The Crazy World of Ethics: Staying Out of the Ditch
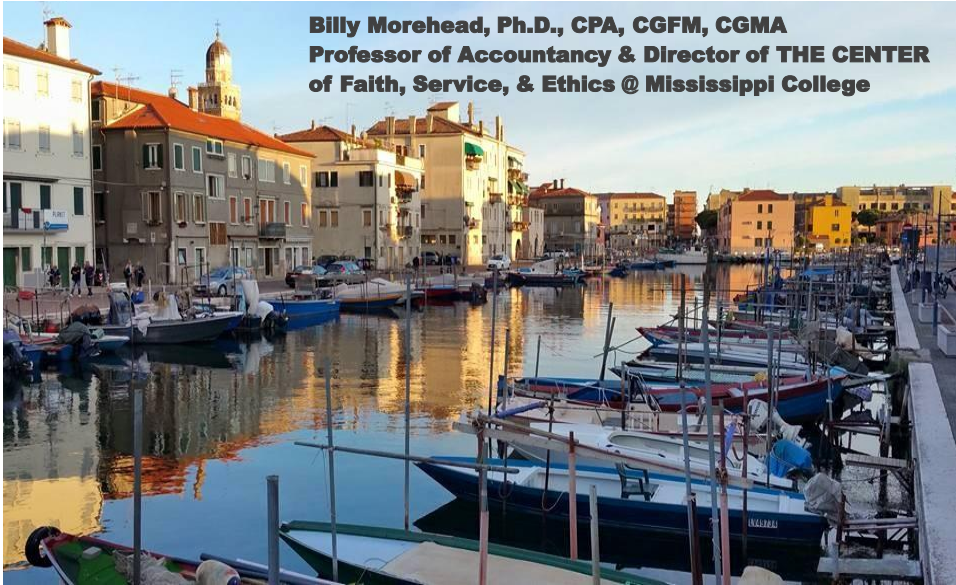
Billy Morehead, Ph.D., CPA, CGFM, CGMA
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of Faith, Service, & Ethics @ Mississippi College

What are Ethics?
"Ethical Standards are the generally accepted rules of conduct that govern society. Ethical rules are both standards and expectations for behavior; and, we have developed them for nearly all aspects of life." (Marianne Jennings)

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General Ethics Discussion

"Never trust the people you cheat with. They will throw you under the bus." Marianne M. Jennings

"Three people can keep a secret if two are dead." Ben Franklin

Check YOUR
Ethics Quotient

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What are "Ethics"?

- "The study of the general nature of morals and of the specific moral choices to be made by the individual in his relationship with others; the philosophy of morals"

- "The rules or standards governing the conduct of the members of a profession" The American Heritage Dictionary

- "Ethics consists of those unwritten rules we have developed for our interactions with each other" (Jennings)

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What are "Ethics"?

- Not the standards of the law
- In fact, a higher standard
  - Cutting in line
  - Putting the shopping cart up
  - Fluffing up your resume
  - Married person/Business partner – cheating/taking advantage
  - Cheating/Plagiarism
  - (NOT) Working from home
  - Workplace safety
  - Social Responsibility – stewardship of resources

Cheating??

https://www.instagram.com/reel/DFTehAIOsd6/?igsh=cTc5aWI0dGY0NGQ=

8

Key Points:

- The "right choice" is sometimes obscured by considerations never before faced by our professional predecessors – especially due to technology
- Often, there is no obvious line between "right and wrong"
- We find ourselves on a "slippery slope" when it comes to finding the best course of action
- Rules can't always be relied upon to supply the answer

Public trust in our government financial management, reporting systems, and profession depends upon our keeping high standards of conduct among those who handle resources.

