

Ethics for the SBO

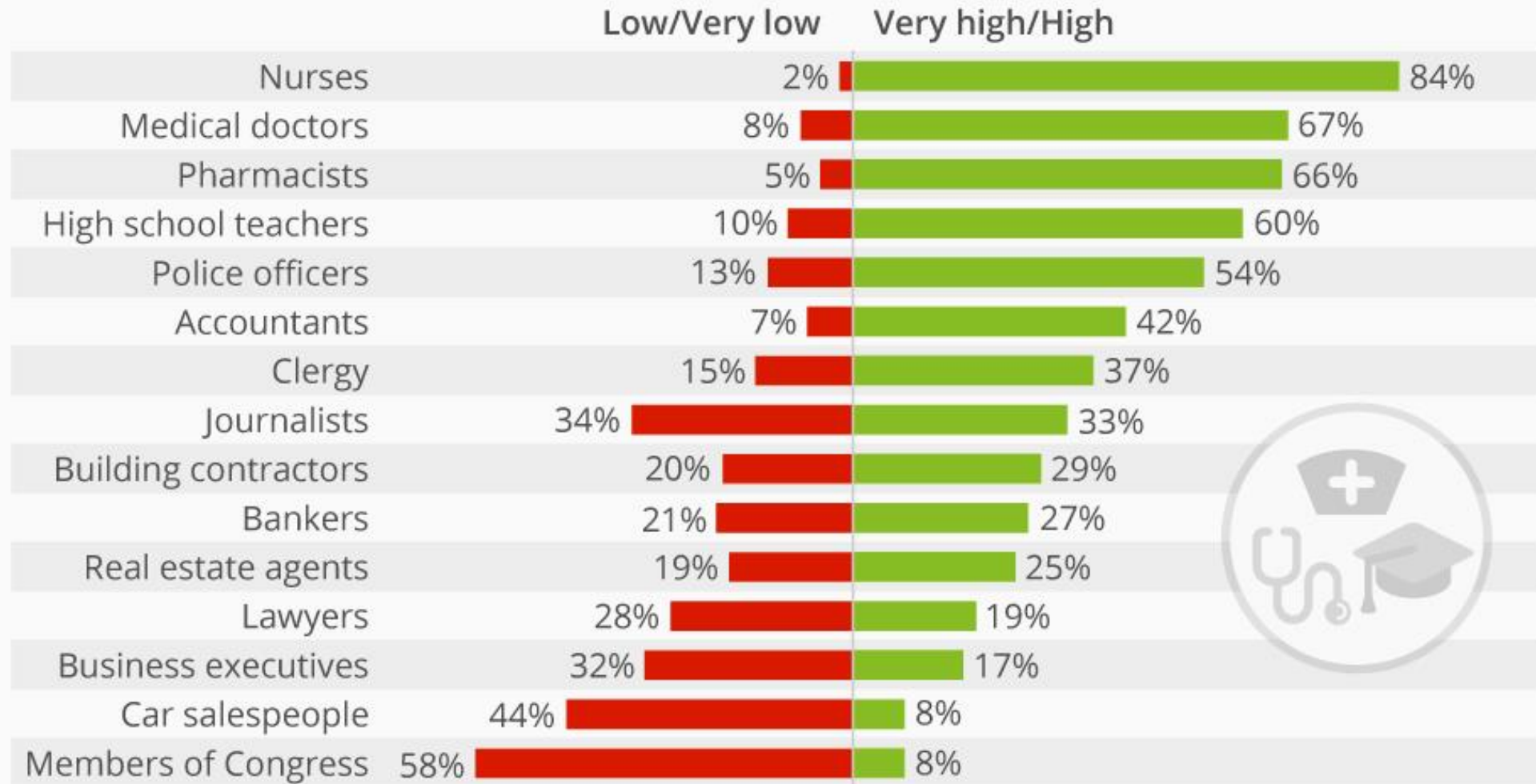
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Agenda

