, 2017). The same opportunities exist in providing other accounting services, as well.

An overview of existing good moral character standards. Many professions, religious organizations, and governments have good moral character requirements. Each approach the issue from a different perspective, and each seems to define expectations by negative rather than positive directives. Christians and Jews are directed by the Ten Commandments, which give eight negative directives and only two positive ones. Various professions mostly define good moral character as having not committed serious crimes against society, with little emphasis on suggestions for proactive measures. Government ideals vary but most center on the absence of criminal convictions. Philosophers, however, focused on the need for practice and education for learning good moral character. A discussion of these perspectives is given in more detail in the Literature Review.

Terms

Certified Public Accountant: Certified Public Accountant (CPA) is a certification for accountants obtained by a rigorous examination process, extensive education requirements, a background check, and experience (Libby, 2017).

Christianity: For this study, Christianity is broadly defined to include all faith traditions based on the life and teachings of Jesus Christ. To its followers, however, Christianity has much deeper meaning. Acts 11:26 first presented the term Christian to describe the disciples teaching

of the faith at Antioch. The New Testament further described Christians as those that are good, inhabited by the Holy Spirit, and true to their faith – as was Jesus Christ. (2 Timothy: 2; Titus 3:3-6; 1 Peter: 12-19).

Credentialed: In the accounting industry, credentialed accountants are those that have met the education, experience, examination, and other requirements for obtaining certification, including Certified Public Accountant, Enrolled Agent, Certified Management Accountant, and Certified Internal Auditor, offered by one of many organizations.

Islam: For this study, Islam refers to the Abrahamic monotheistic religion based on the revelations of the Prophet Muhammad (PBS, 2018).

Judaism: Judaism refers to another Abrahamic monotheistic religion centered on the Torah (PBS, 2018).

Medical cannabis: Medical cannabis products provide patients under medical supervision access to cannabis for the purpose of alleviating symptoms or treating disease.

Psychoactive: For this research, psychoactive refers to the effects of chemical substances that alter mood, cognition, or behavior (Julien, 2001).

Recreational (or adult-use) cannabis: Recreational cannabis products provide adults, usually over the age of 21, access to cannabis products for non-medical purposes.

Scheduled drugs: Drugs and other chemicals are classified according to the accepted medical uses and the potential for abuse or dependency (Drug Enforcement Agency, n.d.).

Schedule 1 drugs are considered to have no known medical use and a high risk for abuse (Drug Enforcement Agency, n.d.).

Assumptions

Servicing the cannabis industry is a risk for a CPA. As such, being the subject of research regarding the provision of services to a federally illegal industry may have caused discomfort to the participants. The plan for this research assumed that at least three CPAs that were providing services, as well as three CPAs that had declined to provide services to cannabis businesses, were willing to discuss their process in coming to their decision. Once they agreed to participate, there were further assumptions that they would be both honest and forthcoming. Additionally, the research assumed that the information gathered from six CPAs provided enough information to develop an appropriate framework that effectively served CPAs in good moral character decisions.

To mitigate these risks, face-to-face interviews were conducted whenever possible. In-person interaction provided a setting most conducive to candor, detailed responses, and expanded opportunity for follow-up. If enough information to create an effective framework was not collected from six case studies, then the study, and perhaps methodology, had to be expanded until enough data were garnered.

Limitations

Limitations are conditions beyond the researcher's control that may impair validity. For this study, the population and sample were relatively small. CPAs that serve the cannabis industry are in short supply, and each may have very different criteria for providing services. As such, generalization to the entire industry was difficult. Further considerations included the legal environment for cannabis did not change in the short-term that the AICPA and state associations continued to ride the fence on specific moral character recommendations, and that the risks in servicing the cannabis industry remained as a result of the status quo.

Delimitations

Delimitations are restrictions imposed by the researcher. To participate in this study, the subjects were active CPAs serving the cannabis industry or had declined to serve the cannabis businesses. Case studies are conducted after tax season, typically a slower time for CPAs, to increase the opportunity for both access and increased interaction time.

This study did not encompass other federally illegal industries that may bring in to question the good moral character requirement. There are also alternatively-credentialed and uncredentialed accountants serving the industry in various capacities that are not bound by the code of ethics to which CPAs must adhere. These professionals were not considered in this research. Further, there was no differentiation between those CPAs that served medical cannabis businesses versus recreational cannabis businesses, as the distinction has no bearing on the good moral character requirement at this time.

Significance of Study

The purpose of this study was to reduce the gap between the need for professional services for those operating in the legal cannabis industry and the hesitancy of CPAs to address that gap for fear of censure or other consequence. With little formal guidance issued by either states or CPA associations, a recommended framework can help to narrow the chasm that currently plagues the two sides. This framework sought to allay confusion on the topic, while providing regulatory and legislative bodies a starting point - setting the stage for improved business practices and to bridge a divide that Christian CPAs may encounter between service and godliness.

Improved business practices. The accounting profession has suffered deep wounds in the aftermath of widely publicized accounting scandals and the tendency to allow CPAs to self-

regulate ethical requirements (Bampton & Cowton, 2013). Corrective measures have included ethics education in both college courses and for those already in practice and more stringent regulations and oversight of the accounting profession (Bampton & Cowton, 2013). Education has increased ethics sensitivity, while frameworks have improved ethical judgment (Martinov-Bennie & Mladenovic, 2015). The legal cannabis industry, however, has unique considerations that require specific ethical guidance directed at the challenges present in the current legal environment.

Businesses in the United States are required to report and pay taxes to local, state, or federal governments and, as such, have a right to competent professional services to assist in meeting those obligations. At present, a gap between those requiring services and those willing to render services exists in the cannabis industry (Schoyer, 2017). The tremendous flux of legalities that plague the legal cannabis industry creates an environment that many professionals, especially particularly conservative ones, may wish to avoid to protect their professional reputation and their character. By exploring the possibility of creating a framework that assists practitioners in deciding as to whether or not to serve the industry, this study may provide a pathway and increased confidence for CPAs hesitant to enter the market. Although they may not agree with the use of cannabis products for medical or recreational purposes, there still stands to reason that there is moral ground in ensuring access to competent professionals. Specific guidelines for good moral character in providing services to the legal cannabis industry would allow accountants to make- informed choices that may improve the profession as a whole.

Implications for biblical integration. The biblical implications of this research are as dichotomous: differentiation between supporting consumption and supporting business services, serving businesses that conflict with federal law, and maintaining good moral character in the

process of providing said services as the legalities themselves. Would providing services to a cannabis company encourage consumption, and is that relevant? Does refusing service to these companies run counter to a Christian's obligation to serve? How does the Bible define good moral character, and does it conflict with the AICPA's intentions?

On the one hand, the Bible condemns intoxication by alcohol in Ephesians 5:18, Proverbs 23:21, Leviticus 10:9, Galatians 5:21, and 1 Corinthians 5:11. Extrapolation to other intoxicating substances is not an unfounded leap. Contributing to intoxication would not be in the interest of good moral character, as loss of self-control under the influence of any substance may usurp the Holy Spirit from filling and controlling those that imbibe (Ephesians 5:18, NLT).

Consumption, however, is not the issue at hand. Whether to serve someone that is participating in questionably legal activities is the central question. Romans 14:1-23 (ESV) encourages believers to not pass judgment on those that abstain from intoxicating substances or those that do not. Specifically, Romans 14:17 (NLT) stated that the Kingdom of God depends on living life with goodness, joy, and peace, not on what is consumed by the body. Psalm 1:1 (NLT) warns not to stand with sinners, but Matthew 7:1-2 (NLT) admonishes believers to not judge others or risk judgment by the same measure. The same premise should be extrapolated to those that participate in the industry. Jesus was adamant with his followers that the healthy did not need a doctor when questioned about his choice of dinner companions (Mark 2:17, NIV). In the same way, businesses participating in the legal cannabis industry need professionals to steer them wisely.

Next is the question of good moral character. Character is the synthesis of disposition, thoughts, intentions, and actions of an individual (Got Questions, n.d.). Both religion and secular forces have shaped the concept of character, and each contains both moral and social aspects

(Wright & Lauer, 2013). Strengths of character include wisdom, knowledge, courage, humanity, justice, prudence, and transcendence (Wright & Lauer, 2013). The New Testament relies on love as the foundation of service – and love and good moral character cannot exist without each other. Both Plato and Aristotle asserted that love gives rise to social order, morality, and good character (Rosa & Henning, 2018). In this context love refers to *philos*, or brotherly love. Without love for others, there is no demand for good moral character. It is an expression of *philos* love to maintain good moral character in every circumstance.

The Bible also addresses good moral character and brother love. “For this very reason, make every effort to supplement your faith with virtue, and virtue with knowledge, and knowledge with self-control, and self-control with steadfastness, and steadfastness with godliness, and godliness with brotherly affection, and brotherly affection with love” (2 Peter 1:5-7, ESV). In Biblical terms, good character is defined as those that walk in honesty (2 Kings 12:15, NIV) and integrity (Proverbs 10:9, NIV). In Corinthians, the Bible cautions that bad company can ruin good moral character (1 Corinthians 15:33, ESV). Proverbs 11:5 – 6, MSG, suggests good moral character makes for a smoother life, while evil portends a hard life, and good moral character is the best insurance for a good life. Psalm 25: 21, NLT, asserts that integrity and honesty protect the Christian. By using these verses as guideposts, Christians can filter their professional actions through a Biblical lens to help develop a personal definition of good moral character.

This study sought to reduce the existing gap between the need for competent accounting services for the legal cannabis industry and the lack of definitive guidance on requirements for good moral character. In the secular world, that may be enough, but Christian CPAs must also consider the ramifications on their faith and calling. By establishing a platform from which

CPAs can both serve the industry and protect their faith, the significance of this study may be enhanced.

A Review of the Professional and Academic Literature

This literature review strived to provide an overview of the business problems encountered by the cannabis industry in regards to tax and attestation issues, an in-depth look at the attempts of society to define moral character over the course of history, and existing frameworks that may serve as a guide. The legal cannabis industry has emerged from a checkered and sordid past to become one of the fastest growing industries in America (Ferner, 2015). Estimates of the number of legal cannabis businesses in the United States range from 20,000 (Statista, n.d.) to 101,000 (Udell & Seigneur, 2016). Medical and recreational marijuana sales were approximately \$2.7 billion in 2014 and could reach \$13.4 billion by 2020 (Udell & Seigneur, 2016). Should federal legalization occur, sales could top \$40 billion, surpassing the domestic wine industry's \$36 billion in sales, the tobacco industry's \$80 billion in sales, and \$100 billion in beer sales (Udell & Seigneur, 2016). This phenom industry, still in its infancy, shows much potential, yet access to professional services, like accounting, is difficult because of the conflict in state and federal laws. CPAs servicing these businesses are in jeopardy of violating the good moral character standard required to maintain good standing as a CPA and are therefore reluctant to provide services.

Complicating the matter further are the complex rules and laws governing accounting and tax reporting for the legal cannabis industry. Inexperienced, uneducated, or uncredentialed accountants could cause significant harm to these businesses if they are not thoroughly versed in the intricacies of the tax law complexities. Forging a path for CPAs to navigate that could increase the comfort level of working with these companies might benefit the accounting

industry and legal cannabis businesses alike. Research and writing on this topic are sparse. This literature review will first examine the business and ethical issues CPAs encounter in providing service to the legal cannabis industry, along with discussion of best practices, and a review of the history of the attempts of philosophers, governments, courts, religions, and professions to define or codify moral character. Secondly, an overview of social science research in moral character. Subsequently, a discussion of the specific quandaries CPAs face walking the tightrope between conflicting federal and state law, along with professional and personal values that may be at odds ensues.

Business Problems

The long legal drama attached to cannabis for decades in the United States has created a guidance vacuum for professionals in the accounting, legal, medical, and other professions (Roche, 2013). This vacuum has left disconnects in the tax code and accounting regulations that require specific expertise to handle accurately. Additionally, there are state and local taxes unique to cannabis that also require specialized knowledge. To further complicate matters, the good moral character requirement attached to most professions is vaguely framed; ethical considerations most often be guided by other means.

Technical issues facing CPAs in the legal cannabis industry. Because of the unique nature of the legal cannabis industry, the required accounting skills reach much farther than those required to service most other industries. Although similar, the tax and accounting rules require specialized expertise and due diligence. Examined here are tax and attestation issues relevant to the legal cannabis industry.

Tax. Tax issues for legal cannabis businesses are more complex and far-reaching than those for most other businesses. Four states that have legalized cannabis for recreational use

have imposed excise taxes (Udell & Seigneur, 2016). Sales tax regulations vary widely by state as to the tax rate and to what it applies (Udell & Seigneur, 2016). Applying sales tax to the cost of the cannabis products at retail is a simple enough task, but CPAs must be vigilant to ensure that cannabis clients are applying it consistently and correctly and that there is no evidence of tax evasion. Excises tax requirements for cannabis are unique to the industry and require a higher level of knowledge and due diligence to ensure compliance. Currently, Alaska levies an excise tax of \$50 per ounce of cannabis material sold at wholesale but no state sales tax (Phillips, 2015). Colorado has a more complex methodology. Cannabis is subject to a 15% excise tax on the average wholesale market sale rate, 10% sales tax at the retail level, 2.9% state sales tax, and optional local cannabis and sales taxes (Phillips, 2015). Given the wide variation in rates and methodologies between states, CPAs providing services in this area must state vigilant and up-to-date as to the regulations in every state they serve to ensure alignment with the good moral character requirements.

Federal income tax laws blanket the legal cannabis industry with harsh requirements that put them at a decided disadvantage. Although federal law has, in the past, attempted to treat the taxation of legal and illegal businesses equally, Congress could not abide the allowance of deductions for federally illegal activity. As a result, Section 280E of the Internal Revenue Code was created in 1982 to disallow the deduction of any ordinary and necessary business activity expenses other than those associated with cost of goods sold (Barreras, 2014). Cost of goods sold includes costs incurred for the purchase, materials, conversion, labor, and appropriately allocated overhead for carrying inventory to bring cannabis products to market (Barreras, 2014). As a result, cannabis companies are incentivized to allocate costs to inventory whenever possible to minimize the tax burden (Barreras, 2014). Costs associated with retail space, administration,

and advertising, for example, are not deductible according to current federal law. As a result, these businesses pay higher tax rates than those of other businesses in the United States (Pack, 2017).

CPAs providing income tax services to cannabis clients must not only be thoroughly versed in the federal tax laws that apply, but they must also assure that the client is meticulously adhering to the regulations when allocating expenses to different aspects of the business. Guidance from the IRS has also been unclear. An IRS memo issued to clarify what might be included in cost of goods sold was deemed indecipherable by the director of the IRS' Office of Professional Responsibility (Taylor et al., 2016).

Attestation. New Mexico and Minnesota require annual audits of cannabis producers performed by independent CPAs (Taylor et al., 2016). Although the IRS and Congress have given some guidance as to what is and is not allowed for federal taxation purposes, those accountants wishing to provide attestation services have less guidance. Although there are general guidelines applicable to all types of businesses, there are none specific to the cannabis industry (Taylor et al., 2016). Additional risks are present, as well. In determining the risk of material misstatement, CPAs must understand the full range of risks in the business' environment. The risks associated with the cannabis industry are increased because it is largely a cash business, which reduces transparency and provides more significant opportunity for underreporting income (Taylor et al., 2016).

In the current environment, accountants lacking credible credentials can tackle these challenges with less risk and often do – sometimes to the detriment of the client. These uncredentialed accountants do not always have the education or experience to handle the complexities adroitly. If the moral character requirement for CPAs evolves and a valid

framework can be created, legal cannabis businesses may gain more access to better professional services to tackle these complex issues, providing a level playing field for those in the cannabis industry.

Ethical issues facing CPAs in the legal cannabis industry. Technical accounting issues for serving the cannabis industry can be mitigated with additional education, experience, and guidance. Tackling the ethical and legal issues, however, is paramount in the decision to provide services to a federally-illegal business. CPAs could face consequences at the federal and state level, as do many attorneys contemplating the same dilemma. Little has been written on the subject for either attorneys or accountants, and the lack of robust state or federal guidance hampers the ability of professionals to navigate the treacherous terrain. On the other hand, because of the specialized nature of the services required and the risk inherent in a cannabis engagement, the remuneration can be enticing. By understanding the federal and state issues, CPAs can reduce the impact of the associated ethical dilemmas before entering the fray. In addition to legal considerations, CPAs must also contemplate the potential harm to society or individuals in refusing to provide services to the legal cannabis industry while being sensitive to their own values and the potential harm in supporting an industry where abuse or misuse of the plant is a real possibility. By understanding federal law, state law, and the interplay between the two, CPAs can negotiate potential harm to clients and themselves and bridge any chasm created by internal and external moral guidance. Also, this review also examines methods of resolving the conflict between professional and personal ethics.

Federal issues. Professionals that knowingly provide services to companies that cultivate, distribute, or sell cannabis are in violation of the CSA, regardless of state law (Wagemaker, 2015). The potential charges include aiding and abetting and money laundering

(Roche, 2013; Taylor et al., 2016). Although the Department of Justice issued the Cole Memo in 2013 stating that professionals would not be targeted, federal prosecution remains on the table as a viable consequence of serving the industry (Gali-Velazquez, 2016). The DOJ memo serves only as guidance and does not preclude prosecution (Gali-Velazquez, 2016). Further, states do not technically have the authority to usurp federal authority over this matter (Hill, 2015).

Although the federal government created a system of metrics to gauge a state's ability to tax and regulate the legal cannabis industry, nothing concrete has emerged from that process (Chemerinsky, Forman, Hopper, & Kamin, 2015), and federal prosecution remains an imminent threat. This research intends to explore how CPAs' attitudes might change should federal legalization become a reality.

State issues. The potential for professional harm is mitigated in most states that have legal cannabis by directives from both the state and local governments and the state CPA associations. States have a vested interest in the success of cannabis-related businesses. The potential tax revenue resulting from cannabis operations could be a windfall for state and local governments. Without the support of state authorities, cannabis businesses may be subjected to suffocating tax burdens and compliance nightmares. By providing the appropriate infrastructure to the industry, states can forge a path that reduces the legal and ethical considerations for CPAs.