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Values

- Honesty
- Integrity
- Respect
- Trust
- Accountability
- Competence
- Fairness

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Types of Ethical Dilemmas:
Developed and listed in **Exchange**,
the magazine of BYU School of Business

- Taking things that don't belong to you (copies, postage, exaggerating on travel expenses)

- Saying things you know are not true (discussions about the quality of something you are trying to sell)

- Giving or allowing false impressions (standing by silently while a co-worker is blamed for something he/she didn't do)

- Buying influence or engaging in conflict of interest (sideline work, accepting gifts from (potential) contractors)

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Types of Ethical Dilemmas:
Developed and listed in **Exchange**
the magazine of BYU School of Business

- Hiding or divulging information (sharing trade secrets outside your firm; failing to share potential harmful side effects of product testing)
- Taking unfair advantage (exhorbatant loan rates)
- Committing acts of personal decadence (personal behavior, indiscretions, response by sponsors)
- Perpetrating interpersonal abuse (conduct that is demeaning, unfair, or hostile - berating employees publically for not meeting goals)

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Types of Ethical Dilemmas:
Developed and listed in **Exchange**
the magazine of BYU School of Business

- Permitting organizational abuse (child labor, low wages, overly long work hours in overseas operations)
- Violating rules, standards, policies and guidelines
- Condoning unethical actions (failing to report an ethical breach – not reporting cheating is agreeing with it)
- Balancing ethical dilemmas (balancing human rights with governmental policies – ex: Google/Facebook in China; US Businesses in Russia during Russia/Ukraine war)

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How We Avoid Ethical Dilemmas, We Call it Something Else:

➥ Instead of "lying" we call it "I misremembered" or "I misspoke."

➥ Juggling numbers in financials – instead of "falsifying numbers" we call it "smoothing earnings", "finance engineering", "good finance strategy" or "cooking the books" (Jennings)

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Rationalizing Dilemmas Away:

➥ "Everybody else does it" – everyone speeds so I speed

➥ "If we don't do it, someone else will"

➥ "That's the way it has always been done" (SOX requirements for board composition changes; SOC audit requirements)

➥ "We'll wait until the lawyers tell us it is wrong" or "The law doesn't say we can't do it" – (lawyers generally share the boundaries/parameters of the law; not how to ethically respond)(Jennings)

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Rationalizing Dilemmas Away:

- "It really doesn't hurt anyone" – a misrepresentation on a tax return or mortgage may be individually inconsequential; but collectively? Cash business?
- "The system is unfair" – " the professor is unreasonable, I'll just buy a term paper from the internet or pay someone to do it for me"
- "It's a gray area" – "if you could take a performance enhancing drug and get away with it, would you?"
- "I was just following orders" – staff at WorldCom, Lehman Brothers, etc.
- "We all don't share the same ethics" – "what you call unethical, I call a way of business…"   (Jennings)

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Mississippi Delta – 100% Complete Project

CLEVELAND NEWS LEADER   SUNDAY   A5
                                        September 24, 2006

Agencies walking carefully around defunct plant project

BY ROBERT SMITH
THE CLEVELAND NEWS LEADER   interest that he and his partners meant to bring into