- Importance of Ethics
- Sources of Ethics Rules for the SBO
- Handling Ethical Dilemmas
- Role of Ethics in Fraud Prevention

America's Most & Least Trusted Professions

Rating of selected U.S. professions in terms of honesty and ethical standards in 2018



@StatistaCharts

n=1,025 U.S. adults

Source: Gallup

Ethics trends

- **Few employees say they work in a strong ethical culture.**
- **Employees continue to face exceptionally high levels of pressure to compromise workplace standards or the law.**
- **Workplace misconduct is at an all-time high.**
- **Globally, reporting of observed misconduct is at a record high.**
- **Retaliation against employees who report misconduct continues to occur at unacceptable rates.**

Source: Ethics and Compliance Initiative

More trends

- But employees seem to trust their direct manager
- Some see ethics improving post pandemic
- 80% of companies offer workplace ethics training
- Strong ethics programs boost morale, performance and productivity
- Mid-sized organizations believe they face more ethical pressure than small or large organizations

Source: Gitnux

2023 AICPA/CIMA Ethics Survey

- Transparency and accountability believed important, especially by younger workers
- Ethics important to obtaining and maintaining talent basis
- Only 24% of younger workers feel well equipped to handle ethical dilemmas
- Actions speak louder than words – watch actions rather than listen to CEO statements
- 58% of US respondents considered themselves “very ethical”
- 43% consider ethics training effective

Source: <https://www.aicpa-cima.com/resources/download/business-ethics-survey-executive-summary>

Ethics – from Dictionary.com

- (*used with a singular or plural verb*) a system of moral principles:*the ethics of a culture.*
- (*used with a plural verb*) the rules of conduct recognized in respect to a particular class of human actions or a particular group, culture, etc.:*medical ethics*
- (*used with a plural verb*) moral principles, as of an individual:*His ethics forbade betrayal of a confidence.*
- (*used with a singular verb*) that branch of philosophy dealing with values relating to human conduct, with respect to the rightness and wrongness of certain actions and to the goodness and badness of the motives and ends of such actions.

- *Sometimes ethics describes what is, and sometimes ethics states what should be*
- *Is ethics practical?*
- *A good rule of thumb: Would you want someone reading about this on the front page of the newspaper?*

Ethics

System or code of conduct based on moral duties and obligations that indicate how an individual should interact with others in society

Thinking about ethics

- Maybe we're trusted, maybe we're not
- Probably a good idea to think about why
- Can we increase public trust?
- How do we maintain public trust?

Sources of ethics

- Some ethics rules come through common beliefs
- Some ethics laws come from oversight

AASBO

Core Values

- We are dedicated to providing support of a quality educational program for the children of Alabama.
- We are committed to lifelong learning with continuing ongoing professional growth and development.
- We value a climate for diversity and respect for all members.
- **We will adhere to the highest professional, ethical and moral standards in the fulfillment of our professional responsibilities.**

AASBO

AASBO subscribes to the Code of Ethics as adopted by ASBO International.

ASBO International's Code of Ethics

Members and associate members of the Association of School Business Officials International, including its affiliates, are committed to conducting themselves within the highest standards of professional and personal ethics, to continuing ongoing professional growth and development, and to developing these beliefs in others with whom they work.

Members assume the responsibility for providing professional leadership in their schools, communities, and organizations. This responsibility requires members to maintain standards of exemplary personal and professional conduct. To these ends, members subscribe to the following standards:

ASBO Ethical Standards

- Make the well-being of all students, staff, and fellow members a fundamental value in all decision-making and actions

ASBO Ethical Standards

- Fulfill professional responsibilities with honesty and integrity

ASBO Ethical Standards

- Support the principle of due process and protect the civil and human rights of all individuals