In June of 2018, the New Jersey CPA association encouraged a collaboration of lawmakers, entrepreneurs, and professionals that would nurture the fledgling cannabis industry to support its growth and success (NJCPA, 2018). Twelve state CPA associations in total have offered statements on cannabis (AICPA, 2018). Each statement cautiously and vaguely guides CPAs that providing services to cannabis industries in that state is not condemned (AICPA, 2018). However, each statement also provides a caveat of some kind, with frequent references to

understanding and mitigating the risks involved (AICPA, 2018). The guidance provided in each state reduces both the ethical and professional liability, allowing CPAs to more readily engage in providing services, but does not discount the larger ethical dilemmas presented at the federal level.

Federal law supremacy. The United States Constitution establishes federal law as the supreme law of the land under Article VI, Clause 2. In short, this clause provides that in the case of a conflict between federal and state laws, federal law takes precedence. However, a significant counter to the supremacy clause exists in the Tenth Amendment that prevents overreach by the federal government. The use of the Tenth Amendment has found its way into the language of state statutes regarding cannabis as an argument for state rights (Nickles, 2016).

The Supreme Court addressed the issue of federalism and supremacy in 2005 in *Gonzales v. Raich*. In the decision, the Court affirmed Congress' rights to regulate the possession, cultivation, or usage of medical cannabis (Nickles, 2016). A number of states, however, rebutted with briefs stating that regulating the cannabis industry was a police power that should be reserved by the states (Nickles, 2016). The resulting outcome has been that the federal government appears only to intervene in states where the regulatory environment is less strict (Nickles, 2016). When CPAs are contemplating serving the legal cannabis industry, consideration of the state environment should be a weighty priority in the decision.

Potential harm. Although little writing or research exists about the harm that may come from the ethical dilemmas presented to CPAs with regard to the cannabis industry, consideration is due. There is a potential for harm for cannabis businesses, the CPA, and society as a whole. It is the job of a CPA to assist clients in compliance with local, state, and federal laws. However, how does one embrace that responsibility if the service conflicts with ethical values? Indeed,

there are those that oppose the use of marijuana for both recreational and medical uses. Do CPAs have an obligation to serve those that provide a product or service that may cause harm?

Cannabis businesses and society. Refusal of service to anyone is not illegal if the policy is uniformly applied, as exhibited in *Masterpiece Cakeshop, Ltd. v. Colorado Civil Rights Commission* (*Masterpiece Cakeshop, Ltd. v. Colorado Civil Rights Commission*, 2018). In this Supreme Court decision, Jack Phillips, a professional baker and devout Christian, refused to bake a cake for a same-sex wedding ceremony based on his religious beliefs (*Masterpiece Cakeshop, Ltd. v. Colorado Civil Rights Commission*, 2018). The Court held that although the gay couple was part of a protected class, religious objections to gay marriage are protected under the Constitution (*Masterpiece Cakeshop, Ltd. v. Colorado Civil Rights Commission*, 2018).

The owners of a legal cannabis business as a whole are not a protected class, and refusal of service is allowed. As such, CPAs can decline an engagement with a cannabis company on moral or ethical issues. However, is society as a whole better served if the legal cannabis companies cannot access competent services because of the prejudice against their product or the threat of federal prosecution? Cannabis-related businesses are subjected to higher effective tax rates under current tax law. In addition, there are state and local taxes that compound the overall tax burden. The industry, however, continues to blossom – indicating enticing potential profitability. The combination of higher taxes and burgeoning sales growth lay the groundwork for significantly increased tax revenue at every assessing level. If states condone cannabis businesses, do those businesses have the right to competent and sufficient professional services in all areas to comply with the myriad of regulations and laws surrounding them? The Supreme Court ruling can be extrapolated by CPAs when contemplating the ethical and moral

considerations of serving cannabis businesses, but is society as a whole better served when equal access to professional services is not supported?

CPAs. CPAs may potentially risk damage to their reputation and their livelihood and an array of penalties that can potentially be imposed by the federal government when serving a legal cannabis business. There are, however, CPAs that have had cannabis clients for years without issue (Camico, 2017). Those successes, however, do not imply that no risk exists. Should a cannabis client face federal charges and the association between the CPA and the client be made public, damage to the CPA's reputation may occur. If a client becomes the target of a federal investigation, the CPA may also face charges or other legal impediments that may require answering to the judicial system. The specific risk appetite in concert with the moral compass of a CPA or CPA firm must be considered in the decision to accept or decline cannabis clients (Camico, 2017).

Moral guidance. Ferraiolo (2014) suggested four key elements to a moral decision. First, moral dilemmas tend to revolve around core values as opposed to economic interests (Ferraiolo, 2014). Second, issues of moral interest are less subject to compromise (Ferraiolo, 2014). Third, because moral issues are often black and white, they are often noticeably simplistic (Ferraiolo, 2014). Lastly, legislation that centers on moral issues often lacks the teeth necessary for positive outcomes (Ferraiolo, 2014). This research aspires to test these assertions in the thought processes of CPAs contemplating service to cannabis businesses. Also, CPAs must consider both the external and internal moral guideposts when contemplating the morality of serving the legal cannabis industry.

External moral guidance. There is a school of thought the only way to maintain integrity in business is to not be in it (Hodgson, 2014; Radtke, 2008). Given the impracticality of that

assertion, CPAs must be able to define their moral role within their practices. Radtke (2008) described role morality as moral permission to inflict harm in a professional role. Lawyers serve two masters, their clients and their duty to the legal system which in turn serves the common good (Palumbos, 2005). Attorneys are obligated to defend those guilty of reprehensible crimes every day as part of the foundation for our justice system. If lawyers were unwilling to defend those who have committed heinous crimes based on moral objections, our judicial system would crumble. Health insurance companies regularly deny subscribers access to treatment or medication on the basis of cost. Other professionals, as well, must find a balance between the profit motivation of their endeavors and their values, while mitigating the influence of greed (Heath, 2014).

CPAs also serve two masters: laws and regulations that exists to protect the public, and their clients. By serving cannabis clients, CPAs provide valuable services that protect the client while aiding in providing tax revenue to governments. On the other hand, they potentially contribute to harm that the misuse or abuse of cannabis may inflict. As public policy continues to move towards increased legalization and regulation, the stigma attached to cannabis may abate, and the potential for harm reduced. Also, as moral policy and public policy are often interrelated, the shifting attitudes towards the legalization of marijuana may continue to make external moral guidance a moving target (Euchner, Heichel, Nebel, & Raschzok, 2013).

Internal moral guidance. CPAs, especially those of faith, must also consider the ramifications of the ethical dilemma as determined by their Higher Power. Christians, in particular, are called to a life of service, as evidenced in Luke 22:27 (ESV), Mark 10:45 (ESV), and 1 Peter 4:10 (ESV). Does refusing to help legal cannabis businesses violate that call? Jesus endured condemnation for associating with sinners, and, so too may CPAs serving legal cannabis

companies suffer reproach or worse. There are also shades of gray in the decision process. For example, is there a moral difference between supporting businesses that provide medical marijuana versus those that provide it for recreational use? The consideration for sacrificing business for religious reasons must be contemplated carefully through Scripture and reflection.

On the other side of the coin, does supporting an industry that contributes to intoxication constitute sin in the eyes of God? The Bible explicitly condemns drunkenness but not the moderate use of alcohol, and, like alcohol, cannabis is an organic substance that can intoxicate (Lacine, 2017). The sinfulness of either substance is directly related to how and why it is used (Lacine, 2017) and is judged right or wrong as compared to parallel actions under similar circumstances in Scripture (Carter, 2014). The decision to serve or not to serve an industry that at a minimum circles sinful behavior is a highly personal one that CPAs encounter in this process. Whether the choice is right or wrong can only really be answered by God.

Dealing with ethical conflict to reduce risk when making business decisions. Providing accounting services to this industry is essentially a professional Wild West for which few accountants, often risk-adverse by nature, are willing to engage. The contested legal status of cannabis allows states to authorize, regulate, and tax something prohibited by federal law (Kamin, 2016), creating the legal, professional, and ethical conflicts that CPAs must address. The issue of serving the legal cannabis industry is a study in managing conflicting information to reach an appropriate decision. Professional, legal, and ethical conflicts abound, and resolution is often steeped in highly personal motivations. Following is a review of research regarding the managing of risk associated with conflicting objectives. Central to creating a useful framework is the inclusion of managing said risk.

Business decisions in the midst of conflicting objectives is a process of compromise that optimistically ends in the appropriate outcome for an organization (Bayat & Longbottom, 1975). Profit is the usually the most important goal of business but often at the expense of other goals. Bayat and Longbottom (1975) tested their model of decision-making and found it valid for mitigating conflicting goals. The model began with the setting and defining objectives with operational criteria, followed by an evaluation that evolved into a guide for optimal solutions (Bayat & Longbottom, 1975). CPAs might utilize this approach to delineate profit objectives from other objectives, such as corporate climate, brand reputation, and compliance, to pave a path toward mitigating the risk of an engagement with a legal cannabis client.

Wangen (2015) suggested that subjecting business decisions to a peer review process can evoke transparency and accountability. Wangen's research also offered that those without a personal investment or with little exposure and those that perceived a threat to their basic needs were likely to be more risk-friendly. The need for admiration, monetary gain, and human nature are often the motivation to take risk (Wangen, 2015). Peer review of CPAs engaging in the cannabis industry may provide an additional avenue for mitigating risks associated with both human frailties and professional ambition.

Lu, Han, Hu, and Zhang (2016) identified algorithms to aid in the multilevel decision process, while also cautioning that many multilevel decision problems cannot be processed through a mathematical formula. Mathematical calculations may not be optimal when assessing the risk of decisions based in ethics. Miettinen, Mustajoki, and Stewart (2013) addressed the impact of uncertainty in multilevel decision-making by the use of scenario planning as a decision-making tool. Scenario planning anticipates the ramifications of various actions in a situation to determine possible outcomes (Miettinen et al., 2014). Lahno, Serra-Garcia,

D'Exelle, and Verschoor (2015) found that an individual's risk attitude correlated to the likelihood of potential resulting conflict. Other research supported that the greater the conflict between personal values and goals versus professional values and goals, the higher the level of burnout coupled with a lower level of work engagement (Hyvonen et al., 2015). A framework to aid CPAs in resolving good moral character conflicts when contemplating service to the legal cannabis industry should include tools for mitigating these risks.

Best practices. The lack of clear directives and guidance creates a nebulous arena in which CPAs are forced to wrestle with ethical issues on their own. Meanwhile, these businesses that operate legally under state law and that are required to collect and pay taxes on both the state and federal levels may be prevented access to properly credentialed and experienced professional services. The Cole Memo suggested rigorous and expensive due diligence and compliance measures that professionals serving the legal cannabis industry should embrace (Gali-Velazquez, 2016). Due diligence and compliance are two ways for CPAs to mitigate these ethical issues.

Due diligence. Due diligence in accounting is a thorough investigation and evaluation of a company's philosophies, policies, procedures, and characteristics which assesses the quality of management exercised over the business. Due diligence practices might include reviewing the current rules of conduct issued by both national and state CPA associations, having in place adequate errors and omissions and malpractice insurances, seeking the advice of legal counsel to gain further insight to the state and federal laws governing cannabis, and ensuring that the potential client is appropriately licensed, registered, well-versed and represented on pertinent legal issues (Nellen, 2017). CPAs must also consider the broader issues of the firm's reputation and the impact on existing clients (Nellen, 2017).

Other due diligence measures CPAs might consider are risk assessment and best practices initiatives (Camico, 2017). CPA firms use risk assessment to evaluate client and firm attributes to determine if clients are a good fit for the firm (Camico, 2017). Best practices include meeting clients in person, conducting background checks on clients, and written consent from the client allowing interaction with their attorney (Camico, 2017). Further guidelines for assessing risk and best practices are to use AICPA guidelines as minimum standards, document events with great care to detail, and creating a crisis management plan (Camico, 2017).

Compliance. Compliance in accounting refers to the ongoing practice of ensuring that financial processes and reporting align with federal and state laws. This process, of course, is crucial when working in the legal cannabis industry. Compliance measures should include thorough engagement letters that clearly outline the expectations of the client and the limits of privilege for non-attorneys (Nellen, 2017). CPAs should devote considerable resources to staying abreast of the relevant tax laws and compliance regulations that evolve rapidly to protect compliance carefully. With firm practice guidelines in place that are both implemented and supported, significant concerns over ethical issues can be reduced.

Other safeguards. The lack of clear guidance and rules make it difficult for CPAs to understand what actions might be considered a violation of ethics and the good moral character requirement (Taylor et al., 2016). There are potential safeguards that contribute to due diligence and compliance, however, CPAs can employ to mitigate the risks. The AICPA has provided some broad suggestions in its Statements on Standards for Tax Services.

Statements 1, 2, and 3 are general guidelines but are worthy of special consideration when providing services to cannabis clients. Statement 1 addresses guidance on recommending tax positions (AICPA, n.d.). To adhere to this statement, positions recommended by the CPA

must have a reasonable basis and proper disclosures – especially when concerning cost of goods sold calculations (Taylor et al., 2016). Additionally, any potential penalties should be explained to the client. Statement 2 requires the accountant to obtain the necessary information for tax reporting. Statement 3 allows the CPA to utilize information provided by the client without having to verify it unless supporting documentation is required by law (Taylor et al., 2016). The AICPA (2016) also provided eight questions for CPAs to contemplate as part of the process of deciding to provide services to the cannabis industry:

- What is the position of the State Board of Accountancy on providing services to cannabis companies in the state where the CPA license is issued?
- What are the legal risks in the state?
- Is there a risk of prosecution of the CPA?
- What is the risk the cannabis business will be prosecuted?
- How are other CPAs offering their services?
- How are malpractice and liability insurances affected?
- What is the probability that the State Board of Accountancy will take action against a CPA providing services to the cannabis industry?
- What policies and procedures should be implemented to assess the client's compliance both initially and on-going?

The considerations for accountants considering the legal cannabis industry are not simplistic or frivolous. Besides the technical aspects, CPAs must consider the ethical ramifications and safeguards against crossing lines that are difficult to identify. The risk of making a poor business decision can only be mitigated with due diligence and a full

understanding of the issues at hand. Robust understanding of the foundations of good moral character can contribute significantly to the understanding of it and is discussed next.

Foundations of Moral Character

Attempts to define and codify moral character are evident in professions, the social sciences, the legal system, religion, and legislation. The search for a standardized meaning has reached from ancient philosophers to modern day lawmakers. Below is an overview of the attempts and progress made.

Moral character defined. Defining moral character is a highly personal and subjective task. Given that ethics inform character, the two concepts are interchangeable here. The word “character” comes from the Greek term for a mark imprinted upon a coin (Homiak, 2016). Later, the definition evolved to mean a distinctive marking that distinguishes something from another (Homiak, 2016; Badhwar, 2017). The ability to define character has plagued scholars for years. American psychologist William James concluded that character could be the mental and moral attitudes that create a feeling of being vibrant and alive (Wright & Lauer, 2013). Character is distinct from values and personality (Wright & Lauer, 2013) in that the context of how decisions evolve is grounds for evaluation (Critcher, Inbar, & Pizarro, 2012). Recent studies have focused on the deliberation process of decision-making as a predictor of character (Critcher et al., 2012). Moral character is the ability to make decisions and initiate actions based on ethical judgments while treating others with fairness and compassion (Seifert, 2014). Lapsley and Lasky (2001) offered ten top traits of highly moral people:

- concern for doing the right thing
- fidelity in marriage
- holding clear values

- law-abiding
- holding strong beliefs
- honesty
- the ability to distinguish right from wrong
- a highly developed conscience
- ethical
- and principled.

Examples of actions contrary to good moral character include dishonesty, taking advantage of others, disloyalty, irresponsible behavior in business or financial matters, and spousal or child abuse (Craddock, 2008). Courts, however, are directed not to consider political affiliations; traffic or other minor law violations; race, gender, or sexual orientation; and actions in the past that do not establish a pattern of behavior (Craddock, 2008). The possibility of rehabilitation must also be considered (Craddock, 2008). Philosophers, government, courts, religion, and professions have all attempted formal definitions of good moral character.

Moral character can be broadly defined as a pattern of thought and accompanying actions regarding moral choices (Goodwin, Piazza, & Rozin, 2014). Those people of good moral character are unlikely to be harmful and may be helpful (Goodwin et al., 2014). By contrast, a person of dubious moral character is likely to be less helpful and may instead be actively harmful (Goodwin et al., 2014). Even under the proper circumstances, a person of weak moral character is difficult to depend on, as it reflects the strength of a person's commitment to ethical tenets and indicates whether or not they will honor and achieve their plans, goals, values, and obligations (Goodwin et al., 2014). The definition for this research will be a derivative of religion, government, professions, philosophy, and case law.

Philosophers. Socrates, Plato, and Aristotle believed that virtue led to happiness and that good character exhibited excellence in the best exercise of reason (Homiak, 2016). The ancient philosophers firmly believed that laws and education were necessary to produce moral character (Jonas, 2016). The Greek philosophers also believed in the necessity of the practice of virtue for a happy, flourishing life; the importance of practicing virtue to embody it; and the necessity of wise and virtuous role models to demonstrate the ability to distinguish virtuous acts from vicious ones (Homiak, 2016). Later, Immanuel Kant created a theoretical framework for ethics on which deontology was built. The subtle shades of differences between their philosophies were discussed here.

Socrates. Socrates emphatically opined that moral knowledge is limited, and without proper education, hasty and faulty decisions based on emotion and passion may result (O'Grady, 2005). Further, when moral beliefs are considered infallible, the result is a closed mind and an unwillingness to take the advice of others (O'Grady, 2005). Socrates espoused daily examination of moral virtue for the development of good moral character (Bass & Steidlmeier, 1999). He argued that vice is a result of ignorance and that a man educated in moral goodness could not do otherwise (Badhwar, 2017). Others, however, have asserted that knowing what is right does not necessarily guarantee the accompanying actions will follow suit (Persson & Savulescu, 2008) – a conflict that continues to be debated in modern times.