18

Photo by Billy Morehead, November 2017

Mississippi Delta – 100% Complete Project

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Photo by Billy Morehead, November 2017
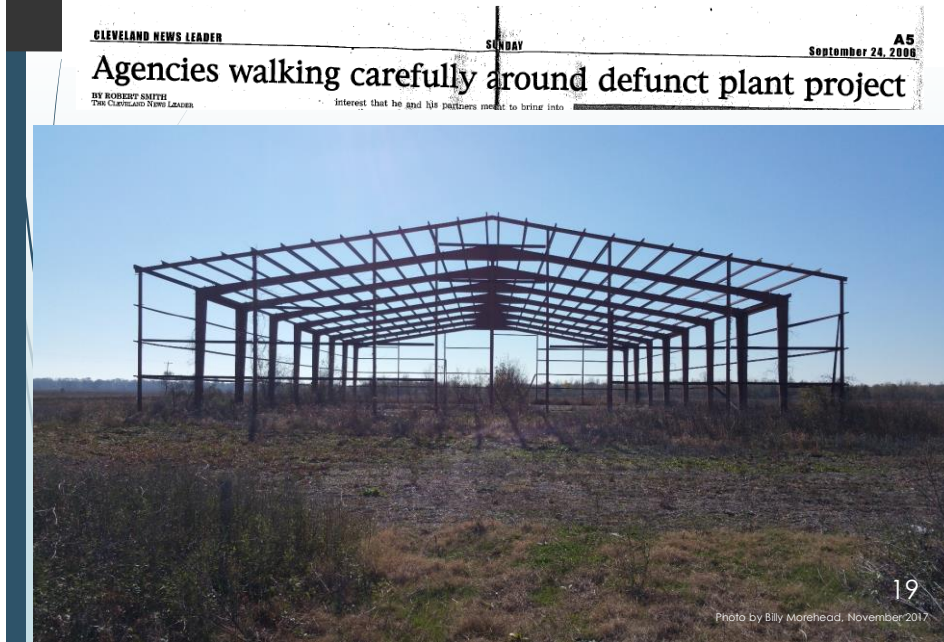

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Golden Rule of the Bible:

"Do unto others as you would have them do unto you" – Matthew 7:12 and Luke 6:31

Codes of Ethics

- Ethical codes were designed to give professionals guidance in the decisions they make

- Remember – we must not only be ethical in action, but also, and VERY IMPORTANTLY, in appearance.

- The law, in this context, is the lowest common denominator and not the model by which our professional responsibilities should be judged.

- History suggests that an effective code of ethics, enforced diligently and with fairness, is the best way for financial professionals to avoid derision.

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Who Sets Ethics Standards?
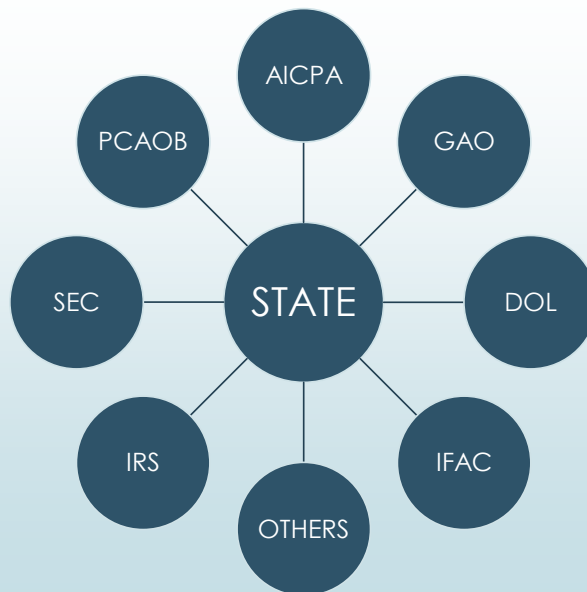
Mississippi Ethics Commission

The **Mississippi Ethics Commission** has four main areas of authority under four separate laws:

- **The Ethics in Government Law**
- **The Open Meetings Act**
- **The Public Records Act and**
- **The Campaign Finance Law**

Source: Mississippi Ethics Commission

Codes of Ethics

- AICPA
- AGA
- ACFE
- CMA
- IIA

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What about a "Little White Lie?"

- No one can conscionably assert that lying should become a universal law, so it's not an acceptable action.
- Truth-telling is one of the highest standards of financial professionals. Accuracy and truth in reporting are bedrock values of the financial world.