ASBO Ethical Standards

- Obey all local, state, and national laws
- Implement the policies and administrative rules and regulations of the employing organization (school district, private school, and/or associated organization)
- Pursue appropriate measures to correct those laws, policies, and regulations that are not consistent with this code of ethics

ASBO Ethical Standards

- Members will not tolerate the failure of others to act in an ethical manner and will pursue appropriate measures to correct such failures

ASBO Ethical Standards

- Members never use their positions for personal gain through political, social, religious, economic, or other influence

ASBO Ethical Standards

- Members honor all contracts until fulfillment or release

ASBO Ethical Conduct – Members Shall

- Actively support the goals and objectives of the educational institution with which they work
- Interpret the policies and practices of their employer to the staff and to the community fairly and objectively
- Implement, to the best of their ability, the policies and administrative regulations of their employer

ASBO Ethical Conduct – Members Shall

- Assist fellow members, as appropriate, in fulfilling their obligations
- Support a positive image of the educational institution with which they work
- Not publicly criticize board members, superiors, administrators, or other employees

ASBO Ethical Conduct – Members Shall

- Help subordinates achieve their maximum potential through fair and just treatment
- Maintain confidentiality of data and information
- Accurately and objectively report data, in a timely fashion, to authorized agencies

ASBO Expectations of Personal and Professional Integrity

- Conduct business honestly, openly, and with integrity
- Avoid conflict of interest situations by not conducting business with a company or firm in which the official or any member of the official's family has a vested interest
- Avoid preferential treatment of one outside interest group, company, or individual over another
- Uphold the dignity and decorum of their office in every way
- Never use their position for personal gain

ASBO Expectations of Personal and Professional Integrity

- Never accept or offer illegal payment for services rendered
- Not accept gifts, free services, or anything of value for or because of any act performed or withheld
- Support the actions of colleagues whenever possible
- Actively support appropriate professional associations aimed at improving school business management, and encourage colleagues to do likewise
- Accept leadership roles and responsibilities when appropriate

Other Professional Organizations

- Are you an accountant? Did you study accounting?
- AICPA and other professional organization standards could apply to you
- In Alabama, CPAs, even if inactive, comply with AICPA ethics rules as appropriate
- Some of you need annual ethics education for CPA purposes

AICPA Code of Professional Conduct

- Designed to provide CPAs guidance and rules in the performance of professional responsibilities.
- Code consists of
 - Principles
 - Rules
 - Interpretations
 - Other guidance (definitions, pending revisions, etc.)
- CPC is incorporated by reference into state accountancy laws

AICPA Principles of Professional Conduct (1 of 6)

Responsibilities: In carrying out their responsibilities as professionals, members should exercise sensitive professional and moral judgments in all their activities.

- Be mindful of your obligations to the public – don't just meet your minimum obligation

AICPA Principles of Professional Conduct (2 of 6)

The public interest: Members should accept the obligation to act in a way that will serve the public interest, honor the public trust, and demonstrate a commitment to professionalism.

- Our profession relies on the public trust, even when the client is who pays us!

AICPA Principles of Professional Conduct (3 of 6)

Integrity: To maintain and broaden public confidence, members should perform all professional responsibilities with the highest sense of integrity.

- To have value, our advice must reflect integrity – honesty, honor, virtue, adherence to principles

AICPA Principles of Professional Conduct (4 of 6)

Objectivity and Independence: A member should maintain objectivity and be free of conflicts of interest in discharging professional responsibilities. A member in public practice should be independent in fact and appearance when providing auditing and other attestation services.

- Act in a way the public does not doubt your independence

AICPA Principles of Professional Conduct (5 of 6)

Due care: A member should observe the profession's technical and ethical standards, strive continually to improve competence and the quality of services, and discharge professional responsibility to the best of the member's ability.

- Do your best, follow the standards, strive to improve

AICPA Principles of Professional Conduct (6 of 6)

Scope and nature of services: A member in public practice should observe the Principles of the Code of Professional Conduct in determining the scope and nature of services to be provided.

