

1 **ETHICS DISCUSSION:****CONSTRUCTING A MORAL COMPASS**

ADMINISTERED BY THE TCOSCPA

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2 **CRESSY AND SUTHERLAND –ANTI FRAUD PRINCIPLES 1**3 **CRESSY AND SUTHERLAND –ANTI FRAUD PRINCIPLES 1**4 **SUTHERLAND'S DIFFERENTIAL 1**

The triangle states that individuals are motivated to commit fraud when three elements come together:

1. some kind of perceived pressure
2. some perceived opportunity and
3. some way to rationalize the fraud as not being inconsistent with one's values.

5 **MORAL COMPASS**6 **HOUSE OF CARDS CAN COLLAPSE**7 **THE ETHICAL DILEMMA**

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8 **THE ETHICAL DILEMMA**

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9 **ELEPHANT IN THE CHAT ROOM-WHY DO YOU HAVE TO BE SO MEAN (ONLINE)?**

Rationale-Lack of respect for the target's wellbeing and rights

Heavy Need-To fulfill a role of demanding their way or a physiological / emotional reaction of not getting their way, once upon a time, or the role to opine on a subject and have the control of the final word on a matter.

Access-Act in such as way as to go undetected, unreachable by, unaccountable

10 **ACCESS**

- Internal Controls
 - Segregation of duties

- Disclosure
 - Terms of a Contract
 - History of a Candidate
 - CarFax

11 **WHY COMPANY PASSWORD MANAGEMENT IS AN IMPORTANT INTERNAL CONTROL**

12 **EXAMPLES OF BREACHES MASSIVE AMOUNTS OF INFORMATION***

13 **WHAT TO LOOK FOR IN A PASSWORD MANAGER**

- Access to Your Passwords on all Devices
- 100% Safe and Secure - Password Generator & Vault
 - Zero Knowledge
- Selective Sharing of Passwords
- Resources and Support
- Dark Web Monitoring of Passwords in Use
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14 **BEST PRACTICES FOR A BUSINESS/ CPA FIRM**

15 **INTERNAL CONTROLS: CAN THERE BE TOO MUCH OF A GOOD THING? LAW OF DIMINISHING RETURNS**

- A strong system of internal controls is important to every organization regardless of type and size. However, it is possible to go too far. An unnecessarily strong system of internal controls may actually cost the organization more than it saves.³

16 **DISCLOSURE**

- CarFax
- Fees
- Truth in Lending
- Twitter, Facebook, Instagram issues a certificate authenticity, like TSA precheck
- TSA precheck for emails

17 **WORST ACCOUNTING IN HISTORY THE WORST GRUDGES IN HISTORY**

- As described by Ben Stein...anyone, anyone
Convince an investor that something is worth \$100, when it is worth \$0-\$50. further if you diversify among a lot of these...you will be fine.
- Bailout of City Bank... that never happened
- Lehman Bros, Real Estate Mortgage Backs
- Drexel Junk Bonds

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18 **URGENT**

- Create a Sense of Urgency
- Quadrants
- Feelings
- Consequences
- Caution
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19 **WHAT OTHER ROLES MAKE SENSE AND LIMIT A LEFT TAIL EVENT?**

20 **ROLES**

- What roles could one take on or impart?
- Criminal Behavior does not spontaneously happen,
 - Gangs recruit teens and impart a role by ritual act? You are now a (thief vandal, killer)
- Consider: don't accept roles that run afoul of your existing social norms or code of conduct.
 - Manage fear of reprisal if you do not follow
 - Manage fear of change (new job, new spouse, new friends)
 - Make the "problem" a sharable one
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21 **PERCEIVED PRESSURE (A NON-SHARABLE PROBLEM) ---**

- Remove the likelihood of Heavy Need by educating on possible outcomes of chosen Roles and offer "safe" alternatives to bad behavior.
- Make nothing "non-sharable" and insure no reprisals for reporting misconduct
- Sharing with a trusted person has a dual positive effect
 - Find more options that acting out / acting unethically
 - End the Grievance Story and seek a long term positive outcome.