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Codes of Ethics – "Who we are and what we stand for"

Codes of Practice – "How we do things around here"

Codes of Conduct – "How we expect you to behave"

Six Principles of the AICPA 2014 Ethics Code

1. **Responsibilities** – Exercise responsibilities with "sensitive professional moral judgment"
2. **The Public Interest**
   - **Serve the public interest**
   - **Honor the public trust**
   - **Demonstrate your commitment to professionalism**
3. **Integrity** – Perform ALL professional responsibilities with the highest sense of integrity
4. **Objectivity and Independence**
   - **Maintain objectivity**
   - **Be free of conflict**
   - **(in fact and in appearance)**

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Six Principles of the AICPA 2014 Ethics Code

5. **Due Care**
    - **Observe the profession's technical & ethical standards**
    - **Strive continually to improve competence & quality of services**
    - **Discharge professional responsibility to the best of your ability**
6. **Scope and Nature of Services**
    - **Observe principles of the code of professional conduct in determining scope and nature of services to be performed**

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AICPA 10-Step Ethical Decision-Making Model

1. Recognize the Ethical Issue – what are the issues in *this situation*

2. Gather the Critical Facts – you may NOT have ALL the facts; *making a decision without all the facts can be very dangerous*

3. Identify the Stakeholders – who are the people or organizations who will be positively (benefited) and negatively (harmed) affected?

4. Consider Alternatives – what are the various approaches you could take to address the matter and solve the ethical conflict?

AICPA 10-Step Ethical Decision-Making Model

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5. Consider the Effect on Stakeholders – what is the likely effect on each stakeholder based on your alternatives (obviously you must use judgment to predict likely outcomes and there no exact science to help)

6. Consider YOUR Comfort Level –
    a. With each option?
    b. If you had to discuss in public (reflection of you?)
    c. Would you feel embarrassed that you failed to raise concerns with stakeholder management?
    d. Are you comfortable with doing nothing?

AICPA 10-Step Ethical Decision-Making Model

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7. Consider Rules, Regulations, and Laws – are your options consistent with applicable professional ethics rules, regulations, and laws?

8. Make a Decision – if you are not comfortable & ready to make a decision, you may need to seek further counsel (with a trusted colleague, an attorney, etc.). You may NOT have the luxury of time; BUT, *making a hasty decision may be regretted later.*

9. Document Your Efforts – your understanding of the facts, names of folks you consulted with, you decision

10. Evaluate the Outcome – after time passes, re-evaluate the decision and consider whether you would have done anything differently.

Code of Ethics

AGA

- Objectives:
  - Credibility
  - Professionalism
  - Quality of Services
  - Confidence

CGFM

AGA – Code of Ethics

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- Principles
  - Objectivity
  - Professional Competence and Due Care
  - Confidentiality
  - Professional Behavior
  - Technical Standards

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AGA – Code of Ethics

- Professional Conduct
  - Personal Behavior
    - Actively promote and encourage the highest level of ethics within the government financial management community.
    - Conduct yourself with integrity, dignity, and respect for others.
    - Transmit or use confidential information obtained in your professional work only for the purpose intended and not for personal gain or other advantage or the the disadvantage of others.
    - Adhere to the standards of conduct of your employer and any professional associations or organizations of which you are a member.

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AGA – Code of Ethics

- Professional Conduct
  - Professional Competence and Performance
    - Strive to perform the duties of your position and supervise the work of your subordinates with the highest degree of professional care
    - Continually seek to increase your professional knowledge and skills to improve your services to employers, associates and fellow members.
    - Render opinions, observations, or conclusions for official purposes only after appropriate consideration of the pertinent facts and after assuring yourself that you have the appropriate expertise and are free from real or perceived conflicts of interest.

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AGA – Code of Ethics

- Professional Conduct
  - Professional Competence and Performance
    - Exercise diligence, objectivity, and honesty in your professional activities and be aware of your responsibility to disclose improprieties that come to your attention to the appropriate parties.
    - Be aware of and strive to apply work-related requirements and standards prescribed by authorized government agencies and employers

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AGA – Code of Ethics

- Professional Conduct
  - Responsibilities to Others
    - Consider the public interest to be paramount in carrying out your duties
    - Avoid any activity that creates or gives the appearance of a conflict with your employer-related responsibilities

Data Ethics: It Matters!