- Only accept work you can perform and still maintain public trust
 - meet all the principles

AICPA “Members in Business”

- Applicable rules
 - Integrity and Objectivity
 - General Standards
 - Compliance with Standards
 - Accounting Principles
 - No Acts Discreditable
- Need to consider “threats” to compliance with rules, and then assess potential “safeguards”
- Important to consider adverse interests, familiarity, management participation and self review threats

AICPA Ethics Rules That May Apply to You

- Independence DOES NOT apply!
- Integrity and objectivity
 - In the performance of any professional service, a member shall maintain objectivity and integrity, shall be free of conflicts of interest, and shall not knowingly misrepresent facts or subordinate his or her judgment to others.
- Professional competence
- Due care
- Planning and supervision
- Sufficient relevant data
- Comply with standards

DO NOT commit Acts Discreditable

- Examples of acts discreditable
 - Discrimination and harassment in employment practices
 - Negligence in preparing financial statements or records
 - Failure to follow standards
 - Failure to comply with laws and regulations
 - Disclosing confidential information

Ethical Don'ts

- Don't play with numbers
- Don't turn a blind eye
- Don't give bad ideas your stamp of approval

<https://www.accountingedu.org/common-ethical-dilemmas-that-accountants-face>

Broad Ethical Principles - IESBA

- **Integrity**—A professional accountant should be straightforward and honest in all professional and business relationships.

- **Objectivity**—A professional accountant should not allow bias, conflict of interest or undue influence of others to override professional or business judgments

● **Professional Competence and Due Care**—A professional accountant has a continuing duty to maintain professional knowledge and skill at the level required to ensure that a client or employer received competent professional service based on current developments. A professional accountant should act diligently and in accordance with applicable technical and professional standards when providing professional services..

- **Confidentiality**—A professional accountant should respect the confidentiality of information acquired as a result of professional and business relationships and should not disclose any such information to third parties without proper and specific authority unless there is a legal or professional right or duty to disclose. Confidential information acquired as a result of professional and business relationships should not be used for the personal advantage of the professional accountant or third parties

- **Professional Behavior**—A professional accountant should comply with relevant laws and regulations and should avoid any conduct that discredits the profession

Question: Did the pandemic change our compliance with ethics requirements?

- From the International Ethics Standards Board for Accountants

<https://www.ethicsboard.org/news-events/2021-05/5-ethics-challenges-will-intensify-pandemic-wanes>

- Demands for Greater Support and Efficiency
- Risks Regarding Rapid Digitalization
- Burnout and Mental Health of Teams and Talent
- Predisposition to Focus on the Past

Alabama Ethics Law

- Code of Alabama, 1975
- Code of Ethics for Public Officials, Employees, etc.
 - Chapter 25 of Title 36 (Public Officers and Employees)
 - Sections 36-25-1 through 36-25-30
- Relevant Sections (next slide)

Alabama Ethics Law – Relevant Sections

- 36-25-5 Personal Gain
- 36-25-7 Receiving things of value
- 36-25-8 Disclosing confidential information
- 36-25-11 Entering into contracts
- 36-25-12 Offering a thing of value

Using safeguards to resolve ethical threats

Identify the Conflict

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graph TD; A[Identify the Conflict] --> B[Consider the facts, ethical issues, and established internal procedures]; B --> C[Consult with people within the CPA's organization]; C --> D[Consult with people outside the CPA's organization or a lawyer]; D --> E[If the conflict is not resolved, consider withdrawing from the situation];
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Consider the facts, ethical issues, and established internal procedures

Consult with people within the CPA's organization

Consult with people outside the CPA's organization or a lawyer

If the conflict is not resolved, consider withdrawing from the situation

Another ethical model –

This is “Exhibit 1 from”

<https://www.cpajournal.com/2019/10/14/a-new-approach-to-teaching-ethical-decision-making-to-accounting-students/>