22 **THE MILGRAM EXPERIMENT ON OBEDIENCE TO AUTHORITY FIGURES WAS A SERIES OF SOCIAL PSYCHOLOGY EXPERIMENTS CONDUCTED BY YALE UNIVERSITY PSYCHOLOGIST STANLEY MILGRAM. THEY MEASURED THE WILLINGNESS OF STUDY PARTICIPANTS, MEN FROM A DIVERSE RANGE OF OCCUPATIONS WITH VARYING LEVELS OF EDUCATION, TO OBEY AN AUTHORITY FIGURE WHO INSTRUCTED THEM TO PERFORM ACTS CONFLICTING WITH THEIR PERSONAL CONSCIENCE;**

23 **STANFORD PRISON EXPERIMENT4**

24 **HERE ARE SOME ROLES TO CONSIDER**

Musician Golfer Runner
 Writer Rider
 A Kind Person
 "Not" a Bystander
 Etiquette Specialist Caregiver
 Housekeeper

A Cook
 A Saver
 A dieter
 Planner
 Odds Assessor
 Reader
 Humorist
 Forgiver

25 **THE BYSTANDER EFFECT, OR BYSTANDER APATHY,**

- is a [social psychological](#) phenomenon that refers to cases in which individuals do not offer any means of help to a victim when other people are present. The probability of help is inversely related to the number of bystanders. In other words, the greater the number of bystanders, the less likely it is that any one of them will help. Several variables help to explain why the bystander effect occurs. [1.1.1 Emergency versus non-emergency situations](#)
 - [1.1.2 Ambiguity and consequences](#)
 - [1.1.3 Understanding of environment](#)
 - [1.1.5 Cohesiveness and group membership](#)
 - [1.1.7 Diffusion of responsibility](#)
- [1.3 What Would you Do?](#)

26 **ACCEPT THAT YOU CANNOT BE EVERYTHING TO EVERYONE**

- become very clear and revisit what roles you will accept:
 - Respectful colleague
 - Respectful competitor that accepts losing out on a raise
 - Respectful Boss that accepts other roles your team has
 - Parents
 - Spouses
 - Friends
 - Volunteer
 - A Healthy Person
 - A Musician

27 **REINFORCED PROPER ROLES MITIGATES HEAVY NEED---BUT HOW TO IMPLEMENT AT WORK?**

28 **BALANCING PERCEIVED PRESSURE/ HEAVY NEED USING AN ONLINE TOOL –OFFICE 365**

29 **IMPORTANT / NOT URGENT2**

- Items that do not feel like they have to be done
- There are significant consequences to you if they are not done

30 **IMPORTANT / URGENT2**

- Items that feel like they be done and

- There are consequences to not getting them done

31 **NOT IMPORTANT / URGENT2**

32 **NOT URGENT / NOT IMPORTANT2**

- These things do not feel like they must be done
- There are no consequences if they are not done

33 **WHAT MUST BE DONE**

- Read and Reply to Emails
- Answer/ Return Phone Calls
- Client Contacts—Make them Commute to Your Office?...or quality screen share
- Create, Manage and Complete Projects
 - Blockchain
 - Group input on Projects
 -Thoughts?

34 **ADDING ON THE 7 HABITS TO OFFICE 365**

- Incoming email or call
- Turns into a project
- ...and a meeting
- Need to add documents to be reviewed
- Resulting in a decision to add staff to manage the project
- Introducing You to New People (contacts)
- By tomorrow morning you will have forgotten all of this
- An you have about 100 other things that you need to do...and take snacks to your child's soccer game.

35 **THE EMAIL STEP (1): CATEGORIZE IT**

- Determine whether it is

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37 **CONSIDER IT A TASK TO MANAGE**

- Drag it to the task area
- Add details
- Keep it simple by adding step by step
- Give access to interested parties, boss, staff
- Assign the task
- Review the task list
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39 **DOES THIS NEED TO GO ON THE CALENDAR**

- Is there a deadline
- Would a follow up discussion be needed., when and who will you invite
- Or will the standard time be sufficient

40 **DISCUSSION THE CALENDAR**

41 42 43 **RESPECT MITIGATES RATIONALE TO DO BAD THINGS**44 **RESPECT CANCELS UNETHICAL RATIONALE**

- Respect for other persons, means respect for a person's rights, property, physical and emotional wellbeing. This includes the investors, partners, and shareholders especially the ones that you hate.
- Disrespect could manifest itself by such actions as lack of empathy, rudeness, harassment, slander, discrimination, abuse, bribery, corruption, assault, murder and WAR