Challenges with Data

40

- Data that entities collect from regular individuals raises lots of ethical issues.
- Data Ethics is a relatively new issue and there is still a lot to figure out and sort through.
- Especially important issue as entities begin to use and transmit data
- Very important issue as entities monetize data for purposes different from what the data was originally intended for

What are "Data Ethics"?

➡ "Data ethics refers to the principles and standards that guide the collection, storage, use, and dissemination of data, with the goal of ensuring that it is collected, used, and shared in an ethical, fair, and responsible manner."

➡ "Data ethics is the branch of ethics concerned with the ethical implications of data creation, collection, storage, use, and dissemination in various contexts, including the public and private sectors, academia, and everyday life."

What are "Data Ethics"?

➡ "Data ethics is a set of moral principles and guidelines that govern the handling of data in a responsible, trustworthy, and accountable manner. It addresses the social and ethical implications of data practices, such as privacy, security, fairness, and transparency."

➡ "Data ethics is the study of ethical values and principles as they relate to data, data-driven technologies, and the impact of these technologies on individuals, organizations, and society."

Why is it Important?

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- **Data Privacy**
  - Protecting PII
  - Types of Privacy-Sensitive Information
  - Regulations
- **Transparent Data Collection and Use**
  - Need for clear & concise terms of service
  - Obtaining explicit consent
- **Secure Data Storage**
  - Protecting against data breaches & theft
  - Implementing strong security measures to keep data safe)

Why is it Important?

44

- **Responsible Data Sharing**
  - Sharing data in a manner that respects privacy & confidentiality
  - Making sure data is not misused
- **Fairness in Data Algorithms**
  - Ensuring algorithms do not perpetuate bias or discrimination
  - Making sure data is not used to make unfair decisions
- **Ethical AI**
  - Ensuring AI systems are designed to operate ethically
  - Avoiding harm and misuse of AI systems

Why is it Important?

45

- **Responsible Use of Big Data**
  - Ensuring Big Data is used for socially beneficial purposes
  - Avoiding the exploitation of individuals and communities
- **Data Ownership**
  - Ensuring individuals own their personal data
  - Providing individuals with control over how their data is used
- **Ethical Marketing**
  - Making sure marketing practices respect individuals' privacy
  - Avoiding deceptive or manipulative marketing tactics

Why is it Important?

46

- **Ethical Data Science**
  - Ensuring Data Scientists adhere to ethical principles
  - Avoiding misuse of data and algorithms
- **Corporate Responsibility**
  - Ensuring companies take responsibility for their data practices
  - Encouraging companies to have robust data ethics policies
- **Industry Collaboration**
  - Working together as an industry to establish & enforce data ethics standards
  - Promoting the responsible use of data across the industry

Six Laws in the U.S.
Created for Data Ethics

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- **The Health Insurance Portability and Accountability Act (HIPAA):** This law sets standards for protecting the privacy and security of individuals' health information and requires healthcare organizations to implement appropriate privacy and security measures.

- **The Children's Online Privacy Protection Act (COPPA):** This law sets standards for the collection and use of personal information from children under the age of 13 and requires websites and online services to obtain verifiable consent from parents or guardians before collecting such information.

Six Laws in the U.S.
Created for Data Ethics

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- **The Fair Credit Reporting Act (FCRA):** This law sets standards for the collection, use, and sharing of credit information and requires credit reporting agencies to follow specific guidelines when collecting, maintaining, and reporting credit information.

- **The Electronic Communications Privacy Act (ECPA):** This law sets standards for the interception and disclosure of electronic communications and requires government entities and private organizations to obtain a warrant or other legal authorization before accessing such information.

Six Laws in the U.S.
Created for Data Ethics

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- **The General Data Protection Regulation (GDPR):** This law sets standards for the protection of the personal data of individuals and requires organizations to obtain consent for the collection, storage, and use of personal data and to provide individuals with the right to access and control their personal information.