Plato. Plato differed from Socrates in that he believed knowledge alone was not sufficient to guarantee good moral character (Badhwar, 2017). Plato especially emphasized the need for habituation (Jonas, 2016) and the on-going practice of good moral character as a habit for developing the non-rational part of the soul (Ebrey, 2013). Plato asserted that habituation planted necessary seeds for future virtuous moral character (Jonas, 2016). He did not, however,

differentiate between habituation and teaching, which was considered the means of developing the rational part of the soul (Ebrey, 2013). Plato also believed that reason and emotion were required for virtuous character, but that reason was the result of intellectual pursuit and maturity, whereas emotion was the result of developing a habit through imitation and practice (Jonas, 2016). Whereas modern ethical standards focus on the greater good to which virtuous moral character contributes, Plato's philosophy focused on the greater happiness of the individual that exhibited good moral character (Coumoundouros, n.d.).

Aristotle. Scholars disagree whether Plato and Aristotle are more alike than different. It is Aristotle, however, that offers the most comprehensive view of moral character (Badhwar, 2017). Aristotle, like Plato, emphasized the need for practice, habituation, and imitation in developing moral character and that laws and education must work harmoniously to support good moral character (Jonas, 2016). He also asserted that the arts were an effective conduit for moral education, but Plato disagreed (Manninen, 2016). His perspective also differed in that he believed virtuous character to be more of a choice and lesser influenced by nature (George, 2017; Badhwar, 2017). Aristotle also espoused two categories of virtuous pursuits: those for intrinsic value (eudaimonic) and those for extrinsic value (hedonic; Arjoon, Turriago-Hoyos, & Thoene, 2018).

Kant. Immanuel Kant, an 18th-century philosopher, fathered a theory of ethics which birthed the concept of deontology (Bowen, 2016). Deontology focuses on duty as the central obligation without regard to the consequences (Geisler, 2010) and espouses actions to be rooted in moral choice, not in wishful thinking (Koehn, 2005). Kant's ethical framework is based on rational and objective thought that requires thorough analytical and autonomous consideration (Bowen, 2016). Kant asserted that moral decisions spring from personal principles and that

decisions are made of a free, rational will (Mansell, 2013). Further, there is no prescription for right action, only the elimination of those actions that are wrong, then a process of choosing from the actions remaining (Woodward, 2013). Kant also believed in an unconditional, universal moral duty with no exception (Geisler, 2010).

The mainstream mantra that maximization of shareholder profits is the supreme goal of business has begun to lose ground to ethical concerns - this shift is an example of how duties can conflict (Mansell, 2013). When an ethical issue in business is encountered, applying Kant's categorical imperative allows the application of unbiased logic that any responsible person would embrace (Bowen, 2016). The categorical imperative states that only actions that can serve as universal law should be undertaken (Bischoff & Krauskopf, 2015). Kant offered two broad duties: perfect and imperfect (Mansell, 2013). The perfect duty is to prioritize the freedoms of humanity above all others; the imperfect duty is to choose the happiness of others as the ultimate end – a process Kant termed the duty of beneficence (Mansell, 2013). Mansell (2013) suggested that by expanding shareholder theory, other stakeholders can be included in the corporate objectives, thus eliminating all or part of the conflict.

Governments. Governments have long struggled with if and how to police morality. Society stands on public morality bound by common thought with the protection that the enforcement of criminal law provides (Joppke, 2014). Over the last 60 years, societies have moved away from laws of the collective morality of society, such as those pertaining to adultery and sodomy, and towards laws intended to protect individual consent, like rape and sexual abuse (Joppke, 2014). Good moral character issues in government most often become relevant in the realm of immigration.

Good moral character requirements vary by country. In Canada, Germany, and the United Kingdom, there are no concrete requirements, only a criminal background check (Aptekar, 2015). In Iceland, immigrants must have references attesting to their moral character, and in Switzerland, applicants must gain approval from municipal officials or by a vote by residents (Aptekar, 2015). Good moral character requirements in the United States seem to fall on middle ground.

There have been attempts by the U.S. government to legislate good moral character. In 1790, Congress passed the Naturalization Act that required all nationalization applicants to be of good moral character but for 150 years offered no further guidance (Lapp, 2012; Aptekar, 2015). Early statutes (i.e., Act of June 29, 1906, ch. 3592, 34 Stat. 596, 597), further required that immigration applicants currently display good moral character. Since 1940, however, newer statutes (i.e., 8 U.S.C. § 1427(a) [2006]), require that the applicant be both formerly and presently a person of good moral character. The Immigration and Nationality Act of 1952 contained a list of specific moral offenses that excluded the application from consideration for citizenship (Aptekar, 2015). Offenses considered grievous to good moral character included habitual intoxication, adultery, polygamy, illegal gambling, and periods of incarceration greater than 180 days (Lapp, 2012). In recent immigration court cases, good moral character has included a look back of the previous five years during periods relevant to the issue at hand and required ample allowance for the possibility of reformation for past misdeeds (Lapp, 2012).

The government broadly defines good moral character as negatives: not being convicted of murder, an aggravated felony, or a federal crime; not registering for Selective Service; falsifying documents; and claiming U.S. citizenship undeservedly (Menjivar & Lakhani, 2016). Violation of any controlled substance law is automatic grounds for denial of an application, as is

failing to support dependent and to file any required tax returns (Aptekar, 2015). There is, however, little guidance as to the positive virtues that express good moral character (Menjivar & Lakhani, 2016). In practice, demonstrating good moral character vaguely encompasses obeying laws and being a contributor to society (Menjivar & Lakhani, 2016). Good moral character requirements as outlined by Title 8 Code of Federal Regulations Part 316, section 316.10, currently states applicants bear the burden of proof of good moral character up until the time of allegiance (U.S. Citizenship and Immigration Services, n.d.). Applicants are to be reviewed on a case-by-case basis and may look back beyond five years, if relevant, for both evidence of moral failures and of reformation (U.S. Citizenship and Immigration Services, n.d.). Further, the regulation enumerates specific acts discreditable as outlined previously. Those with offenses may counter by completing probation or receiving a full and unconditional pardon (U.S. Citizenship and Immigration Services, n.d.). Record expungement does not omit the crime from consideration when convicted of a narcotics charge or two or more crimes involving moral turpitude (U.S. Citizenship and Immigration Services, n.d.)

Court cases. Courts have made inroads in shaping a more precise definition of good moral character. Several have offered good moral character as conduct honesty, respect, fairness, and adherence to applicable laws (Craddock, 2008). In *Price vs. INS* (1991), the appellate court denied naturalization based on the appellant's refusal to answer questions about moral character related to his associations. Although the court ruled against the appellant, the Honorable James K. Singleton dissented on the grounds that, except for persons committed to terrorism or under the influence of a foreign government, it is impossible for the government to measure character (*Price vs. INS*, 1991). Further, Singleton opined, persons of various character

reside in the United States, and the government cannot limit citizenship to only persons of outstanding character (Price vs. INS, 1991).

In *Lee v. Gonzales*, 1213 persons had been denied on good moral character grounds of which approximately 500 had subsequently reapplied and were granted citizenship (Lapp, 2012). In the settlement agreement, the court stipulated the denial of citizenship based on minor criminal infractions, and those that were affected were allowed to reapply without additional filing fees (Seattle District of the United States Citizenship and Immigration Services, n.d.). In the case-by-case re-evaluation, both positive and negative factors were considered. Negative factors included a prior criminal record along with convictions, the seriousness of the crimes, and whether any were violations involving moral turpitude (Seattle District of the United States Citizenship and Immigration Services, n.d.). Positive factors demonstrating good moral character included evidences of rehabilitation, family connections in the United States, support of spouse and children, gainful employment or volunteer work, reference letters, educational accomplishments, participation in the community or a religious institution, filing and payment of taxes, and service in the military (Seattle District of the United States Citizenship and Immigration Services, n.d.).

Religions. Religion touches the human spirit through teaching, rituals, and prayer, and instilling a moral responsibility for the world and its peoples (Case & Chavez, 2017). Most religions offer direction in moral character and seek to teach their followers a moral path. Religious faiths often provide the foundation on which followers build their moral character. The tenets of religion also inform the moral culture of organizations (Case & Chavez, 2017).

Within a religious foundation, the faithful can access their innate good (Graham & Haidt, 2010). Graham and Haidt (2010) suggested that religion is a unified system of beliefs and

practices that sets things apart as forbidden. The beliefs and practices of religion unite followers into a single moral community (Graham & Haidt, 2010). Globalization of social, cultural, economic, and political processes, however, has promoted secularization and a lesser role of religion as a source of morality (Shehu, 2011). These same processes also make moral decisions more complex. Those of a religious mindset center their focus on God and the teachings of their religion; those of a secular mindset rely on human understanding (Shehu, 2011). Frequently, religious people exhibit greater moral reliability than secular moral thinkers (Prager, 2004). Although the major religions share commonalities, the specific teachings on morality in Judaism, Islam, and Christianity will be discussed here. Each is monotheistic, with revelations, often moralistic, delivered via divine messenger (Case & Chavez, 2017), and each has subtle differences.

Judaism. Ethics and morality are central to the Jewish faith. Judaism offers that the moral inclinations of those that prescribe to the religion develop in the context of revelation as the source of moral knowledge (Stone, 2006). The law outlines the expectations of good moral character, and humans are directed to interpret the law so that its import may be disseminated to believers (Stone, 2006). Judaism portrays the human experience with inclinations to do both good and evil (Cohen & Rozin, 2001). The urge to act immorally is innate; the work at hand is to overcome one's nature to resist the temptation (Cohen & Rozin, 2001).

More specifically, a central theme of Judaism is to create good moral character with a strong commitment to truth (Dorff, 2014). Jews believe that moral impurity is a function of sin only, most especially idolatry, immorality, and bloodshed (Hayes, 2002). Justice, truth, and peace are critical to upholding Jewish law (Pirkei Avot 1:18), and justice belongs to God (Sahn. 6b). The Torah asserts on morality that revenge is unethical; reverence for elders is required;

justice is non-negotiable; right weight and fair measure are mandatory; and poverty and riches do not determine guilt or innocence (Lev. 19:15, 18, 32, 36; Ex. 23:3). The Talmud, the laws of the Jewish faith, emphasizes that conducting business is an opportunity to both test and implement moral character (Case & Chavez, 2017).

Christianity. Although Christianity rests on the foundation of Judaism, its moral sensibilities focus on the New Testament wisdom of Jesus. Theologians differ on Christianity's moral perspective. Some hold that it is unique because of the faith in Christ; others assert that ethics speaks to the human condition and can be broadly generalized (Maina, 2013). God's purpose is to develop character within all of His children through the Holy Spirit. A.W. Tozer, a renowned spiritual leader, asserted that the only hope for the moral redemption of man was to move from the static nature of the individual to the complete embodiment of God and faith in Christ (Evearitt, 2001). Although free will is a determining factor in moral character (Maina, 2013), salvation offers the opportunity for a fundamental change of natural tendencies to those embodied by Jesus (Evearitt, 2001).

The distinguishing characteristics of good moral character in Christianity are the reliance on the imperatives of God's unchanging and absolute moral character, the ethical responsibility inherent in divine revelation, and the prescribed duties found in the Bible (Geisler, 2010). Although God's character is unchanging, the standards of Christian moral character have shifted over time. Tolstoy (1890) insisted that sexual purity, abstinence from alcohol, restraint in eating (especially meat), and work with genuine toil be the basis of a moral life. Yet, a growing numbers of churches do not hold parishioners accountable for homosexuality (Larsen, 2015), cohabitation and children born out of wedlock (Whiting, 2013), and substance abuse issues

(Lund, 2016). Although the standard in God is clear, the application continues to be muddled. The need to re-engage Christians in moral tradition has become evident (Westberg, 2015).

Traditional Christian ethics are founded primarily in Scripture but have also been shaped by prayer, practices, and traditions (Wells & Quash, 2017). The early church viewed ethics in light of absolute truth, personified by Jesus and guided by Scripture (Wells & Quash, 2017). As society has evolved, so, too, have the layers of Christian ethics. Geisler (2010) outlined a definition of ethics perceived through the lens of Christianity. Christian ethics, Geisler asserted, are based on God's will and revelation, are absolute, prescribed by biblical inspiration, and deontological.

Although Christian and Jewish share many ethical similarities, each approaches integrating moral character into work differently. Christian doctrine requires professionals to act similarly in both their personal and professional lives, while Jewish literature tends to put distance between the two (Murray, 2015). Christians are also advised to consider an individual's mental health when contemplating moral character; Jewish teachings do not emphasize this (Cohen & Rozin, 2001). Further, Christianity places importance on the morality of thought and hold believers accountable for their mental events, while Judaism does not hold its followers to thoughts of immoral actions (Cohen & Rozin, 2001).

Islam. The beliefs and faithfulness of the followers of Islam are inextricably entwined – there is less conflict between moral duty and religious duty because they are the same (Halstead, 2007). The Islamic tradition asserts that character is related to convictions and the ability to stand for them (Mofty, 2012). Clear guidelines outlining the necessity for constraint, limits, and obligations provide a foundation for values that compel Muslims to comply, benefiting their society as a whole (Mofty, 2012). The Prophet Muhammad, the standard bearer for morality in

the faith, stated that he had been sent only to perfect good moral character (al-Oadah, 2014). Faithful followers of Islam are committed to morality and are expected to adhere to specific duties, rules, and responsibilities derived from the Qur'an (Halstead, 2007). For those outside Islam, morality is often based on a complex system of custom, family tradition, literature, and leadership (Halstead, 2007). Not so for the Muslim. Morality does not exist as a separate academic pursuit, but as behavior exhibited in everyday life (Halstead, 2007). Islamic morality can be divided into three areas: obligations, duties, and responsibilities; values and manners indoctrinated in youth; and personal qualities that are to be demonstrated daily (Halstead, 2007). Actions deemed not suitable for good moral character include theft and robbery, murder, any sexual act outside of marriage, dishonesty, consuming pork or alcohol, and collecting interest on a debt (Halstead, 2007).

Moral character in professions. In modern times, perhaps in no other area has more discussion occurred about good moral character than in the realms of professional associations. Moral character in the professional sense has historical precedence, as evidenced in the Roman Theodesian Code and thirteenth-century England (Rhode, 1985). There is, however, remarkably little scholarly writing on the subject (Rhode, 1985).

The Commonwealth of Massachusetts attempted to codify a definition applicable to state-licensed professionals. According to Massachusetts statutes, qualities evidencing good moral character include candor, honesty, integrity, respect for the law, regard for the welfare, safety, and rights of another, and fidelity and trustworthiness in the practice of the professions for which he or she may be licensed (Massachusetts General Laws, 2014). Conversely, applicants whose conduct reflects the absence of one or more of these qualities may be said to lack good moral character (Massachusetts General Laws, 2014). Although there is intense criticism for the vague

standard (Craddock, 2008), many states require good moral character in their licensing requirements. The legal, medical, accounting, and other professions will be examined here.

Legal. The legal profession rests on stringent ethical standards by which attorneys in all states are expected to abide to practice their profession. Even before being admitted to the bar, candidates are required to undertake a character and fitness assessment to determine their good moral character to practice law (Wright-Schaner, 2016). However, a useful definition has eluded the profession (McChrystal, 1984).

The U.S. Supreme Court deemed the good moral character standard established for attorneys to be ambiguous and vague (*Konigsberg v State Bar of California*, 1961). In general, the standard is a lack of proven bad conduct (Murray, 2015). Licensing requirements for attorneys vary by state, but The American Bar Association has codified a definition for good moral character as not engaging in illegal conduct of a moral matter or any other practice that would reflect poorly on the fitness to practice law (Cohen, 2001). Past behavior and the opinions of members of the applicant's community are considered in an effort to protect the justice system and the public (Wright-Schaner, 2016). Habitual intoxication, bigamy, participating in prostitution, adultery, fornication, and operating a gambling establishment have been consistently held as actions not aligned with good moral character (Cohen, 2001). Traffic violations, income tax evasion, assault and battery, and manslaughter, however, have received inconsistent treatment under the same good moral character requirements (Cohen, 2001). Relevant conduct has been construed to include any illegal activity, cheating in an academic endeavor, asserting untruths or omitting truths, employment misconduct, abuse of the legal system, financial negligence, professional negligence, failure to comply with a court order, mental or emotional instability, drug or alcohol dependency, or failure to be admitted to the bar

in another jurisdiction based on moral character assertions (Swisher, 2012). In Maryland, an attorney was disbarred for putting slugs into a parking meter, while thieves, drug addicts, and bank robbers were admitted (Struck, 1982). Although an act may seem egregious, courts strongly consider the potential for rehabilitation in determining the ability to demonstrate good moral character (Struck, 1982). In theory, a criminal record does not prevent admission to the bar in most states, but applicants must prove full rehabilitation (Swisher, 2012). The real danger would appear to be attempting to protect the public by punishing someone who has not committed a crime, which happens in some jurisdictions (Wright-Schaner, 2016).

The Model Rules of Professional Responsibility and ethical standards for attorneys in most states prohibit them from facilitating criminal conduct (Chemerinsky et al., 2015). As such, a lawyer is at risk for violation of the good moral character requirement in assisting cannabis businesses in complying with state laws (Chemerinsky et al., 2015). The State of Arizona, however, took a firm stance on the issue, arguing that the assistance of attorneys was essential in aiding the state in achieving its goal of regulated medical cannabis (Chemerinsky et al., 2015). Courts in Maine, Colorado, and Connecticut, on the other hand, had previously stated that attorneys may not assist clients in breaking federal laws (Laird, 2014). States, however, are beginning to amend ethics rules to carve out exceptions for advising legal marijuana businesses to increase access to these professional services (Clement, 2016).

Medical. In 1847, the American Academy of Medicine published *The Code of Medical Ethics*. To this day, incarnations of that Code inform physicians on their ethical duties to their patients. Not only are physicians required to maintain moral independence, but they are also required to report those in their field that exhibit deficiency of character (World Medical

Association, 1983). Further, they are encouraged to promote and encourage the highest level of ethics in their practice of medicine (American Board of Physician Specialities, n.d.).