45 **TAKING RESPONSIBILITY FOR ANOTHER'S WELLBEING: CAN THERE BE TOO MUCH OF A GOOD THING? LAW OF DIMINISHING RETURNS**

- Dad "correcting" his daughter's high school paper
- At some point a person needs to grow up and take personal responsibility for they lives, debts, success

46 **RESPECT**

- Knowing other's rights is a step toward respecting their wellbeing
 - My role is to know and protect the rights of others
 - Company Policy
 - Company Property—It belongs to the shareholders!!!
 - Common Sense
 - Should you carry a copy of the Constitution? Local Law?
 - Rules vs Etiquette

47 **RIGHTS IN A DEMOCRACY SUCH AS A CORPORATE BOARD OF DIRECTORS (FOR PROFIT OR NOT-FOR-PROFIT)**

- Right to vote
 - When the vote will be taken
 - Right to learn the issues
 - Right to voice or persuade
 - Right for the majority to rule
 - Right of the minority to be hear and included

48 **WHO PRESERVES THE RULES OF THE GAME**

- In a soccer,
- basketball,
- football,
- Baseball
- Golf
- Meeting of voters

49 **WHO'S RIGHTS HAVE YOUR SOUGHT TO PRESERVE**

- Joined any militia's lately?
- Are you a state representative?
- Served on the Board of your company?
- Served on the retirement plan committee
- Member of the OSCPA?

50 **BYLAWS OF A NOT-FOR-PROFIT**

- "Bylaws define the primary objectives of the organization and describe how that organization will function" AS A DEMOCRACY
- Rights of the Directors and Trustees
- Reasons to know/ refer to/ follow the Bylaws:
 - Liability
 - Implied responsibility as a Trustee (Fiduciary)
 - State or Federal Law
 - Reasons to disregard Bylaws...
 - Access + Rationale+ Heavy Need *Ethical?*
 - Ignorance of RIGHTS

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52 **OSCPA BYLAWS**

- ARTICLE XI - PARLIAMENTARY PROCEDURE
- Except as otherwise herein provided, the business of the Chapter shall be conducted under the provisions of Roberts Rules of Order.

53 **ROBERTS RULES THE ETHICAL CHOICE?**

- Preserving Rights:
 - A Referee who is an objective arbiter of the process
 - Right To Speak (Exchange) (Verbalize)
 - (Mock) (Interrupt) (Filibuster)
 - Right to Attend Meetings
 - (Un-invite)(Not give Notice)
 - Right to Vote (Consensus)
 - (Ignore Quorum) (Never Call for a vote)(Hide the question to be decided)

54 **WHO IS ROBERT?**

- General Henry M. Robert was asked to preside at a meeting (aka Assembly) and he did not know how. "My embarrassment was supreme. I plunged in, trusting (that the Board Members would behave.) that they would act ethically.
- The methods are proven
 - Why are they consistently required in bylaws?
 - Do you want the tools to serve on a Board?
 - Do you want to manage the stress of being on a Non profit Board?

55 **THE ETHICAL DILEMMA**

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56 **THANK YOU**

- Please complete the evaluation
 - TCOSCPA needs your feedback to offer the best CPE experience
 - Suggest topics, suggest presenters, and please volunteer as a presenter
- Please sign up for the next online session (every third Friday of the Month)
- Consider volunteering or nominating a person on to serve on or lead a TCOSCPA committee.
- Thank you for attending this session
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57 **REFERENCES**

- 1 *Iconic Fraud Triangle endures Metaphor diagram helps everybody understand fraud.* Fraud Magazine July/August 2014 By W. Steve Albrecht, Ph.D., CFE, CPA, CIA
- 2 <https://www.franklincovey.com/the-7-habits.html>
- 3 Eric Frint, President and Founder, Your Part-Time Controller, LLC
- 4 "The Stanford Prison Experiment" By Saul McLeod, updated 2018
- 5 "IRS Warns About Fake Payroll Direct Deposit, Wire Transfer And W-2 Scam Emails", Kelly Erb, Senior Contributor Taxes, www.taxgirl.com