- **Family Educational Rights and Privacy Act (FERPA).** It is a federal law that governs the privacy of student educational records. The law applies to educational institutions that receive funding from the U.S. Department of Education and sets standards for the access, use, and disclosure of student educational records. FERPA also requires educational institutions to obtain written consent from students or their parents before disclosing any personally identifiable information from their educational records.

Examples of Recent
Data Ethics Violations:

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- **Cambridge Analytica Scandal:** In 2014, Cambridge Analytica, a political consulting firm, obtained personal data of millions of Facebook users without their consent. The data was then used to target political advertisements during the 2016 US Presidential election, raising concerns about the manipulation of public opinion and the ethical use of personal data.

- **Google Street View Program:** In 2010, it was revealed that Google's Street View program had collected personal data, including email addresses and passwords, from unsecured Wi-Fi networks as its cars drove through neighborhoods. This violated individuals' privacy and showed a disregard for the ethical collection of personal data.

Examples of Recent Data Ethics Violations:

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- **Yahoo Email Scanning:** In 2016, it was reported that Yahoo had scanned the emails of all its users for specific information requested by the US government, raising concerns about the privacy and security of personal information and the unethical use of data by corporations and government agencies.

- **Equifax Data Breach:** In 2017, Equifax, one of the largest credit reporting agencies in the US, suffered a massive data breach, exposing the personal and financial information of millions of individuals. The breach raised concerns about the security of personal information and the ethical responsibility of companies to protect it.

Examples of Recent Data Ethics Violations:

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- **Uber's Greyball Program:** In 2017, it was revealed that Uber had used a program called "Greyball" to evade law enforcement officials in cities where its services were restricted or banned. The program used data from the Uber app to identify and block officials from using the service, violating privacy and ethical principles related to the use of data for unethical purposes.

- **NSA Surveillance Program:** In 2013, it was revealed that the National Security Agency (NSA) was conducting widespread surveillance of US citizens' phone and internet communications. The program raised concerns about the privacy of personal information and the ethical use of government data collection and surveillance.

Examples of Recent Data Ethics Violations:

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- **FBI's Stingray Technology:** The Federal Bureau of Investigation (FBI) has been using Stingray technology, a cell-site simulator, to collect personal data and intercept communications without obtaining a warrant. This has raised concerns about privacy violations and the ethical use of government data collection practices.

- **Boston Police Department's Facial Recognition Technology:** In 2019, it was revealed that the Boston Police Department had been using facial recognition technology, raising concerns about the accuracy of the technology and the ethical use of personal data for law enforcement purposes.

Examples of Recent Data Ethics Violations:

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- **Seattle Police Department's Drone Program:** In 2012, the Seattle Police Department was criticized for its use of drones for surveillance purposes, raising concerns about privacy violations and the ethical use of technology for government surveillance.

- **New York Police Department's Stop-and-Frisk Program:** The New York Police Department's Stop-and-Frisk program, which allowed officers to stop and search individuals based on suspicious behavior, was found to disproportionately target minority communities, raising concerns about the fairness and ethical use of data and policing practices.

Positive Impacts of Good Data Ethics Policies & Practices:

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- **Increased Trust:** Good data ethics practices can increase trust in organizations and institutions, as individuals are more likely to trust organizations that handle their personal information in a responsible and ethical manner.

- **Improved Privacy and Security:** Good data ethics practices can help improve the privacy and security of personal information, as organizations are more likely to take the necessary steps to protect sensitive information and prevent data breaches.

- **Better Decision Making:** Good data ethics practices can help ensure data is collected, stored, and used in a responsible and ethical manner, which can lead to better and more informed decision-making processes.

Positive Impacts of Good Data Ethics Policies & Practices:

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- **Enhanced Reputation:** Organizations that adopt good data ethics practices are more likely to have a positive reputation, as they are seen as responsible and ethical. This can help organizations attract customers, employees, and investors.

- **Promoting Fairness and Equality:** Good data ethics practices can help ensure that data is collected, used, and shared in a fair and equitable manner, promoting fairness and equality in various contexts, including employment, housing, and lending. By avoiding discriminatory practices, organizations can help build a fairer and more inclusive society.