Subsequent to the dissemination of *The Code of Medical Ethics*, the nursing profession also adopted a similar code of ethics more specifically suited to the duties of a nurse (Epstein & Turner, 2015). In both cases, the codes recognize the duty of medical professionals to aid those in need, a moral imperative but not obligation for ordinary citizens (Epstein & Turner, 2015). Unlike other professions, those in the medical field are held to a higher ethical imperative of doing no harm and serving in the best interest of the patient.

Accounting. The lack of good moral character in accounting practiced by large accounting firms in the United States created a string of financial crises for several well-known companies. Accountants, especially CPAs, are trusted advisers and carry the weight of great responsibilities to their clients. The field of accounting is fraught with shades of gray, and accountants, as gatekeepers of the public's trust, are tasked with policing the moral integrity of Corporate America (Shawver & Miller, 2017). Good moral character, by default, requires a complete understanding of ethical considerations. As a result of the accounting malfeasance that impaled the American economy, oversight by the Association of International Certified Professional Accountants (AICPA), International Ethics Standards Board for Accountants (IESBA), the International Accounting Education Standards Board (IAESB), and ethics education, both for aspiring and practicing accountants, have been the central focus of both research and promoting good moral character in the accounting profession (Shawver & Miller, 2017).

AICPA. The AICPA has attempted to codify moral behavior in the accounting field in the AICPA Professional Code of Conduct. The principles of the code outline the concepts of good

moral character: sensitive and moral professional judgments, serving and honoring public trust, a commitment to professionalism, maintaining the highest regard for integrity, due care, and independence (Duska et al., 2011). Critics point to two insufficiencies of the principles: vagueness and lack of enforcement (Duska et al., 2011). The rules of the code are more specific but remain painfully oblique regarding outlining expectations of good moral character. The code warns against discreditable acts but lists only generalities as examples: discrimination and harassment of employees, failure to adhere to auditing standards, negligence of financial statement preparation, disregard for requirements of other regulatory agencies, cheating on the CPA exam, and failure to remain current with tax obligations (Duska et al., 2011). Although it may be unrealistic to provide a comprehensive list of acts that violate the good moral character standard, too broad a description can be detrimental to the profession.

In 2015, the AICPA issued a brief on state marijuana laws with regards to obligations of CPAs that provides minimal guidance to those contemplating the provision of services to the legal marijuana industry. Suggestions include referring to state guidelines (although few exist) and guidance from the U.S. Department of Justice and the Securities and Exchange Commission (AICPA, 2016). The brief goes further to caution that serving the legal marijuana industry could violate good moral character requirements and be an act discreditable but gives no direction or foundation for the assertion (AICPA, 2016).

IESBA. The IESBA is an independent body that protects the public's interests by setting robust ethical standards for professional accountants. It continually develops its *Code of Ethics for Professional Accountants* (West, 2018). This Code offers five principles of ethical behavior: integrity, objectivity, professional competence and due care, confidentiality, and professional behavior (International Ethics Standards Board for Accountants, n.d.). When an accountant

encounters a threat of these fundamental principles, an expectation exists that the accountant will determine if the threat is an unacceptable risk, by using both quantitative and qualitative measures, and whether appropriate safeguards both exist and can be applied (International Ethics Standards Board for Accountants, n.d.). Threats include self-interest, self-review, advocacy, familiarity, and intimidation (International Ethics Standards Board for Accountants, n.d.). The Code also prescribes a commitment to technical competence, professional skill, ethical behavior, a professional demeanor, and the pursuit of excellence (International Ethics Standards Board for Accountants, n.d.).

In 2017, the IESBA implemented a new standard, *Responding to Non-Compliance with Laws and Regulations* (NOCLAR). This Standard includes any act of intentional or unintentional omission or commission that violates any law or regulation (Audit Conduct, 2017). The Standard was a joint project of the IESBA and AICPA. However, the AICPA does not currently have any similar standard (Anders, 2018).

IAESB. Where the IEASB addresses ethical issues from a practice perspective, the IAESB addresses ethical issues in accounting from the education point of view. The IAESB's *Framework for International Education Standards for Professional Accountants and Aspiring Professional Accountants* (2017) emphasized that the competence of an accountant goes beyond technical knowledge to include values and ethics. The IAESB also set eight International Education Standards (IES). IES 4 addresses professional values, ethics, and attitudes by prescribing the provision of a framework for professional accounting programs that promotes the exercising of professional judgment and acting in an ethical manner that coincides with the public interest (International Accounting Education Standards Board, 2017)

The IAESB also provides an ethics education continuum published as the *International Education Practice Statement 1* (West, 2018). The continuum includes four progressions: the enhancement of ethical knowledge, the development of ethical sensitivity, the improvement of ethical discernment, and a continuous commitment to ethical practices (West, 2018). The Statement also includes suggestions for incorporating, delivering and assessing ethics education into accounting curriculum (West, 2018). Waddock (2005) also argued for the need to integrate compassion for community, spirituality, nature, and meaning into a more holistic understanding of the function of the profession to avoid accounting professionals devoid of ethical motivations.

Mention of virtues and positive character traits, however, is lacking in both IEASB and IAESB publications (West, 2018). West (2018) suggests support for the inclusion of Peterson and Seligman's (2004) emphasis on identifying courage, justice, integrity, authenticity, honesty, and strength of character into a framework for the different aspects of accounting. West (2017) also points out the need for clarifying that which is legal, but immoral, and that which is illegal, but moral.

Internal Revenue Service. Those professionals that are authorized to practice before the Internal Revenue Service, mainly enrolled agents, tax attorneys, and CPAs, are governed by *Treasury Circular 230, Regulations Governing Practice Before the Internal Revenue Service* (Department of the Treasury, 2014). The publication outlines the requirements necessary to retain the applicable license to practice and the available criminal and administrative sanctions for those that do not adhere to the requirements (Department of the Treasury, 2014). The statute that governs this realm states explicitly that practicing professionals demonstrate good character and reputation. However, parameters guiding good moral character are absent (Gramlich &

Houser, 2015). An accountant providing services to a business actively violating federal law could be construed as not maintaining good character or reputation (Gramlich & Houser, 2015).

State guidance. State guidance, once sparse, is increasing. Arizona concluded that agreeing to provide accounting services to a medical cannabis business is not an act discreditable (Fine, 2017). Colorado determined that performing professional services to those in compliance with the state's cannabis laws does not violate their Accountancy Act (Fine, 2017). Connecticut, Maryland, and Nevada have stated they will not pursue disciplinary action for CPAs operating within state laws (Fine, 2017). Florida stated that providing services in the absence of a criminal conviction for providing those services does not violate the good moral character requirements (Fine, 2017). Illinois has mandated the use of CPAs for their medical cannabis program but has issued no guidance other than suggesting CPAs seek legal advice (Fine, 2017). Conflicts like this will continue to rise as more states pass cannabis laws but fail to address the good moral character requirement of the AICPA directly.

Research. Literature dedicated to the business ethics of accounting is sparse, although research continues to accumulate (Bampton & Cowton, 2013). Accounting ethics garnered little attention until the American Accounting Association (AAA) created the annual AAA Ethics Research Symposium (Bampton & Cowton, 2013). Some of the research has shown that staff exhibit higher moral reasoning than higher management and that younger CPAs are more morally sensitive than older, established CPAs (Bampton & Cowton, 2013). Studies diverge when comparing the moral reasoning ability of students as compared to seasoned accounting professionals (Christensen, Cote, & Latham, 2016). Research has also shown that there is a divergence in ethics related to cultural differences (Wong-On-Wing & Lui, 2013). Guragai,

Hunt, Neri, and Taylor (2017) also researched the increased opportunity for ethical dilemmas given the increased use of accounting information systems.

Research on the efficacy of ethics education in academic settings has received more attention. Studies have included how ethics education impacts cognitive moral development, how demographic information relates to moral judgment, and the development of measurement tools for moral reasoning development in education (Christensen et al., 2016). Initially, accounting educators focused on moral sensitivity and judgment, but research showed that successful students still behaved unethically (Chang, Davis, & Kauffman, 2012). Further research showed that accounting education should also include ethical motivation and behavior (Chang et al., 2012). Questions about the efficacy of ethics education when applied to the legal cannabis industry will be explored in this research.

Other Professions. Many other professions require good moral character as part of their licensing requirements. Mortgage brokers, social workers, and teachers are examples of professions that have established this requirement. Although the specifics and verbiage vary by state, commonalities include the lack of specificity and the broad range of discretion left to officials in interpreting meaning (Craddock, 2008). Good moral character seems to be an ideal held as a professional standard, but the lack of direct guidelines or frameworks leaves the words without direction on adhering to the standard or in enforcing perceived violations.

Moral character in social science research. Amalgamating the definitions of moral character is a lofty endeavor, but what difference does a consistent definition make? How can research in the social sciences inform CPAs? The legal cannabis industry is fraught with risks that can assault the moral character of those attached to it. Given the high volume of cash, black market opportunities, and the challenges in conducting business, the opportunities to test moral

character come fast and furiously. Although the good moral character requirement applies generically to all CPAs, those serving the legal cannabis industry must have the temperament to face those challenges regularly. An understanding of the social science research on moral character can aid in both the understanding and the measures required to protect morality on a consistent basis.

Character in general. The research of Goodwin (2015) offered that character is the most potent aspect of overall impression, even more significant than warmth and social skills, leading to an inference that ethics are more notable than kindness. Causation and intent play a role in evaluating moral character, and consequences are considered more when evaluating the actions of bad agents as compared to good agents (Siegel, Crockett, & Dolan, 2017). Valentinov and Pies (2017) asserted that sensitivity to consequences might be the undercurrent of the strength of one's moral character. Cohen and Morse (2014) presented three aspects of understanding moral character: consideration of others, self-regulation, and moral identity. Delgado, Frank, and Phelps (2005) found people continuously evaluate moral character on both concrete acts and their prior beliefs about that person, including their trustworthiness, warmth, prior moral acts, and motivations. In understanding how others perceive moral character, CPAs can be cognizant of the words and actions that may more adequately represent their moral code.

Higher moral character. Cohen, Panter, Turan, Morse, and Kim (2014) found that those of higher moral character considered the needs and well-being of others in determining their behavior, while emotionality and social value orientation played no discernable role. Good moral character infused in corporate culture can increase the value of the company, yet often corporations focus on enforcing compliance as opposed to increasing moral fortitude (Sekerka, Bagozzi, & Charnigo, 2009). Corporate leaders can increase the moral fitness of their employees

by engaging in ethical messaging (Zanin, Bisel, & Adame, 2015). Sekerka et al. (2009) offered that the willingness to act based on higher moral standards often depends on an individual's moral principle, duty, convictions, along with a rejection of evil, injustice, and immorality.

Lower moral character. Those of lower moral character committed more unethical acts and were more tolerant of those using unethical tactics (Cohen et al., 2014) and tended to engage in counterproductive behaviors (Cohen & Morse, 2014). Kim and Cohen (2015) found that lower moral character influences deviant behavior and that negative work environments increase unethical behaviors. Sanz and Fontrodona (2018) asserted that the bad actors that commit unethical acts lack attachment to ethical norms and temperance. This research aids in increasing the understanding of the negative impacts of lower moral character and can help to reinforce the importance of CPAs adhering to the good moral character requirement.

Various institutions and entities have attempted to codify or define a standard of good moral character with little success. The resulting conclusions are often vague and conflicting. By attempting to understand both sides of the coin – definition and application – perhaps progress is possible. A review of existing frameworks can serve as a guide to the development of a working framework for CPAs and the legal cannabis industry.

Existing Frameworks

Integrating technical skill with ethical excellence is challenging in any profession. Frameworks aid professionals in analyzing and understanding the important themes and questions and provide a foundation for making ethical decisions beyond the experience and intuition that already exist (Harris, Parmar, & Wicks, 2015). A useful framework asks questions that guide and refine the natural tendencies of a professional, acting in concert with other business processes to amalgamate the best decision (Harris et al., 2015). An ethical framework

can provide a backdrop of social justice (Sullivan-Marx, 2017) sometimes lost in the competitive world of maximizing shareholder value. Morales-Sanchez and Cabello-Medina (2012), however, stated that current frameworks are not sufficiently robust to parse the complexity of ethical decision-making.

Two overarching ethical frameworks described in the literature are norm-taking and norm-making (De Los Reyes, Scholz, & Smith, 2017). A norm-taking framework identifies norms that are not legally binding; a norm-making framework identifies norms that are not evident in a norm-making framework (De Los Reyes et al., 2017). The challenges in creating a framework are in identifying legitimate norms and the voids that exist therein (De Los Reyes et al., 2017). Eisenbeiss (2012) offered four ethical orientations for creating a framework: human, justice, responsibility and sustainability, and moderation. Lawton (2015) suggested two key qualities that are central to character: integrity and authenticity and proposed a tri-dimensional framework consisting of purpose, value, and practices. Challenges to implementing and adhering to an ethical framework can include financial pressures and the continually evolving business environment (Morris, Schindehutte, Walton, & Allen, 2002). Two existing frameworks, Rest's four-stage model of ethical decision-making and Mele constituent factors and virtues for moral behavior will be examined below.

Rest's four-stage model of ethical decision-making. Rest (1986) created a four-stage model for ethical decision-making that created a foundation for ethical frameworks and subsequent research (Zeni, Buckley, & Mumford, 2016). The first stage, moral sensitivity, requires a person to recognize a moral dilemma (Shawver & Miller, 2017). The second stage, moral judgment, is the critical discernment of the issue (Shawver & Miller, 2017). Next, the creation of a moral intention or motivation lays the groundwork for ethical action (Shawver &

Miller, 2017). Lastly, the ethical action is put in place through the persistence of ego, character, and courage (Narvaez & Rest, 2014).

Zeni et al. (2016) suggested that Trevino (1986) expanded the model by including individual sensitivities and the environmental context in which the ethical decision is made and that Jones (1991) enhanced it by factoring in the moral intensity of the issue. Further, Narvaez and Rest (2014) asserted that moral behavior is a culmination of inner thought processes, not a one-dimensional construct and that moral failure is a result of at any one of the stages. Subsequent research by You and Bebeau (2013) confirmed Rest's assertion that the stages are distinct and separate from one another, as strength in one area does not portend competence in another – indicating potential failure at any stage.

Mele constituent factors and virtues for moral behavior. Mele (2005) created a framework based on the premise that external forces and ethical cognizance shape moral virtues. Mele defined moral virtues as permanent, ingrained strengths contributing to moral behavior (Chang et al., 2012). The framework echoes some of the same dimensions offered by Rest (1986): moral sensibility, moral judgment, moral motivation, and moral virtues (Chang et al., 2012). Moral sentiments, practical wisdom, and the self-mastering of transitive values influence the dimensions, and all reflect on behavior (Chang et al., 2012). In the end, however, the balance of virtues and values of an organization are relevant to organizational success (Malbasic, Rey, & Potocan, 2015).

Summary

Good moral character as a requirement for professional conduct has been an expectation and requirement for many years. However, guidance for it has been sparse. This literature review offered a look at the business problems created by the good moral character requirement

and provided an overview of religions, governments, philosophers, professions, and frameworks that have all attempted to define good moral character with varying results.

Transition and Summary

Good moral character is a topic that has been debated beginning with early civilizations up to the present moment. Because of the highly personal nature and subjectivity inherent in attempting to define good moral character, much disparity and confusion exist. Specifically, CPAs that are required to display good moral character are given little direction on how to do so.

In addition to the mechanics of the study, Section 1 presented an overview of the business problems that CPAs may encounter when contemplating the provision of services to the legal cannabis industry. In addition, conflicts that Christian CPAs may encounter in contemplating services to the legal cannabis industry was presented. A deep dive into the history of attempts to define moral character offered an overview of the evolution of the subject, as governments and courts, professions, religions, and science have all attempted to provide structure to the topic. However, their conflicting perspectives have muddied the waters more than cleared them.

As the legalization of cannabis moves in waves through state legislative bodies, this conflict between state and federal laws looms larger and larger. It may seem a forgone conclusion that someday the two will reconcile, but until the country reaches that tipping point, those operating cannabis businesses face legal jeopardy daily on many fronts. The legal responsibility to report and pay tax is a complex task, given the legal environment, that cannot be accomplished by most laypeople. Access to superior experience and knowledge by sufficiently credentialed accountants is the best defense against claims of tax avoidance or evasion. CPAs, however, face a host of legal and ethical dilemmas in choosing to provide those services.

By delving deeply into the evolution of the topic and studying carefully the actual experiences of accountants attempting to bridge the gap, this research will aspire to create a framework with more specific guidance for accountants contemplating navigating the waters of the legal marijuana industry and for exhibiting good moral character in all of their personal and professional endeavors. By understanding what thought processes occurred by those who opted to serve and those who opted not to, the researcher hopes to offer insight into tangible processes and systems that can safeguard a CPA from professional or legal peril. Furthermore, the results may provide insight for maintaining good moral character when providing services to other industries, as well.

The research project is described in Section 2. Details of the design of the study, the data collection techniques, participants and population, and the methods used to analyze the data are discussed. By diligent attention to the methodology, the researcher hopes to provide answers to the research questions stated above.

Section 2: The Project

Section 2 provides an overview of the research methodology. Included is a restatement of the purpose statement and a detailed discussion of the research process. Specifically addressed are the role of the researcher, a description of the population and participants, and the specific design aspects applicable for a qualitative research project.

Purpose Statement

The purpose of this qualitative, multiple-case study with cross-case conclusions was to provide a good moral character decision framework of best practices for CPAs when contemplating the provision of services to the legal cannabis industry. As taxpayers, businesses deserve access to competent accounting services and financial statements to assess and report their tax obligations accurately and to manage their businesses diligently. Those in the legal cannabis industry, however, encounter challenges in gaining this access because of the problems accountants perceive based on the disparity between federal and state laws governing cannabis. Many accountants choose not to offer their services to these businesses because of the uncertainty around the good moral character requirement. To date, no scholarly research has been conducted in this arena. This study of CPAs that either accepted or declined the opportunity to serve the cannabis industry will attempt to lay a foundation for further research as the industry and legalities evolve.