Exhibit 1 Eight-Step Method of Ethical Decision Making

Steps	Descriptive Criteria
Identify the facts	Define the scope of the problem.
Identify the ethical issues and the stakeholders involved	List the significant stakeholders and the ways in which they could be harmed.
Identify the principles, rules, and values related to the situation	Consider how these guidelines and norms influence the individual, the company, the profession, and society in general.
Identify alternative courses of action	List the available alternatives of what can and cannot be done.
Compare values and alternatives	Determine whether one principle, or value, or a combination lays out a clear course of action.
Evaluate the consequences of each possible course of action	Identify the possible outcomes of alternatives, both the positive and negative consequences.
If appropriate, discuss the alternatives with a trusted person to help gain greater perspective regarding the alternatives	N/A
Make a decision	Balance the consequences against principles and values and select the best alternative.

AICPA Ethical Decision Tree

<https://us.aicpa.org/content/dam/aicpa/interestareas/professionalethics/resources/ethicsenforcement/downloadabledocuments/ethics-decision-tree-business.pdf>

Focuses on Members in Business

- Do your best to resolve the issue within your own organization, whether that is your department in a larger organization or the company as a whole.
- Be cognizant of your obligations to your employer's external accountant. You must be candid and must not knowingly misrepresent facts or fail to disclose material information to them.
- CPAs in Business may encounter situations where they may need to consult with the Subordination of Judgment interpretation
- Maintain professional skepticism and documentation
- Consider whether you can continue working for the organization
- Consider the need to consult an attorney

Ethics as a Way of Life

- How do ethics help us serve the public interest?
- What are our responsibilities to the public and to our regulators?
- How does meeting those responsibilities help us as individuals?

Ethics and Fraud Prevention

- The Association of Certified Fraud Examiners estimates society loses 4 to 6 percent of revenues due to fraud and abuse
- How can ethics help us prevent fraud?
- Is fraud prevention part of our ethical responsibilities?

- School Fraud
 - Hurts the kids!
 - Hurts the public & abuses their trust
- Other Government Fraud

Big Dollar School Fraud

- Wake County, NC
 - Detroit, MI
 - Tulsa, OK
-
- Recent Alabama government fraud

- Asset misappropriation and corruption present problems for government units
- Probably more asset misappropriation, but corruption may be more costly
- Corruption can be hard to detect
- How do we ferret out fraud?

Indicators of K-12 Fraud

https://oig.ed.gov/sites/default/files/document/2023-02/ed_oig_fraud_indicators_brochure.pdf

- No separation of duties
- Missing school funds or property
- Inventory and financial records not reconciled
- Suspicious or nonverifiable existence of vendor
- Unauthorized or related-party transactions
- Altered, inadequate, or missing documentation>>>

More indicators

- Assessment testing irregularities
- Grant award money runs out too quickly
- Poor grant performance or objectives not met
- Unreasonable costs
- Delayed or no reporting

The potential for corruption

- Irregularities in contract awards or undue influence by people in decision-making positions
- Suspicious bidding trends and patterns
- Overriding internal controls
- Conflicts of interest
- Overly friendly government employee and contractor interaction
- Billing and payment requests for services that may not have been provided>>>

Potential for corruption (continued)

- Duplicate claims for the same service
- Inferior quality or inflated prices for products and services
- Transactions lacking a business purpose
- Unusually large amounts of cash payments
- Use of shell companies
- Nepotism and favoritism

Your computers at risk?

Beware of people who exhibit the following behaviors:

- Request access to systems they do not need to access
- Plug removable media into systems from which data should not be removed
- Access systems outside of normal working hours
- Brag about having access to sensitive information or data
- Get defensive when asked to account for their actions on a system

- What is the role of professional skepticism in meeting ethical requirements?
- Keep your eyes open and an ear to the ground
- Watch for the unusual
- Encourage others to do that too