How Can We Protect Access to Our Data?

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- ➥ **Be Careful What You Share Online:** Limit the amount of personal information you share online and be mindful of what you post on social media and other websites.

- ➥ **Use Strong Passwords:** Use strong and unique passwords for all of your online accounts and consider using two-factor authentication to add an extra layer of security.

- ➥ **Keep Software Up-to-Date:** Regularly update the software on your devices to ensure that you have the latest security patches and features.

- ➥ **Be Wary of Phishing Scams:** Be cautious of emails or messages that ask for personal information, and never click on links from unknown sources.

How Can We Protect Access to Our Data?

- ➥ **Use Encryption:** Encrypt sensitive information, such as financial and personal data, to protect it from prying eyes.

- ➥ **Be Careful When Downloading Apps:** Be cautious when downloading apps, and only install apps from trusted sources. Read the privacy policy of each app to understand what data is collected and how it is used.

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How Can We Protect Access to Our Data?

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- ➡ **Use a Virtual Private Network (VPN):** Use a VPN when accessing public Wi-Fi networks to encrypt your online activity and protect your personal data.
- ➡ **Regularly Monitor Your Accounts:** Regularly monitor your financial and personal accounts to ensure that there are no unauthorized transactions or changes. Report any suspicious activity to the appropriate authorities as soon as possible.
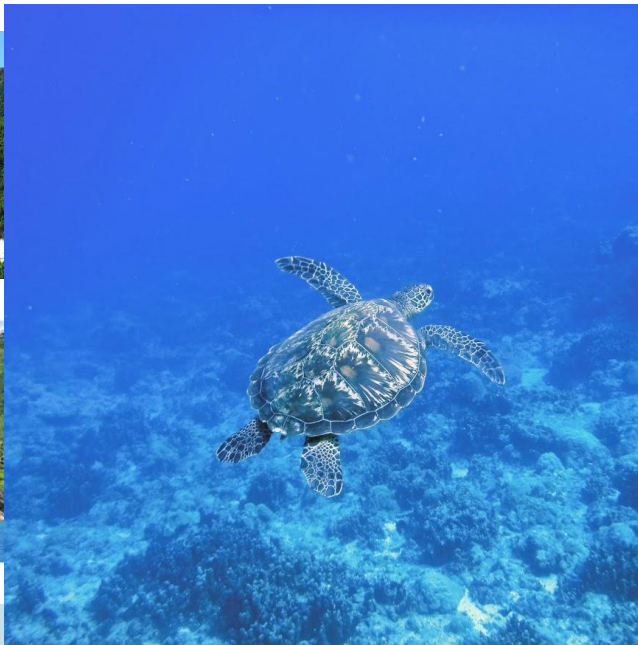
How Are Workplace Accountability Ethics Changing?
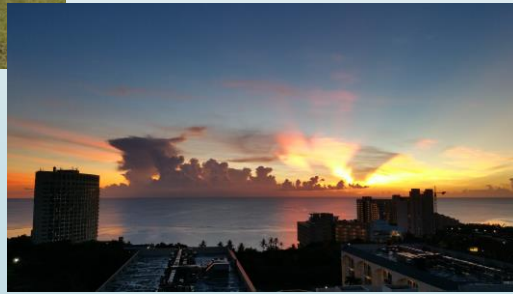
Billy Bob uses generative Artificial Intelligence (AI) to create an article on advancing governmental accountability. He submits the article for publication in AGA's Journal of Government Financial Management under his by-line, without disclosing that he used generative AI. Is that ethical?

Yes: *AI is just a tool, available to anyone who wants to use it.*
No: *this violates AGA's Code of Ethics.*

If you said it's UNETHICAL, what Principle(s) of AGA's Code of Ethics did Billy Bob violate?