Role of the Researcher

In qualitative research, the role of the researcher is to act as an instrument to facilitate collaboration between the participants and the research (Lichtman, 2014). The qualitative researcher must remain objective and self-aware by identifying any bias or assumptions (Lichtman, 2014). Additionally, the qualitative researcher wears many hats when collecting

data, including identifying and gaining access to participants, selecting an appropriate sample, collecting and recording data, mitigating external influences, securing data, and being sensitive to ethical considerations (Creswell & Poth, 2018). Relevant ethical considerations include respect for the participants and their welfare and the equitable treatment for all (Creswell & Poth, 2018).

This qualitative case study used face-to-face interviews, whenever possible, with telephone and correspondence interviews as an alternative. Research questions were developed to gather the pertinent information regarding the process CPAs travail when contemplating an engagement with a cannabis company. The selection process for participants included the identification of a minimum of three CPAs that had opted to service the industry and three that had not, with a maximum of 20 total or when saturation was reached. In this context, saturation is utilized to reflect thoroughness, sufficiency, and completeness of the empirical data (Mills, Durepos, & Wiebe, 2010b). The researcher established contact with each selected participant by email for both introduction, consent, and to request a scheduled date and time to conduct a one-on-one interview. The researcher advised participants about the nature of the study, the potential risks, and that no personal benefit should confer.

During the interview, the researcher's role was to collect the data presented and to observe visual and audio clues that provided additional insight. With this data, the researcher created transcripts, which were reviewed by the participant to ensure accurate reflection of the participant's thoughts. Subsequently, the researcher analyzed the findings, utilizing coding, to understand how the CPAs process unfolded and to interpret the data objectively towards a complex understanding (Creswell, 2016). By coding the raw data, the researcher anticipates that relevant themes will emerge that can be used to build a narrative (Creswell, 2016).

Participants

Using various resources (i.e., licensing authorities and directory listings), the researcher identified a field of potential participants. Participants considered were over the age of 18 with an active CPA license and had contemplated providing services to the legal cannabis industry. An introductory email from the university email system and a consent form were sent to potential participants. Because this research involved human subjects, Institutional Review Board (IRB) approval to ensure the protection of human rights was a critical initial step (Creswell, 2016). After securing the appropriate consents and approvals, interviews were scheduled.

It is ideal in a research study if the researcher and participant develop a rapport (Taylor & Bodgan, 2016). Rapport in this context includes empathy, sincerity, emotional availability, and sharing in the experience (Taylor & Bodgan, 2016). A quality relationship may not come quickly or easily. Good rapport can increase the flow of information shared and the resulting insight (Carling, 2011). The researcher must honor and respect the participant's processes and establish commonalities early on (Taylor & Bodgan, 2016). Methods of establishing an agreeable relationship include being prompt and personable (Carling, 2011), appearing naïve, choosing appropriate settings and times for interviews, and appearing helpful and cooperative (Taylor & Bodgan, 2016).

Ethical protection of participants is crucial to the research process. Citro, Ilgen, and Marrett (2003) outlined three central issues in protecting participants: obtaining consent, ensuring confidentiality, and implementing appropriate review. More specifically, Taylor and Bodgan (2016) identified a myriad of potential ethical harms to participants, including deception,

power imbalances, collection of harmful information, violating confidentiality, and undue influence or pressure.

Ethical issues can arise at any point in a study. It is critical to anticipate issues that may arise and to put safeguards in place to protect the participants (Taylor & Bodgan, 2016). An issue in this research was the necessity of protecting the identity of those CPAs that served the cannabis industry and were vulnerable to federal prosecution or association reprimand or censure. Appropriate safeguards for the data collected were crucial to protecting the participants. Implementation of proactive measures, such as the redaction of personal identifying information, destruction of research materials after the required retention period, and safeguarding of the data, were a priority in this study.

Research Method and Design

Researchers are required to select a research methodology that most efficiently addresses the research problem and questions. Careful consideration of all potential methods before the selection of one methodology is essential to ensuring the validity of the study. Both qualitative and quantitative methods or a combination of the two should be considered to provide the most meaningful results. Because this research speaks to a thought process and not a statistical incident, a qualitative method, as opposed to quantitative, was required to garner the experiences of the participants.

Of the available methods of qualitative research, the multiple case study method was selected. The essence of a case study is to illuminate a decision (Yin, 2014). Case studies aptly apply to a distinctive situation that exhibits an array of variables that requires triangulation (Yin, 2014). Case study methodology is most appropriate to understand a contemporary phenomenon when the boundaries between the phenomena and the context are unclear (Rowley, 2002).

Delving into the decision process of CPAs when deciding to provide services to the legal cannabis industry is a very specific situation in which the lines of demarcation may be unclear, thus lending credence to the use of the case study methodology.

Case studies allow the researcher to conduct a detailed analysis of the research question. The researcher conducts the study over a specific period with a variety of data collection methods, including interviews, observations, and documents (Pearson, Albon, & Hubball, 2015). The focus of the research centers on an individual circumstance and does not encompass a generalization of the population (Kisely & Kendall, 2011). Although some researchers argue that case studies lack robustness, this design allows researchers to access a variety of perspectives to create a rich, even overview of the question at hand (Taylor & Thomas-Gregory, 2015).

Stake (1995) suggested three types of case studies: (a) intrinsic, where a case study is assigned rather than selected; (b) instrumental, where the case study is chosen because it is the most effective method for contributing to a general understanding; and (c) collective, which expands on the instrumental case study with multiple cases. Yin (2014), on the other hand, offered three different types of case studies. An exploratory case study serves as the basis for future research; the descriptive case study offers a detailed description of a particular phenomenon; and the explanatory case study that seeks to illuminate causes of a phenomenon (Yin, 2014). With these guidelines, researchers can more clearly assess the applicability of a case study to a particular research topic.

The keys to an effective case study are two-fold. First, assessing a subjective research topic with objectivity is a challenging undertaking. Researchers must interpret data with an eye to the understanding that the subjects will bring different realities to the conversation (Taylor &

Thomas-Gregory, 2015). Finding commonalities among these differing perspectives is crucial to a reliable outcome. Secondly, because of the subjectivity inherent in the design, the researcher must be cautious to apply appropriate rigor to the research (Taylor & Thomas-Gregory, 2015). Each stage of the research must be designed and executed with the utmost attention to detail. The research must be well-framed, concise, and significant; meticulous management is required (Taylor & Thomas-Gregory, 2015). Rigor can be evaluated by accuracy checks, participant review of the interview, independent analysis, and the audit trail of the research process (Pearson et al., 2015; Taylor & Thomas-Gregory, 2015).

The methodology employed took a holistic perspective, with individual CPAs as the primary unit. In-depth interviews targeted three CPAs who had consciously chosen to serve the legal cannabis industry and three CPAs that had chosen to decline the opportunity. Because of the highly sensitive and personal nature of the research, CPAs in states that legalized cannabis were chosen randomly and asked to participate until there were sufficient subjects to study on both sides. Additional evidence was also included, such as court cases, legal briefs, and administrative notices and memos prepared by the legal, governmental, and CPA communities. Construct validity was established with the use of multiple sources of evidence, participant review of the report, and an established chain of evidence (Rowley, 2002). A framework for maintaining good moral character was developed from the research and submitted to each participant for feedback.

Population and Sampling

Creswell (2014) emphasized the vital import of correctly identifying the population of a research study. In a qualitative study, the purpose is not to generalize a sample to the entire

population, but to examine a small group to study a phenomenon in a particular setting (Yin, 2014). That does not preclude, however, the necessity of identifying the population and sample.

Population. As of 2016, there were 664,532 actively licensed CPAs (US Accountancy Licensee Database, n.d.). Although it is unclear how many of those CPAs serve the cannabis industry, a safe estimate would be much less than one percent. In this particular research, the subpopulation of CPAs that were servicing the cannabis industry was considered a rare population with less than .01% (Wagner & Lee, 2015) of the entire population as potential participants. Many CPAs avoid the industry because of the nebulous nature of the legalities. As a result, many non-CPA accountants fill the void (Schoyer, 2017). Schoyer (2017) estimated in January of 2017 that there were less than ten that publicly self-identified. Since that date, cannabis accountant directories would indicate that there are more now but also show evidence of some attrition. The number of CPAs willing to participate in a case study was limited by the desire not to draw undue attention to their practices.

The universe of CPAs that decline to service the cannabis industry is difficult to determine, as there is rarely public evidence of such. However, the potential sub-population of those that have actively engaged in a thoughtful review of the prospect may indeed be larger than the ones that have elected to provide service. Finding these case study participants proved to be less challenging.

Sampling. Purposeful sampling is the selection of potential participants for recruitment to inform the phenomenon in a study (Creswell & Poth, 2018). Sampling for quantitative research involves the choosing of enough participants to adequately represent the population so that generalizations can be drawn (Creswell & Poth, 2018). In qualitative research, however, the focus is less on the number of participants and centered more closely on the quality of the data

retrieved. Sampling for qualitative research involves the intensive study of a small number of participants who are chosen carefully based on the theoretical framework (Cleary, Horsfall, & Hayter, 2014). The three steps in choosing a sample are selecting participants, choosing a sampling strategy, and calculating the number of individuals for the sample (Creswell & Poth, 2018).

Selecting participants. In this research, there were two subpopulations: those CPAs that chose to serve the cannabis industry (Subgroup A) and those that did not (Subgroup B). Both subgroups shared a commonality: having contemplated the service of the legal cannabis industry. Subgroup A was anticipated to be a much smaller population than Subgroup B. Subgroup A most likely required a deeper dive and considerably more effort to access than Subgroup B.

Sampling strategy. Initially, a purposeful sampling of CPAs was employed. Purposeful sampling recruits participants for a study that can inform the central phenomenon (Creswell & Poth, 2018). However, the snowball method of accessing case study participants may have been required to access enough participants for the study. The snowball method of sampling starts with an easily accessible case study participant who then refers other participants to the study (Sedgwick, 2013).

Calculating the number of participants. There is a point of diminishing returns in qualitative research where saturation occurs, and more case studies do not translate to more information (Mason, 2010). Further, expertise in the topic may reduce the required number of participants (Mason, 2010). Strauss and Corbin (1998) suggested that saturation may also be a subjective measure that cannot be determined by a definitive number but by the quality of information obtained. Failure to reach saturation may impact content validity, however (Fusch & Ness, 2015). Bernard (2010) asserted that researchers must take what participants they can get

and that predetermining a particular number of studies may be counterproductive. Finally, it is not the number of studies that is relevant to saturation but the quality of the information obtained that informs saturation (Fusch & Ness, 2015).

For this case study, the researcher aspired to interview enough CPAs providing services to the cannabis industry and CPAs that had declined to service the industry to reach saturation, anticipating a maximum of 20. By soliciting data from both sides of the problem, the researcher hoped to gain a larger perspective than focusing on just one side. Triangulation, the utilization of multiple data sources, was also employed to potentially further ensure saturation (Fusch & Ness, 2015).

Data Collection

The methods for collecting data for a case study included interviews, documents, archived records, direct and participant observation, and artifacts (Yin, 2014). In case study research, it is essential to use multiple sources and to document and organize the data carefully (Yin, 2014). Further, when designing a case study, the researcher must keep an eye to ensuring validity and reliability (Yin, 2014). A robust data collection strategy that identifies specific methods of collecting and preserving data is critical to an expeditious outcome (Creswell & Poth, 2018). A data collection strategy for a multi-case study should include a discussion of instruments and data collection and organization methodologies.

Instruments. In quantitative research, specific instruments (i.e., surveys and tests), are required to provide numerical feedback on specific variables (Hancock & Algozzine, 2006). Qualitative research, on the other hand, makes use of more subjective tools, such as interviewing and observation (Hancock & Algozzine, 2006). A case study may differ from other methodologies of research in that the researcher strives to let the instruments be open-ended

(Yin, 2014). Two standard tools in case study research are the researcher and an interview guide.

The researcher. In case study research, the researcher is the primary instrument for both collecting and analyzing data (Hancock & Algozzine, 2006). A significant investment of time spent in the research environment interacting with the subjects to gain the rich descriptions required to explore the phenomenon being studied is required (Hancock & Algozzine, 2006). As a result, the researcher and research become intertwined, and the outcome of the research becomes heavily dependent on the reflections of the researcher (Smith, 2014). The use of a human instrument allows the research to remain fluid and to evolve as the researcher gains insight and more profound understanding (Smith, 2014).

Interview guide. A unique aspect of conducting qualitative research is the flexibility allowed the researcher in interviewing and observing the research subject. However, the researcher would be ill-advised to enter case study fieldwork without a guide. An interview template can provide the structure needed for consistency while allowing for the openness to pursuing subjects as they arise. An interview guide typically contains four parts: an opening statement describing the study, an overview of the interview, interview prompts, and a conclusion (European Commission, n.d.).

In the opening statement, the researcher introduces the study to the participant (European Commission, n.d.). An overview of the study will include the name of the interviewer, the purpose of the study, the date and time of the interview, and the anticipated duration (European Commission, n.d.). Interview prompts serve as a brief guide to remind the interviewer of the necessary topics to cover and to keep the interview on track (Harvard University, n.d.). The conclusion provides a summary and an opportunity for questions.

When developing interview questions, alignment of the questions with the research questions is critical. In this study, the research questions were: (a) what factors are relevant when contemplating providing accounting services to a legal cannabis company, especially with regard to the good moral character requirement?; (b) what due diligence is necessary, or even helpful, before the CPA concludes?; and (c) what continuing measures are put in place to ensure the protection of the good moral character requirement? Research questions (a) and (b) informed the interview questions for both engaged (with legal cannabis companies) and non-engaged CPAs. Interview questions based on the research question (c) only applied to engaged CPAs.

The questions developed for the interview guide were not presented verbatim. The interviewer adapted the questions to the tone and direction of the conversation. Possible types of questions included direct, indirect, structured, follow-up, probing, clarifying, and interpreting (Harvard University, n.d.). Guidelines for developing the interview questions included keeping them simple, offering questions that elicit detailed responses, and focus on the experience of the interviewee exclusively (Harvard University, n.d.).

Data collection technique. In this multi-case study, data collection relied primarily on interviews of CPAs that both accepted engagements to work with legal cannabis companies and those that declined. The interview process ideally occurred in a private setting at the place of business whenever possible. In addition, documents evidencing measures that mitigated liability, such as insurance policies and legal opinions, along with other pertinent artifacts, were reviewed with the consent of the interviewee. The interviewer requested a video or audio recording of the interview to preserve the data and for further review when transcribed at a later date. The interviewer took handwritten notes to record personal observations.

Data organization technique. To protect raw data from which conclusions were drawn and substantiated, the researcher created a case study database to separate and compile the collected data. It is critical in case study research to have a repository of data apart from the narrative created during the interview (Yin, 2014). In addition to the database, the researcher used electronic cloud-based storage for paperless retention of related documents, field notes, recordings, and any quantitative data that were relevant. Meticulous attention and retention of citations, findings, and sources of data aid in the maintaining of a chain of evidence which increases overall reliability and validity (Yin, 2014). Implementation of appropriate security safeguards, such as passwords and encryption, protected the confidentiality of the data. Participants were indexed by numerical sequence available only to the researcher and protected by complex passwords. The index will be destroyed after the required retention period. Emails, documents, recordings, and other relevant data collected will also be destroyed after the appropriate waiting period.

Data Analysis

In quantitative and mixed methods research, data analysis seeks to condense large volumes of data into usable information to create a description, make a prediction, generate a model, or to provide evidence for a hypothesis (Devitt, 2015). In qualitative data analysis, a different approach prevails. The first step requires transcribing and organizing the research data into a standardized format (Stuckey, 2015). The second step is the coding process.

Coding. Coding is the systematic process of identifying and assigning meaningful attributes to qualitative data (Wicks, 2017). Coding is both a technical and analytical interpretative activity (Stuckey, 2015) utilized to ferret out emerging themes that ideally will assign meaning to the data and provide insight to the research questions (Theron, 2015; Hahn,

2008). Repeated coding cycles can offer richer meanings and concepts from the data (Theron, 2015).

Best practices in the coding process include four levels of coding. Level 1, often referred to as open or initial coding, is a filtering process that eliminates unusable material (Hahn, 2008). Level 2, or focused coding, further refines the data gleaned to that which informs the research questions (Hahn, 2008). Level 3, or thematic coding, identifies any progressive convergence of data into themes (Hahn, 2008). Finally, Level 4, or theoretical development, aspires to explore the themes that might develop into theories (Hahn, 2008).

Coding tools. The physical process of coding can be accomplished in several ways. Computer-assisted qualitative data analysis software (CAQDAS) has gained in popularity and functionality in recent years (Leitch, Oktay, & Meehan, 2015). CAQDAS aids in the organizing, managing, and analysis of data through the parsing of transcripts to identify prevailing codes or themes. Use of CAQDAS can increase reliability and validity, create an audit trail, and provide transparency (Leitch et al., 2015). The researcher, however, must exercise reflexivity by not allowing the software to dictate the outcome of the research (Woods, Macklin, & Lewis, 2016). Further, it is incumbent on the researcher to remain vigilant in directing the software by not letting the software direct the interpretation of the data (Yin, 2014).

Other methods of coding can include paper and highlighters and the use of generic software programs like Microsoft Word, Excel, and Access. Using paper and highlighters, once the only viable method of coding, is more laborious and time-consuming than the other methods. When CAQDAS is unavailable or inappropriate for data analysis, Ose (2016) recommended a method of analysis combining the functionalities of Word and Excel. The use of generic software tools is useful for small amounts of data but can be unwieldy with the more substantial

amounts in an intensive study (Ose, 2016). CAQDAS has evolved into a diverse and functional tool since its inception (Yin, 2014) and is the best fit for this research.

Reliability and Validity

Qualitative research leans towards the subjective. As such, the researcher turned a consistent eye to maintaining reliability and validity throughout the process for the results to have any chance at significance. Establishing reliability and validity enhances the strength of the outcomes. Saturation, an essential element of research, is also discussed.

Reliability. Reliability is the demonstration that the operational aspects of a research study are repeatable by another researcher and will yield similar results (Yin, 2018). Minimizing errors and bias is the goal of reliability (Yin, 2018). Two tools that aid in documenting reliability are a case study protocol and a case study database.

Case study protocol. A case study protocol is a comprehensive document that includes the procedures for the collection of data in a case study (Mills et al., 2010a). The protocol should include an overview, data collection procedures, protocol questions, and a proposed outline for the report (Yin, 2018). The protocol keeps the researcher focused and helps to anticipate problems (Yin, 2018). A case study protocol was developed to maintain a structured approach to each case in this study. The development of an interview guide aided in this process.

An interview guide is a set of questions that creates the architecture from which the fieldwork flows (Wright, 2017). A useful interview guide will allow the researchers to develop the questions in advance, determine the sequence and tone of the questions, and provide opportunities for follow-up (Michigan State University, 2018). This research study incorporated a semi-structured interview guide that allowed for delving further into topics as they arose. It

divided the questions into three categories: those asked of both subsets of CPAs (those servicing the legal cannabis industry and those not) and the questions asked of each subset separately. Most of the questions were open-ended to allow for expounding by the interviewee and an opportunity for the researcher to encourage elaboration.

Case study database. Evidence in a case study can come from diverse sources: documents, archived records, interviews, both direct and participant observation, and physical artifacts (Yin, 2018). Each requires a different collection method (Yin, 2018). A case study database can assist in the organization and interpretation of case study evidence and includes transcripts, recordings, notes, documents and tables, written narratives, and memos (Yin, 2018).

For this study, these sources of evidence were collated in a case study database to identify themes, to reinforce conclusions, and to support reliability and validity. The case study database allows for the triangulation of multiple sources of data (at least three) and allows the researcher to identify points of convergence that support the underlying thesis. For this research, data triangulation was the primary focus, which contributes to validity (Yin, 2018).

Validity. Validity seeks to verify that the research results accurately portray what the research intended to reveal. Validity strategies that can be employed include triangulation; member checking; rich, thick descriptions; bias identification; presentation of negative results; extensive time in the field; the debriefing of peers; and external auditors (Creswell & Creswell, 2018). Threats to validity include the passage of time, the maturation of participants, a narrow selection of participants that are predisposed to a specific outcome or that do not allow for generalization, and the attrition of participants (Creswell & Creswell, 2018). There are three types of validity of which researchers should be aware: construct validity, internal validity, and external validity.

Construct validity. Construct validity ensures that the operational measures of the study are correct (Yin, 2018). Key tactics include multiple sources of evidence and member checking (Yin, 2018). The use of a case study database to maintain the chain of evidence allows the reader to follow the research questions initially developed all the way through the case study findings and supports construct validity (Yin, 2018).

Internal validity. Internal validity seeks to connect the dots – establishing that a causal relationship exists between two conditions (Yin, 2018). Pattern matching, explanation building, logic models, and the inclusion of conflicting results contribute to internal validity (Yin, 2018). Pattern matching is the comparison of two patterns to determine whether they are related or not (Sinkovics, 2018). Explanation building is a form of pattern matching that requires the development of an explanation that can be applied to each case (Yin, 2018). A logic model graphically depicts relationships between resources (Ditmyer, 2017).

External validity. External validity establishes the generalization of the study results to the population (Yin, 2018). Methods for external validity include the use of theories in single-case studies and replication logic in multi-case studies (Yin, 2018). Replication logic attempts to collect enough evidence from different sources to generalize results to new cases (Creswell & Creswell, 2018).

Saturation. Saturation is also an essential aspect of validity. Saturation is achieved when there are no new data, theme, or coding events and when replication is achievable (Fusch & Ness, 2015). Alternatively, saturation can occur when the data collected is sufficient to support the central thesis (Saunders et al., 2018). Failure to reach saturation can negatively impact the quality of the research (Fusch & Ness, 2015).

In this study, the researcher anticipated that validity would be addressed by the triangulation of data, member checking, bias identification, explanation building, replication logic, and the presentation of negative results. Saturation was a given and had to be achieved to establish validity. Meticulous attention to the chain of evidence and consistency from interview to interview, coupled with the use of a case study protocol and a case study database reinforced both reliability and validity, as well.

Transition and Summary

The good moral character requirement imposed on CPAs is a vague standard with few teeth. To achieve this qualitative, multiple-case study with cross-case conclusions and to provide a good moral character decision framework of best practices for CPAs when contemplating the provision of services to the legal cannabis industry, robust and meticulous attention to the research design is necessary. The researcher must create an environment that is conducive to optimal collaboration and participation. Section 2 described the research methodology and design, role of the researcher, participants, population and sampling, data collection, data analysis, reliability and validity and saturation of the research project. The methods and means described herein are aligned with the goal of garnering the necessary data to create a framework for maintaining good moral character in accounting engagements. Meticulous attention to the details of the research process lay the groundwork to maximize validity and reliability. With a solid foundation, the research should be easily repeated by other researchers. Section 3 covers the results of the research.

Section 3: Application to Professional Practice and Implications for Change

This section includes an overview of the study, anticipated themes, an examination of the collected data in a presentation of the findings, a summary of the findings, and applications to professional practice. Subsequently, recommendations for further action and study are presented. Lastly, the researcher offers some final reflections and a summary and study conclusions.

Overview of the Study

The qualitative, multi-case study conducted as a series of interviews spanned several weeks. The researcher conducted interviews with both CPAs serving the legal cannabis industry and CPAs that elected not to offer services to the industry. CPAs were initially contacted by email addresses gathered through online directories. Additional participants were contacted utilizing snowballing sampling - the recruitment of other CPAs from referrals of participants. Standard questions from a semi-structured interview guide directed the interview, but the interviewer included follow up questions to increase the richness of the data when appropriate. Interviewees were offered the opportunity to review the transcripts of the interview to support construct validity.

Interviews continued to be conducted until saturation, defined as anticipating no new data from additional sampling. Subsequently, the conversations were transcribed and coded to uncover common threads from which themes emerged. The population of CPAs serving the cannabis industry is a small and connected group. As they network frequently, their responses were strikingly similar in tone and content. Although the CPAs not serving the cannabis industry are a much larger section of the overall CPA population, their concerns were almost identical to one another, as well.

The data collection process, primarily interviewees' responses to interview guide questions and researcher notes, generated relevant themes through triangulation - the use of multiple sources of data - of background research and the aforementioned collected data. Each interview was conducted to stand as a single measure of the information sought. Appropriate measures to ensure the maintaining of case study protocol and chain of evidence; the ability of participants to review their transcripts; bias identification; and the inclusion of conflicting results, although few, further support the validity of the study.

Anticipated Themes

Before doing the research, anticipated themes included the influence of faith and other sources of moral education, a moral conflict between maintaining good moral character and the potential for enticing financial remuneration, the impact federal legalization might have, the appetite for risk CPAs might require, and if ethics education was valuable in supporting the good moral character requirement. After conducting the study, it became clear that a moral code indeed informed the decision whether or not to engage in the cannabis industry and that financial remuneration was not a primary consideration. Those serving the industry felt strongly that their work was valuable and necessary. Those not serving the cannabis industry did not allow potential financial gain to mitigate their concerns about good moral character. However, these same CPAs would reconsider their position if federal legalization should occur. Participants serving the cannabis industry clearly exhibited greater appetite for risk than their non-serving counterparts. Finally, participants viewed required ethics education as non-impactful when considering the good moral character requirement and the cannabis industry.

Presentation of the Findings

Because of the small population of CPAs serving the cannabis industry, those participants seemed to have formed a support network among themselves because they frequently mentioned working with other CPAs in the sample. Additionally, the referrals for snowballing were circular – most recommending another in the sample. These CPAs were also in general agreement regarding the necessary requirements for serving the industry, while preserving the good moral character requirement of the AICPA. Commonalities included various phrases that focused on personal ethics and due care within their firms as compass points for good moral character. Due care, elaborated on below, centered on maintaining a good corporate culture and ongoing education, in addition to ongoing vigilance of threats related to character. Contrary to anticipated themes, CPAs were less concerned with ensuring that their cannabis clients, or any clients for that matter, maintained good moral character. Additionally, the CPAs serving the cannabis industry felt little obligation to adhere to any national or state association’s definition of good moral character. Most CPAs asserted that good moral character comes from within and is nurtured by faith, family, environment or some combination of those. Guidance issued by the AICPA was deemed vague and a low priority in maintaining good moral character, but operating with integrity and prudence based on their own moral code was vital.

Five central themes resonated among the participants, two associated with those not serving the industry and three common to those currently serving the industry. For CPAs not serving the legal cannabis industry, the two main themes were the volumes of cash transacted in the industry and the potential for dealing with nefarious characters. Among the CPAs currently serving the industry, three main themes emerged: the importance of education, corporate culture, and proper due diligence and care. A discussion of each follows.

Theme 1: Predominance of cash transactions. The majority of participants on both sides of the cannabis industry indicated the handling of cash by their clients or potential clients was a primary concern. For those not serving legal cannabis companies, the difficulty in obtaining banking services as a means of documenting cash was a deterrent to engaging in the industry. Further, the potential for serving a client that might not report all cash transactions triggered questions about maintaining good moral character. One participant, in particular, had provided services to bar owners and liquor stores, and desired to disengage from those clients because of questions concerning unreported cash sales and was further discouraged from engaging clients with significant cash sales in the future. Of cash businesses, he said:

I provide, or at least I recommend, procedures [to] enable them to account for cash. [I'm] not naive enough to think that they're totally complying with that...Based on what I know about a business, when you get an opportunity, you're putting cash in your pocket...We do attempt to give them mechanisms to attempt to account for the cash.

In addition to the volume of cash transactions, some participants voiced issues with being paid in cash. One not working with legal cannabis companies feared for office security with cash payments. Also, that CPA was adamant about not having the ability to control payment of fees because of the cash culture, although no other CPA offered this as a concern. Another indicated that a bank terminated a long-standing relationship with the firm because of large cash deposits. This participant recounted that, because his firm was making a lot of large deposits of cash from being paid in cash by cannabis companies, their bank accounts were closed by the president of the bank. The conversation with the bank president was described: "I'm sorry but you know we know you're making cash deposits. We know that you're in taxation of cannabis, so you have to find a new bank." To which the CPA responded:

‘I have to find a new bank? We are a CPA firm. What are you talking about? We have a long-standing relationship with you guys.’ He couldn't have been more apologetic but he frankly decided that the ways the federal banking laws are written, he [couldn't] take a chance.

In addition to the volumes of cash transacted and the issues with being paid in cash, cash as an attraction for nefarious characters was a concern, which is addressed in the next section.

For most CPAs serving the cannabis industry, cash was not seen as an obstacle to engagement. In some states, banking has become less of an issue, and some participants require cannabis clients have access to banking before engaging them. Proper cash management, however, was a necessity for serving clients. A participant serving the industry expressed an emphasis on internal cash control requirements for clients in the cannabis industry. One participant stated, “somebody who doesn't exhibit proper cash management, wanting to be up-to-date with their books and looking at their numbers - what else are they not doing? What else could be going on?” This same participant also recognized that some clients were not experienced in cash management and emphasized the importance of educating clients on segregation of duties and other internal controls. However, the firm recently disengaged 75 clients that did not comply with their bookkeeping and payroll requirements. For those CPAs specializing in attestation, improper internal control procedures mandate a modification of their opinion in an engagement, which could be detrimental to further operations and funding of the cannabis business. Hence, proper cash controls are essential to most cannabis companies.

Theme 2: The potential for working with nefarious characters. CPAs not serving the industry were particularly sensitive to the potential for dealing with unsavory business clients, such as felons, drug lords, and those associated with organized crime. One participant suggested,

The fact that this has been an illegal activity for years and that the people that are ...most familiar with that type of business would come from an illegal background. So, my concern would be to be getting in bed with someone that's really never had a moral compass.

Although cannabis license holders are thoroughly vetted in every state, although with varying intensity, CPAs voiced fears of behind-the-scenes operators that might not be presented to or pass regulatory scrutiny. A participant likened the process of obtaining cannabis licenses to the process of obtaining a liquor license:

You can't get a liquor license in the state of Missouri if you have a felony on your record, so many times [potential bar owners act as a] silent partner. [They] put it in somebody else's name [and] have no ownership...but run it and get paid.

The participant went on to say that if someone has a vision of owning a bar, they could find a front person to apply for the license in name only, creating a potential “dark hole” of information for the CPA. The participant feared encountering this practice in the cannabis industry. Most participants agreed that knowingly serving unsavory characters presented as a violation of the good moral character requirement. If serving these clients, office security and personal safety, in addition to adhering to the good moral character requirements, were primary concerns. One CPA indicated that federal legalization might provide a path beyond this objection.

Among CPAs serving the industry, there was a general recognition that their clients were violating federal law. Some CPAs conducted in-depth background checks to ensure there were no other legal issues or character concerns; some did only cursory searches on the internet.

However, in the absence of federal prosecution, serving these clients was not seen as unethical.

One participant stated:

[do] you have bad moral character if you're serving the cannabis industry? And then it comes down to these people are in violation of federal law. Well, the last time I checked the federal government is not enforcing the law nor are they making legal determinations that these people are criminals. Why, as a CPA, should I have to be the judge, jury, and the actual executioner because they're doing something that the state has mandated.

Another CPA provided a presentation given at conferences underscoring that serving the industry was not an ethical violation, using AICPA guidelines to substantiate the assertion. These guidelines include the principle of the public interest being served when certified public accountants ensure that their services are consistent with acceptable professional behavior, that integrity requires public trust not be subordinated to personal gain or advantage, and that due care requires that all services be provided with competence and diligence (AICPA, 2014). The participant suggested that CPAs are able to help bridge the gap between governments and cannabis businesses.

We are able to help resolve conflicts [of good moral character] with integrity, guided by the perception of members who fulfill their responsibility to the public, [and] the public includes governments now. So our clients and our own professional standards address that there will be conflict among our interest groups, and we're to help resolve those.

The participant also expressed frustration that the AICPA did not include their own professional standards in their white paper on cannabis.

Not policing the cannabis companies did not preclude the CPAs from acting when something from the client seemed suspicious. One CPA stated:

Clients that seem to be unscrupulous or operating in the underground or doing things that [do] not seem above board, is [something] that we communicate pretty quickly. If one of our accountants is working on something and we get a set of books where things don't make any sense or it looks like there's an issue, typically they get brought up. Either myself or one of the other managers, we sit down, we take a look at those type of things. We typically give the client an opportunity to respond. Is this bad bookkeeping or what do you mean here?

These CPAs utilize their own level of appropriate scrutiny, due diligence, and layers of review to protect both their firms and their clients from bad actors.

Theme 3: Education. As stated earlier, the legal cannabis industry exists in its own tax and accounting universe. Accountants desiring to enter the industry should be thoroughly educated in the nuances and intricacies inherent in accounting for these companies. CPAs serving the industry voiced concerns about lack of qualified and competent accountants in the space — several recounted incidents of new clients coming with bookkeeping, accounting, and tax returns prepared by unskilled accountants and bookkeepers that left the clients vulnerable to massive tax and penalty assessments in the future. The general consensus was that the lack of CPAs in the legal cannabis space has created a vacuum in which these uneducated accountants operate.

Accountants must also stay abreast of ever-changing rules and regulations in the jurisdictions in which the client companies operate. Staying educated and informed presented as a significant piece of the good moral character puzzle. Further, educating cannabis clients was often seen as a responsibility of the CPA. One firm had an accountant whose sole function was

to manage federal, state, and local tax regulation compliance for both the firm and their clients.

That CPA stated:

Some [regulations] change more often than not, but one of my procedures [is] very important -that we stay connected...[The governments] notify us if there are any changes because then we have to update our compliance tool or...modify our requirement...we're constantly keeping in contact and updating those local regulations.

The emphasis placed on the importance of education when serving the cannabis industry by the participants underscores this business problem: federal, state, and local tax laws for cannabis are complex and require ongoing education and expertise.

CPAs serving the industry also emphasized the importance of continuing education in serving the cannabis industry, while noting the lack of availability of adequate educational offerings in the marketplace. Keeping clients and staff educated and informed was also a priority. A CPA offered, “we have staff that is well-versed in the industry. We have staff that keeps abreast of the current scene in taxation of cannabis. We do as much CPE as we can in this industry.” The majority of the CPAs interviewed are also active in providing education to professionals, governments, and cannabis businesses. Being out in the community also provides them insights into potential problems and challenges in serving the cannabis community and serves as an education in itself. Ethics education as required by state CPA associations was not considered helpful in serving the cannabis industry. Most CPAs stated a need for more continuing education offerings focused specifically on the cannabis industry.

Theme 4: Corporate culture. Among CPAs serving this industry, the majority emphasized the importance of maintaining an appropriate corporate culture within their firms. Because of the federal illegality and the stigma attached to cannabis, most felt it essential to hire

staff that had an underlying belief in the benefits of cannabis and that supported the legalization in the states served. Working with employees not comfortable with legal cannabis could be detrimental to the firm. One described questioning potential staff during interviews regarding their comfort level in serving cannabis clients:

When you're trying to hire staff, the last question I would ask of the [potential] staff person is that we are involved in the taxation of cannabis, do you have an opinion that would prevent you from working for us?

Many times the answer was yes. Some of the potential job candidates refused employment serving cannabis companies because of the values they held. Most CPAs interviewed were older and had been in practice for decades but suggested that many older potential employees were seen as not comfortable in the space. They suggested that their staff skewed younger because they were more enthusiastic about serving the legal cannabis industry. This finding would seem to be in direct conflict with the assertion in previous research that younger staff tended to be more morally sensitive (Bampton & Cowton, 2013). If indeed they are more morally sensitive, it would seem to follow that serving a federally illegal industry might pose a moral dilemma.

Methods of developing and maintaining corporate culture included ongoing education and training, layers of review, and frequent staff meetings. Education with regard to the tax and accounting laws and regulations for cannabis was deemed essential to ensure excellent service to clients. Layers of review deterred complacency and mistakes. Frequent staff meetings allowed open discourse and the airing of grievances or concerns. CPAs viewed all methods as contributing to the good moral character requirement. One CPA offered, "Our corporate culture...is more about communication...I think most everybody that works here...has a pretty good understanding [of what to do] if we run into issues with good moral character."