- **Principle 1:** *AGA Members and CGFMs Shall Serve and Support the Public Interest.*
- **Principle 2:** *AGA Members and CGFMs Shall Maintain the Highest Standards of Professionalism and Integrity.*
- **Principle 3:** *AGA Members and CGFMs Shall Remain Objective in Carrying Out Their Duties and Responsibilities.*
- **Principle 4:** *AGA Members and CGFMs Shall Carefully Maintain and Protect Confidential Information.*

In a remote/virtual work environment, it can be difficult for supervisors to ensure their subordinates are fully productive. Are software tracking apps embedded on employees' computers ethical?

- **No.**
- **Yes.**
- **Yes, as long as the employer informs its employees.**

In a remote/virtual work environment, if a salaried employee completes assigned weekly work in 25 hours rather than the organization's standard 40-hour work week, does he or she have an ethical obligation to reach out for more work to do?

- **No, as long as an employee completes assigned work satisfactorily and on time, he/she is fulfilling the employment commitment.**

- **Yes, salaried employees are expected to put in a full week's effort and should assure that they do so.**
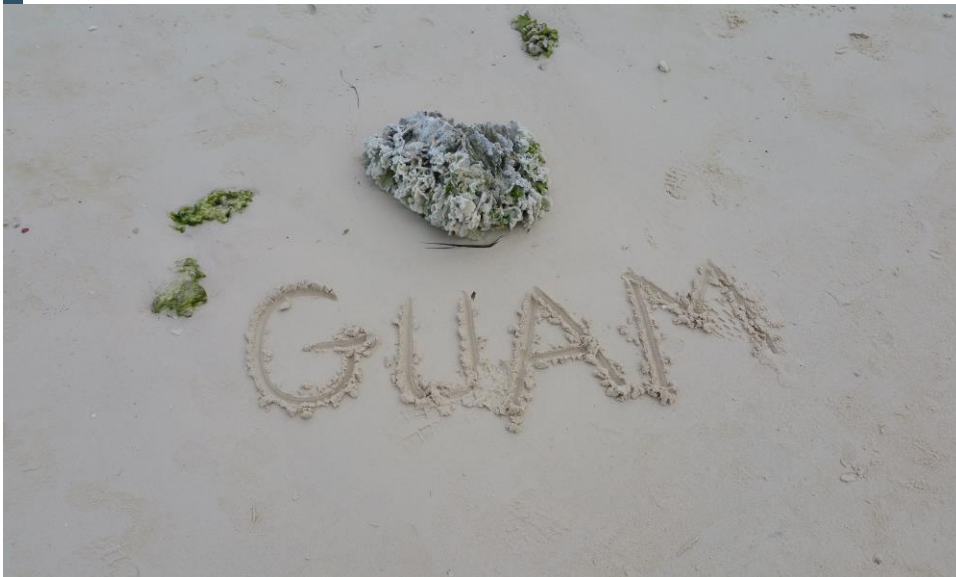
In a remote/virtual work environment, if an employee completes all assigned work, satisfactorily and on time, is it ethical to have two full-time jobs?

- **Yes, why would or should an employer care if all assigned work is completed satisfactorily and on time?**

- **No, if an employee receives a full-time salary, he/she should devote full time to the job.**
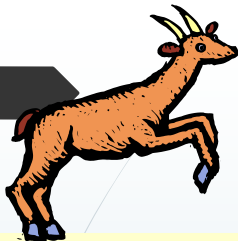
After exhausting internal efforts to report wrong-doing, is whistleblowing to an entity outside of your organization ethical?

- **Yes, professional members must serve and support the public interest.**

- **No, professional members shall carefully maintain and protect confidential information.**

When you think you have the perfect mouse trap….

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The Survivor

In Africa every morning, a gazelle awakens knowing it must outrun the fastest lion if it wants to stay alive.

Every morning, a lion awakens knowing it must run faster than the slowest gazelle or it will starve to death.

It makes no difference whether you are a lion or a gazelle; when the sun comes up, you better start running.

~Author Unknown~

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Questions?

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