Theme 5: Due diligence and due care. Due diligence and due care are two sides of the same coin. Due diligence focuses on the proper scrutiny of potential clients. Due care refers to internal measures to ensure best practices for both the clients and the public interest. Both are discussed here.

Due diligence. Although due diligence would seem to be a high priority, CPAs voiced some comfort in relying on the state licensing process to properly vet those operating or potentially operating in the space. If a potential client was exploring the space, CPAs indicated more due diligence or declining an engagement to be appropriate. One CPA stated that undertaking due diligence in the cannabis space is a difficult and arduous task that might prevent engagement at all. However, all CPAs indicated some level of due diligence necessary. Several mentioned an arduous intake process. One CPA indicated a thorough risk assessment of any potential new client before engagement – “we do a risk assessment because we're doing about a million dollars' worth of audits right now. Many states require audits. Many investors are asking for audits.” Others suggested an annual renewal of engagement letters as an essential factor in due diligence.

We renew their engagement letters annually and determine if they're still a good fit.

There are clients who are not a good fit, because they're not professional, they don't respond to our emails, they don't pay our bills. So, we look to make sure that they're in compliance.

Another suggested:

We do a little bit of research on who they are, do they have an actual registered business, have they been compliant in the past with their state, federal, and local taxes, or is that something that they're engaging us to help them with? I have several clients that will

come to us a couple of years in, and just be so busy with the day-to-day operations of their businesses, they haven't really paid much attention to the books and taxes and things like that.

The participant further described new clients often coming to them behind in their obligations.

Hey, I know that this has been something that I've needed to do, but we've just been scrambling and bootstrapping it since the day we opened our doors, and now we want to do everything right. We want to get caught up.

The participant expressed a willingness to work with clients that were upfront about their failures and that were willing to institute corrective measures.

Although some are reticent to discuss specifics, CPAs referenced having procedures in place, such as verifying licensure and regulatory compliance, assessing financial strength, verifying internal procedures and controls, and ongoing risk assessment. One CPA has established guidelines for cannabis companies that include entity selection recommendations; operational structure suggestions; accounting software, payroll, and financial statement format requirements; and strict adherence to all IRS tax codes. Others have onboarding checklists that all new cannabis clients must complete prior to the start of an engagement. One CPA stated:

We do like our clients to have bank accounts [and] to have a registered business in the state in which they're operating. And basically, we want to know whether or not they've been compliant with state and federal taxes, or we want to get them on that program. But we haven't done, at least up until this point, background checks on clients, but that's not something that I'm opposed to doing. I've been kind of considering that. I know there's a handful of people that check on all clients that way. But we do more of a Google search,

to kind of see what they're up to, as far if there's any negative press out there regarding their company or the individual themselves.

Prior to the case study research, it was anticipated that legal representation would be required for engaging cannabis clients. However, that was not the case. No CPAs voiced having a requirement that cannabis companies retain attorneys, however some stated that an overwhelming number of those clients retained representation of their own volition. One CPA stated:

I don't require [legal representation], but I would say that probably 98% of the clients that walk in my door already have one. I think it's a good idea for them to have legal counsel, and in fact, if they haven't talked with somebody, I do ask them if they would like a referral. Many times I'll get questions that I think fall under that legal category that are less accounting-related, so anytime I'm faced with a question like that, I defer to their legal counsel.

Due care. Due care within the practice was a much more prevalent concern. Because professional liability and viability are in play, CPAs serving the space voiced more interest in due care because it is a professional standard. As stated previously, they employed staff vetting, layers of review, and appropriate levels of education in all areas of the firm to ensure due care. Additionally, CPAs offered internal controls and malpractice insurance as essential.

Internal controls. Internal controls are procedures in accounting designed to ferret out and prevent fraud and mistakes. Some internal control measures include separation of duties, access controls, internal audits, standard documentation procedures, periodic reconciliations, and managerial authorizations (Ingram, 2018). Most CPAs referenced internal controls, especially segregation of duties, as essential to a well-run cannabis business. A participant stated, “there

has to be a certain reliance on their internal controls...Their policies and procedures and practices are very important.” In many small businesses, resources prevent the implementation of internal controls, but in the cannabis industry, having these controls in place was paramount to most CPAs interviewed.

Liability insurance. Liability coverage is commonplace in the accounting industry. When serving the cannabis industry, however, coverage is essential. The risk of exposure is far greater when serving a federally-illegal business. On liability insurance when first contemplating entering the legal cannabis space, one participant described a deep consternation about losing liability coverage and the potential for criminal liability. “Would we be dropped? Would I be dropped, ultimately? Do we have any type of criminal liability?” The participant further elaborated that whispers of criminal liability from the public were concerning but found that obtaining liability coverage was not an issue.

The professional liability group that we work with... [was] overly-concerned initially about cannabis...Once they realized that [state regulation] would govern their actions,...they [understood] that there was a framework in place...to ensure that the individuals that were ultimately going to be producing, cultivating, or [serving] retail in cannabis were actually going to have to go through a whole litany of things. We're talking background checks, five years of financials, tax returns.

One accountant emphasized the importance of verifying coverage with insurance carriers to ensure adequate liability protection in the cannabis space.

CPAs that provide attestation services are subject to peer reviews. A peer review is an AICPA requirement for an external review of a firm's quality control systems for accounting and auditing (AICPA, 2018). Firms or individuals must undergo this review once every three years

in most cases (AICPA, 2018). This review provides practice monitoring of systems and engagements (AICPA, 2018). By undergoing this review, CPAs are provided a third-party assessment of any oversight or problems that may occur serving the cannabis industry and another layer of assurance that they are in compliance with good moral character requirements. CPAs providing attestation services have less external guidance from CPA associations and regulatory agencies than those providing tax services (Taylor et al., 2016). This extra layer of review provides additional assurance to both the CPA firm and the cannabis client that due care measures are effective.

Due care encompasses a host of potential activities and, although there are commonalities among CPAs, each has their own methods of accomplishing it. As stated previously, there is a sense of intellectual property for their methods and a lack of willingness to share specifics, but each was clear that policies and processes were firmly in place. Establishing a framework for maintaining good moral character can provide CPAs new to the space a springboard for creating their own processes and procedures.

Although CPAs serving the legal cannabis industry and those not serving stand on two sides of the fence, there were common concerns among the two groups. Both had concerns for maintaining a personal definition of good moral character. CPAs not serving the industry appeared to fear harm to reputation and their firms. CPAs serving the industry appeared more aligned with the potential harm to society by not providing services, as described under “Ethical issues facing CPAs in the legal cannabis industry.” CPAs not serving the industry landed on the first key element of a moral decision, choosing core values over economic interests (Ferraiolo, 2014). Additionally, both understood the burden of serving an industry that was federally illegal, the potential of dealing with disreputable clients, and the problems that dealing with large

volumes of cash within that industry caused. Participants serving the industry, of course, had additional concerns in regard to maintaining good moral character, such as education, corporate culture, due care, and due diligence.

Relationship of Themes to Research Questions

Because the interview questions (Appendix A) were developed around the research questions and the research questions around the conceptual framework presented above, the themes brought clarity and richness to these questions. The responses from all CPAs were remarkably similar, perhaps due to the narrow niche and few professional accountants serving the industry and the same objections voiced by those not serving the space. These similarities lent the resulting data to a high degree of reliability. Continued evolution of the industry may bring more complicated concerns, but currently, the concurrence was notable. Summarized here are the research questions and the data gleaned to support the development of a framework to undergird the concerns of good moral character when contemplating serving the industry.

Research Question 1: What factors are relevant when contemplating providing accounting services to a legal cannabis company, especially with regard to the good moral character requirement?

This research question reflects the first step in the conceptual framework presented for this study: identify and assess potential risks for serving legal cannabis industries. Criteria for identifying and assessing risk for initial contemplation of serving the industry followed two paths. For CPAs that contemplated serving the legal cannabis industry but chose not to, the main factors were the voluminous cash transactions and potential criminal aspects of the industry. As stated previously, the volumes of cash and the potential for working with nefarious elements of society were not in alignment with their personal value systems or the AICPA good moral

character requirement. However, should federal legalization occur, each felt that the landscape could change. For those CPAs that chose to serve the legal cannabis industry, most did their own due diligence of the industry as a whole, including education on the accounting regulations and tax codes specific to the legal cannabis industry, investigating liability coverage requirements, and assembling a knowledgeable and supportive staff. Few entered the realm lightly, knowing the potential criminal risks and harm to reputation.

The consensus for initial consideration for serving a particular legal cannabis company centered primarily on the current status of the cannabis company. Those operating successfully in the space enjoyed more consideration than those not. Those that had passed the scrutiny of state regulators were also given more consideration. Further, some CPAs specialize in taxation or attestation only and had more specific criteria based on their specialty. In general, however, consideration seemed to be given on a case-by-case basis. The good moral character requirement was not a high priority in this phase of potential engagement. Participants felt that cannabis clients operating legally under state laws were not a threat to their good moral character. Because the AICPA offered no concrete guidelines, participants relied on their personal values (i.e., internal moral guidance) to be their guide in decisions to serve cannabis businesses. Because CPAs are financial dependent on engagements, a bias towards underplaying the potential risks may be inherent in their view on the good moral character requirement and serving the legal cannabis industry. Given that most CPAs are risk-averse, those serving the industry appeared to have a taste for risk-taking not common in the profession. Certainly all of the participants exhibited higher moral character, rather than lower moral character as described by Cohen et al. (2014). Although lacking in concrete suggestions, the eight questions offered by the AICPA for CPAs to contemplate as part of the process of deciding to provide services to the

cannabis industry are worthy questions as a preliminary exercise when contemplating serving the cannabis industry (AICPA, 2016).

Research Question 2: What due diligence is necessary, or even helpful, before the CPA reaches a conclusion?

This question relates to two portions of the conceptual framework: identification of internal and external business practices to mitigate risks and considerations for protecting moral character. Due diligence encompasses both investigation of clients and internal evaluation of the CPA firm's policies and procedures (Nellen, 2017). This research, however, indicated that CPAs view due diligence as the investigation of clients and due care as the ongoing evaluation of the CPA firm's internal processes. CPAs contemplated due diligence and due care separately, which aligns with the IESBA's *Code of Ethics for Professional Accountants* (West, 2018).

As alluded to previously, specific procedures were guarded as intellectual property might be, but the overall consensus included a prescribed intake process for due diligence. This process included procedures such as risk assessment, licensure and regulatory compliance review, internal process and control review, background checks, an annual review of engagement documents, and financial statement and tax return analysis. Due diligence received less emphasis than anticipated, as CPAs seemed to rely heavily on the state regulatory system to vet the cannabis operators.

The overarching insight was that the due diligence process is highly individual. Each CPA developed a due diligence process based on their vision of good moral character and their comfort level dealing with the industry based on their level of experience. The guidance provided by the AICPA was considered thin and noncommittal. Only one of the CPAs

mentioned working with the AICPA and state association of CPAs to ensure compliance on the good moral character requirement:

I did reach out to the AICPA, which is the national organization of CPAs, as well as my state society, the Washington State Society of CPAs, before we decided to service these clients, just to be sure that there weren't any rules that were barring us from serving these clients.

The participant further elaborated that the national association deferred to the state association, and the state association subsequently deferred to the national association. Finally, stated the participant, both associations conceded that the industry required competent professionals and gave CPAs their "blessing" a couple of years ago. CPAs new to the space might consider working with their state association and a rigorous diligence process while developing experience.

Research Question 3: What continuing measures are put in place to ensure the protection of the good moral character requirement?

This research question relates to the final consideration in the conceptual framework: monitoring vehicles and metrics to substantiate efficacy. Continuing measures to ensure the protection of the good moral character requirement related mostly to the due care discussed at length by the interviewees. Personal ethics surfaced as the primary focus in maintaining good moral character and that the alignment with personal ethics and good moral character centered primarily on internal measures to both protect the client and the public interest, not in policing potential or current clients. Citing the AICPA Code of Professional Conduct, one CPA based the measure of good moral character on the principle of the public interest being served when certified public accountants ensure that their services are consistent with acceptable professional

behavior that integrity requires public trust not be subordinated to personal gain or advantage, and that due care requires that all services be provided with competence and diligence (AICPA, 2014). As discussed previously, internal policies and procedures considered to support ethics and good moral character include cultivating a positive corporate culture, ongoing education appropriate to each position, ongoing internal reviews of work product and output, adequate levels of malpractice insurance, and regular reviews of client engagements. However, no specific metrics were offered as a means to measure efficacy. CPAs deemed successful maintenance of good moral character most often as ethical behavior, and referred to the AICPA Code of Professional Conduct cited above.

Summary of the Findings

This research set out to identify the risks for serving the legal cannabis industry, considerations for protecting moral character, best practices to mitigate risk, and the importance of monitoring to substantiate efficacy. Although the good moral character requirement was central to the practice of all interviewed CPAs, less emphasis than anticipated was placed upon it when dealing with the legal cannabis industry. Maintaining good moral character was less about a client's character, as offered in the conceptual framework, and more about maintaining ethical standards through due care and internal processes. CPAs deemed some upfront additional due diligence appropriate when dealing with a potential cannabis client, but not a great deal more than when dealing with a client in any other industry. The AICPA's good moral character requirements were secondary to their own internal belief and value systems. Mitigating risk to good moral character centered on developing internal controls for cash, sufficient vetting of potential clients, education, corporate culture, and due diligence and care and will be central to

the development of a framework for aiding CPAs considering entrance to the legal cannabis industry.

Applications for Professional Practice

Applications for professional practice provides a translation of the academic research into practical applications for business. The data collected from the case studies creates a foundation on which accountants contemplating serving the legal cannabis industry can build. Implementing the framework for maintaining good moral character can insulate the CPA from potential harm and prevent violation of the good moral character requirement. The purpose of this study is to build a bridge between CPAs - who tend to be conservative, and the legal cannabis industry - which may include more progressive thinkers.

In the current legal environment wrought with conflict between federal and state law, few CPAs are offering their services to businesses in the cannabis industry that operate in states where cannabis has been legalized. Businesses that are required to report and pay federal, state, and local taxes need access to competent professional service, as opposed to uncredentialed and inexperienced accountants. The legal cannabis industry continues to grow exponentially, as evidenced by the increasing number of states and countries instituting legalization (Ortiz, 2018). The need for CPAs to serve the industry also grows. One participant stated, “CPAs are leaving private practice in droves. There is a shortage in this industry now. If we have a bunch of CPAs leave public practice, it’s going to be really challenging for the cannabis companies.” The framework resulting from this research should help to provide a path for CPAs to find a comfort level in accepting cannabis engagements and to offer a starting point for filling the vacuum of professional services currently experienced by the legal cannabis industry. Although the AICPA mandates good moral character, there is no specific guidance on how good moral character is

obtained or maintained. Interestingly, most of the CPAs interviewed did not place credence in the AICPA mandate. They allowed their internal moral compass or their relationship with God to inform their own character requirements.

As due diligence and due care emerged as central themes under which remaining themes lay, consideration of biblical principles that support them is warranted. In the common vernacular, due diligence is the process of discovering information about a person, place, or thing before entering an engagement with any of those. Due diligence in accounting terms is defined as understanding the client with whom an engagement is possible and requires a thorough understanding of the principals in the cannabis business. In 1 Timothy 6:11-12 (NIV), the Bible says, “But you, man of God, flee from all this, and pursue righteousness, godliness, faith, love, endurance and gentleness. Fight the good fight of the faith.” Although Paul is speaking of fleeing from the lust for riches, CPAs, too, should flee from remuneration derived from work with immoral clients. When the object of due diligence is just, it is right to fight the good fight. When the object is unjust, it is right to flee from it to protect oneself. Being a Christian does not mean the fight is won, however. Due diligence of potential cannabis clients, as in all things, must be an ongoing process. If a client operates with integrity and transparency, they are, perhaps, worth fighting for. If they prefer to skirt obligations, fail to perform their duties, or engage in any dubious activities, CPAs should invoke the words of Paul to Timothy and flee to protect their own honor and integrity. “Like a muddied spring or a polluted fountain is a righteous man who gives way before the wicked” (Proverbs 25:26, ESV).

Due care is the process of protecting oneself from potential harm. For CPAs, this entails putting in place procedures ensuring quality work product and supporting staff and self. The Bible is clear about presenting oneself best self to God and protecting that self. “Do your best to

present yourself to God as one approved, a worker who does not need to be ashamed and who correctly handles the word of truth” (2 Timothy 2:15, NIV). The Bible also speaks to protecting oneself, as through liability insurance and legal representation. “Be alert and of sober mind. Your enemy the devil prowls around like a roaring lion, seeking someone to devour” (1 Peter 5:8, NIV). Speaking to the need for education, Scripture says, “Even zeal is no good without knowledge, and he who hurries his footsteps misses the mark.” Proverbs 19:2 (BSB). Finally, regarding corporate culture, Paul serves as a shining example of setting an organizational tone throughout post-conversion life. As evidenced in Acts 20 (ESV), he often speaks of honesty, transparency, vigilance, and integrity as organizational cornerstones. Turning again to the words of Paul, “All Scripture is breathed out by God and profitable for teaching, for reproof, for correction, and for training in righteousness, that the man of God may be competent, equipped for every good work” (2 Timothy 3:16-17, ESV).

As discussed previously in Section 1, the Bible defines good moral character as those that walk with honesty and integrity (2 Kings 12:15, NIV; Proverbs 10:9, NIV). The CPAs interviewed placed a high emphasis on these values as influences in maintaining good moral character. Only one participant specifically mentioned faith, but all participants serving the legal cannabis industry used language that implied they considered their work as honorable and purposeful. Whether or not they consciously base their moral code in Scripture, each is a creation of God, a reflection of His perfection, and has the ability to rise above a sinful nature. By being prudent and using the methods described in the framework below, the participants felt that they served with honesty and integrity.

Recommendations for Action

Discussed here is the proposed framework that CPAs might employ to protect themselves from both violating the good moral character requirement of the AICPA and potential legal landmines that dot the cannabis landscape. By incorporating these steps into their practices, CPAs can feel more confident serving not only the legal cannabis industry but other industries, as well. As the legal environment for cannabis evolves, the framework may require adjustment, but this research offers a starting point from which to begin.

The existing ethical frameworks were supported in some manner by this research. Rest's four-stage model of ethical decision making (moral sensitivity, discernment, intention, and ethical action) aligned with the thought process described by most participants (Rest, 1986). The research of Zeni et al. (2016) and Trevino (1986) that expanded the model by including individual sensitivities and environmental context was also confirmed. Most notably, the research of Narvaez and Rest (2014) asserting that moral behavior as a culmination of inner thought processes and not a one-dimensional construct specifically spoke to these findings. Mele's constituent factors and virtues for moral behavior proved only half correct in this research (Mele, 2005). His framework identified two main forces in shaping moral virtues: external forces and ethical cognizance (Mele, 2005). In the findings of this study, ethical cognizance played a significantly larger role than external forces.

Based on the results of the research, the resulting framework has two parallel tracks: due care and due diligence (Figure 2). Both can be, and perhaps should be, undertaken simultaneously in support of constant vigilance of maintaining good moral character. Under the due diligence track, CPAs should undertake vetting and either prescribing or reviewing internal controls, processes, and systems. Under the due care track, CPAs should undertake ongoing

education, the nurturing of corporate culture, and obtaining adequate liability insurance and legal representation.

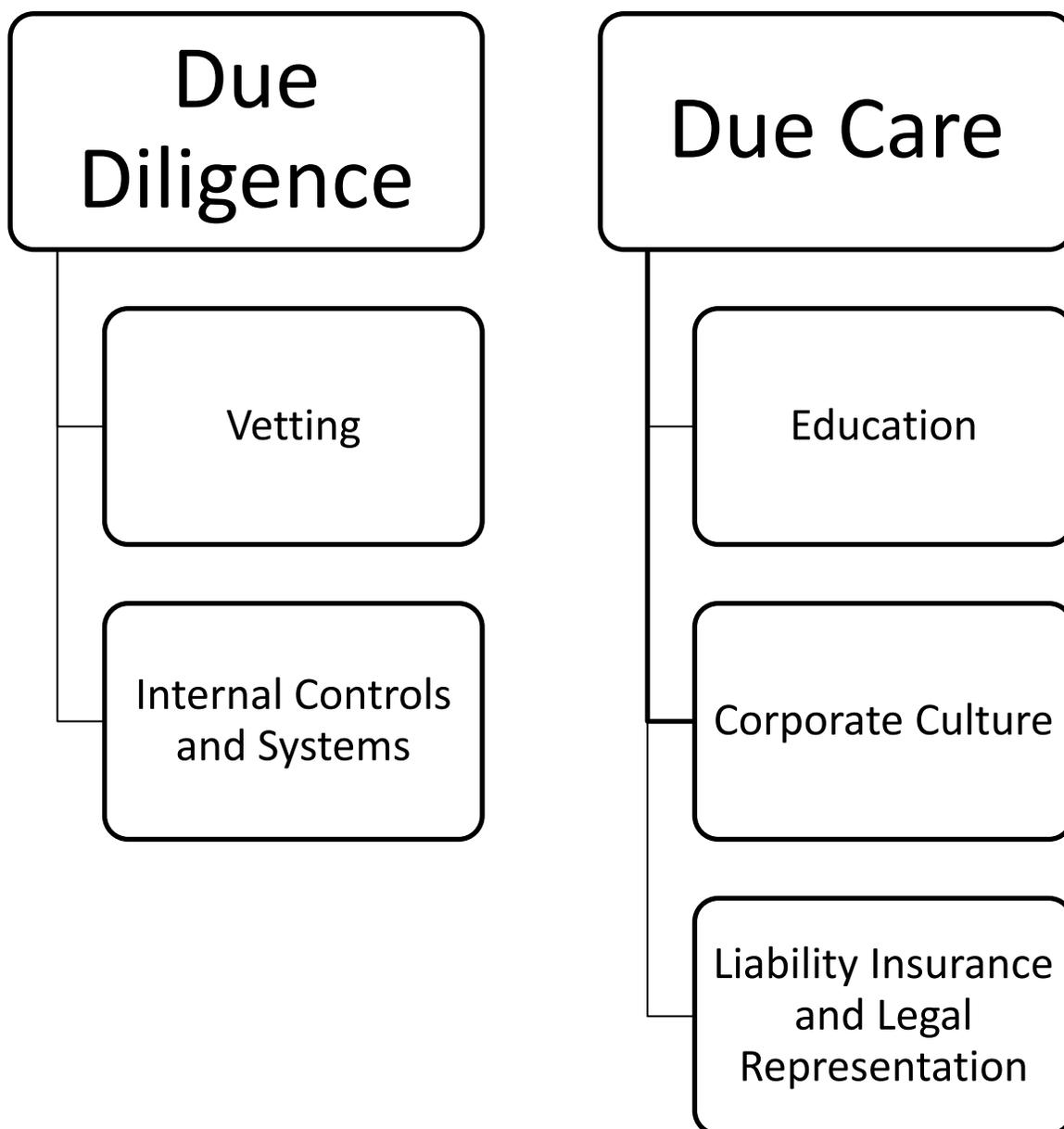


Figure 2. A framework for maintaining good moral character when providing accounting services to the legal cannabis industry.

Due diligence. Due diligence is generally a process undertaken when initially considering the engagement of a new client. However, when serving the cannabis industry, due diligence should be considered an on-going practice. Because of the fast-paced changes in the

cannabis legal and business environment, a one-time examination is not sufficient. When conducting due diligence, CPAs should undertake a vetting process of the company and a review of internal processes and systems.

Vetting. As stated previously, cannabis operators are subjected to scrutiny in a rigorous licensing process in all states. However, CPAs should not rely on this alone. CPAs should conduct a thorough interview and background check on potential cannabis clients. Review of the state application to ensure the information provided by the client and information on the application are in sync will aid in identifying undesirable clients or uncovering potential conflicts in the information. Further, ongoing review of renewal applications to verify continued compliance is essential.

In addition to reviewing the application, the CPA should inquire if the cannabis company has legal representation. Because laws on the federal, state, and local levels continue to evolve, cannabis companies should engage an attorney for matters such as structuring the business entity, zoning requirements, financing rules, and compliance with state and local rules and regulations. Clients that do not have a lawyer may become a liability for a CPA. CPAs should also obtain written permission to communicate with the cannabis company's attorney.

Finally, CPAs should perform a risk assessment and obtain an annual engagement letter. The risk assessment should identify elements of the cannabis company that may be a risk and the CPA firm's ability to mitigate those risks before accepting an engagement. If the CPA accepts the client, an engagement letter should outline expectations, duties, responsibilities, and limitations clearly and should be updated annually.

Review of internal systems and controls. Because banking is an obstacle for many cannabis companies, sales are often in cash, presenting a myriad of issues. These issues include

underreporting sales, the potential for money laundering, theft and fraud, and increased scrutiny by taxing authorities. CPAs electing to serve the industry must have a clear understanding of the processes and controls in place to ensure cash is handled and reported correctly. Internal controls should be rigorous and robust. Best practices should include diversifying responsibilities for cash handling, redundant systems for recording cash sales and deposits, proper security measures for storing currency, and thorough review of receipts and deposits (Jankovic LLC, 2015). Other systems to be considered include inventory control and hiring practices.

Due care. Due care encompasses prudent internal practices within the CPA firm to prevent harm to clients or the public interest. Based on this research study, most CPAs serving the industry placed more emphasis on due care than due diligence, although both have a place when serving legal cannabis clients. Education, corporate culture, and liability insurance and legal representation are discussed here.

Education. Accounting and tax reporting for the legal cannabis industry is unlike that of any other. As stated previously, federal tax laws prevent the deduction of many ordinary operating expenses. State and local jurisdictions have their own requirements and taxing regimes. A CPA serving the legal cannabis industry must have the proper education in the federal, state, and local laws and regulations to maintain good moral character. According to participant responses, continuing education offerings on accounting for cannabis companies are limited, so it is incumbent on the CPA to actively seek out what is available and to be proactive in self-learning. Participants also commented on how frequently laws and regulations change. As such, staying abreast of changes requires an on-going commitment to learning.

Corporate culture. Corporate culture is the shared norms and values that are widely held in an organization (Guiso, Sapienza, & Zingales, 2015). Given the unsavory history attached to

cannabis, it is not far-fetched to anticipate that there are those in the workforce that may have deep, heartfelt objections to being connected to a cannabis company in any way. Participants interviewed thought it critical to ensure that employees were not uncomfortable working in a firm that serviced cannabis companies. Potential new employees were asked if they had objections in interviews, and some declined a position. Those employees already on staff when new cannabis clients were engaged that had objections were offered a transfer to other areas of the firm or a respectful exit. A clear procedure for ascertaining an employee's or potential employee's feelings about the legal cannabis industry is necessary to protect the firm from negative forces from within.

CPAs contemplating serving the cannabis industry should analyze the corporate culture of the firm and remedy any situation that may undermine the provision of professional services to any cannabis operator. The leaders of a firm often set the tenor for corporate culture. CPAs must actively check the pulse of their organization to stem any problems that may metastasize into a malignancy or undermine the efforts of the firm when serving the legal cannabis industry. CPAs interviewed utilized staff education, multiple layers of review, and frequent meetings to air concerns or grievances.

Liability insurance and legal representation. The risks and potential liabilities when serving the legal cannabis industry are numerous. Federal illegality and the different accounting, tax, and attestation requirements create the potential for lawsuits, liability claims, penalties, and even criminal prosecution. Prudent CPAs should have adequate liability insurance to protect themselves, their practice, and their employees from harm. Additionally, written verification from the insurance carrier that claims made related to serving the legal cannabis industry is recommended.

If a CPA is adhering to the guidelines suggested in the framework, legal representation may not seem necessary. However, having an attorney with whom to discuss complicated legal matters associated with serving the legal cannabis industry provides an ounce of prevention in maintaining the good moral character requirement. Becoming entangled in difficult legal situations could doom the firm and the CPAs attached to it. Further, if a cannabis client suffers legal setbacks, the CPA should have independent counsel to provide advice for the CPA on the firm's exposure.

Recommendations for Future Study

This study contributed to the limited body of research regarding accounting issues related to the legal cannabis industry. Because legal cannabis is a relatively new frontier in accounting, the opportunities for future research abound. Also, because of the conservative nature of accountants, the profession is reliant on academic research to provide evidence that can assist them to move forward confidently. Presented here are three issues that rise to the forefront of the conversation.

As states increasingly legalize medical cannabis, adult-use, or recreational, cannabis legalization is also gaining ground. Serving the adult-use cannabis industry begs different questions of moral character. How might good moral character considerations differ between the two segments of the industry? Participants of this research often entered the industry serving medical cannabis companies and segued into adult-use companies. Understanding their thought process in making that leap can provide additional insight into good moral character considerations. Research addressing this question can aid CPAs not serving the cannabis industry with evidence and recommendations to make an informed decision whether to engage in

the industry or not. Further, it may provide CPAs already serving the industry additional clarity on maintaining good moral character.

Secondly, research that further defines good moral character in the accounting profession might have benefits beyond the legal cannabis industry. With additional research, the AICPA might have the opportunity to develop more definitive guidelines that can be used by CPAs in the legal cannabis industry or when facing uncertain circumstances in other industries. These same guidelines can then be an effective template for state CPA associations to utilize when developing state-specific guidelines. More information and clarification can only benefit the profession and remove existing gray areas in which questionable activities might occur.

Lastly, only one participant made reference to faith. Another interesting potential study might focus on the role of faith in defining good moral character. For generations, faith has been the foundation for moral character. Does faith now play a role in defining moral character for accountants, or is there another foundation serving that cause? How are their internal moral codes developed? Certainly the role of faith has a place in the discussion of good moral character.

Reflections

Accounting is an old profession with few new innovations. Although technology has changed the landscape of performing daily tasks, the underlying precepts of accounting rarely enjoy or suffer radical change. Legal cannabis, however, upended that landscape. The accounting and tax considerations are radically different than other industries. The stigma attached to cannabis colors the industry with fear and intrigue simultaneously. What people go to jail for in one state is completely legal and above board in another. The very prospect of serving cannabis businesses defies the traditions of the accounting industry. The CPAs that have

entered the fray are progressive thinkers and risk-takers that are blazing the trail for others to follow. Both they and those that assume the risk of owning a cannabis business deserve the help of the academic community in supporting their efforts to perform their duties with the utmost integrity. The participants serving the legal cannabis industry were supportive of and encouraged by the interest in their journey exhibited by this research. The researcher hopes that this study will serve as a springboard that aspires others to set aside any personal biases, to ponder the issues, and to support the legal cannabis community with additional research.

There were surprises that came from the research. Participants were far less concerned with the moral character of clients than maintaining their own good moral character. Although intolerant of bad behavior after engaging a client, most participants wished not to assume the role of detective when contemplating an engagement. They were often satisfied to leave that to state regulatory agencies. Another unexpected result came from the general lack of concern for the AICPA's good moral character requirements. Staying true to an internal moral compass ranked much higher in their priorities – pointing, perhaps, to the lack of teeth in the mandate. Yet adhering to a moral code seemed non-negotiable in participant responses. Finally, the passion of the participants for their work in cannabis was palpable. There was no thought of hiding behind a rock or denying their association to the cannabis world. They embraced the challenges and felt compelled to set the standards for others to follow. They effused pride and excitement about the path chosen. The participants not serving the cannabis industry did not exhibit the same enthusiasm for their work.

Dichotomy defined the attempt at integrating biblical principles into the research. CPAs face the challenge of balancing doing no harm by supporting an industry that encourages intoxication and the call to service to which believers are bound. A call to serve those in the

cannabis industry enjoyed overwhelming preference. Biblical principles can provide a foundation and touchstone to manage that balance. Even if these CPAs do not embrace faith in performing their duties, their actions seem to align with those principles anyway.

Summary and Study Conclusions

This study set out to understand what motivates character decisions for CPAs that either serve or have contemplated serving the legal cannabis industry. The study was structured using the AICPA's good moral character requirement as the starting point. In the end, however, that requirement did not provide the participants with the guidance needed to navigate the uncharted waters of the legal cannabis industry. This research found that due care based on an internal moral compass was a greater motivator than an abstract requirement offered by either the national or state associations. Exercising due care, according to participants, centered on obtaining and maintaining proper education, nurturing a supportive corporate culture within their firms, securing liability coverage appropriate to their practices, and seeking the advice of legal counsel to anticipate and avoid potential obstacles. In the end, CPAs serving the legal cannabis industry exhibited nine of the ten traits of highly moral people presented by Lapsley and Lasky (2001): concern for doing the right thing, holding clear values, law-abiding, holding strong beliefs, honesty, the ability to distinguish right from wrong, a highly developed conscience, ethical, and principled. Fidelity in marriage, the tenth trait, was not addressed by this research.

Secondary to due care, but still notable, was the importance of a full understanding of clients or potential clients using a due diligence process. Due diligence encompassed the proper vetting of clients, both initially and ongoing, and a thorough understanding of their internal controls and procedures. For vetting, state licensing procedures provided some assurance, but a deeper dive was warranted according to participants. Intimate knowledge of a client's internal

controls and procedures was seen as a necessity to ensure proper compliance with federal, state, and local regulations.

The gap in academic literature regarding accounting issues for the legal cannabis industry resembles a chasm more than a crack. The study is but a pebble offered to that chasm – many more pebbles will be required to fill the void. As cannabis legalization builds momentum towards, perhaps, inevitable federal legalization, the need for additional research will gain momentum, as well. The continually evolving landscape will require previous research to be revisited and rethought. There are ample opportunities for research in this realm.

It is a given that all for-profit businesses in the United States are required to report and pay taxes to the federal government. Whatever the reader's perceptions of cannabis are, cannabis businesses are here and blessed by state legislation. Businesses that have operated in the shadows for years are stepping into the light and deserve the opportunity to comply with all of the inherent responsibilities with the aid of competent professionals. The AICPA has passed the ball to state associations. State associations have been slow to respond. Even those states that have issued guidance leave a lot to the imagination.

As the laws prohibiting cannabis soften and fade, it is helpful to be reminded that with freedom comes responsibility. Responsibility means asking the hard questions of oneself and continually checking the answers against one's faith or other moral code. As a passage from a daily devotional admonished,

In a rights-obsessed society, it's difficult for any of us to exercise forbearance. Yet that is precisely what those in Christ are expected to do... Without question, there's nothing wrong in seeking our own good – but never at the expense of the vulnerable. Even if the

answer to the question 'Do I have a right to do it?' is yes, that is never the final question.

(Smith, 2008, p. 341)

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Appendix A: Interview Guide for Samples of Both Populations

1. Would you give me a quick overview of the company for which you work?
2. How would you describe your role?
3. How long have you been a CPA?
4. How long has your company been in business?
5. What factors did you consider when contemplating serving the legal cannabis industry?
6. What were the deciding factors?
7. What priority did you place on the good moral character requirement of the AICPA when considering servicing the legal cannabis industry?

Interview Guide for CPAs serving the legal cannabis industry

1. Before the legalization of cannabis, what niche, if any, did your company serve?
2. What percentage of your revenue comes from serving legal cannabis companies?
3. When did you decide to serve this sector?
4. What due diligence do you do when considering a new engagement with a legal cannabis company?
5. What safeguards do you employ to protect your firm from potential legal issues?
6. Do you believe that you are in compliance with the good moral character requirement of the AICPA?
7. How has serving the legal cannabis industry impacted your business?
8. What challenges do you encounter adhering to the good moral character requirement?
9. Have there been any challenges that have caused you to question entering this arena?

Interview Guide for CPAs that declined engagements with legal cannabis companies

1. Should federal legalization occur, would your decision not to serve this industry change?

2. Are there any other factors that might change your decision?
3. Where did the good moral character requirement of the AICPA rank in your decision process?
5. If your state or federal CPA association gave more definitive guidance on good moral character, would that affect your decision to serve or not the legal cannabis industry?