

# Business Ethics



Delta Mu Delta  
Centennial Meeting  
November 8, 2013

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## Today's speaker



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- **Dr. Perry Moore**
  - Lipscomb University
    - Professor of Accounting, CPA, CIA, CRMA, CGMA
  - TN Society of CPAs
    - Chair, Professional Ethics Committee
    - Director, Accounting Academy
    - Accounting Education and Career Awareness Committee
  - Institute of Internal Auditors
    - Chair, Regional Conference Committee

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## Who am I?



Scott London



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Are these just 'bad' people, or 'good' people who made bad decisions? Where do we fall?

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### Scenario 2 – the new partner

*What should this partner do, if anything?*

- 1: "I should simply do nothing about this. There's a slight chance that this sloppiness will escape notice. It's not material anyway."
- 2: "But I'm going through these work papers right now and can easily correct them. I wouldn't be changing anything of substance, but just making the form, the appearance of the work papers, align with the substance."
- 3: "Or maybe I should bring this problem to the attention of the senior partners. I should claim responsibility for the sloppy audit and accept the consequences."
- 4: "But if I'm going that route, why don't I bring the problem to the attention of everyone at once – not only the senior partners, but also the buyer and seller. I'll write a comment on the current status of the work papers and copy this to all parties of the transaction. That might clear the air."

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### What is ethics?



- One definition
  - Set of moral principles or values recognized by an individual or group of individuals
- Why do people act wrong?
- Is any type of behavior 'ethical' as long as it does not violate a law or rule of one's profession?

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### Where is ethics best taught?



- Lori Stilley received nearly \$12,000 in donations from more than 300 people in 20 states after she was diagnosed with cancer
- In reality, she was just pretending

USA Today, August 16, 2013

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### The rest of the story

- Prosecutors say Stilley told relatives and posted on Facebook that she had been diagnosed with bladder cancer
- Relatives became suspicious when she announced a miraculous cure just as she was about to enter hospice
- Stilley once asked her 13-year old daughter – “how could you be so mean when you know Mommy’s dying?”
- Judge ordered her to perform 500 hours of community service

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## Where is ethics best taught?



- If you have ever been to a Disney theme park and have seen a family with a disabled child escorted to the front of a line, what has your reaction been?
- To offer a silent prayer of thanks for your own family's good fortune to be healthy and able-bodied
- To think good thoughts about Disney for having the compassion to take care of the park's disabled guests this way
- To regard this as a great opportunity for you to pull a con, an easy way to turn the situation to your own family's advantage

*Wall Street Journal column by Bob Greene*

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## The rest of the story

- In September, Disney announced a major change at Walt Disney World and Disneyland – no longer will families with disabled children or parents be allowed to go to the front of the line
- One reason according to Disney: "abuse of this system" by healthy families pretending that some of its members are ill or disabled
- Wealthy parents hired disabled 'tour guides' to blend in with their families to enable them to go to the front of lines
- Healthy people renting wheelchairs to avoid waiting in lines

*Wall Street Journal column by Bob Greene*

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## Who is being hurt here?

- Obviously, children who genuinely are chronically ill/disabled
- "Able-bodied children who have been shown by their parents that gaming the system ... is what smart people do. That it's the clever way, the winner's way. Only suckers, no matter how healthy, wait in line."
- Greene's closing comment provides advice for honest parents to their disabled children: "The reason the rules have changed is that some other mothers and fathers told their children to pretend their lives are as hard as yours."

*Wall Street Journal column by Bob Greene*

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## Business vs. personal ethics

- Why is it that some people will act one way on Sunday and another way on Monday?
  - That's "just business"



1987	77,000,000
1988	70,000,000

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## Steps involved in making a decision

- 1) Define the facts and circumstances
- 2) Identify the people involved in the situation or affected by the situation
- 3) Identify and describe the stakeholders' rights and obligations
- 4) Specify the major alternative decision actions and their consequences
- 5) Find someone to talk to about the situation
- 6) Select the best course of action

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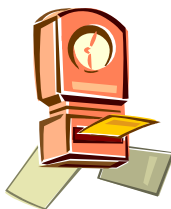
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## Between a rock and a hard place...



- Consolidata, a tax client of AG, prepared payrolls for 38 customers, received the customers' money, and then paid the payrolls.
- AG learned that Consolidata was in serious financial difficulty and advised the company to inform its customers.
  - Company officials refused to do so

*Auditing & Assurance Services, © 2011 by Louwers, et al. McGraw-Hill/Irwin, p. 568*

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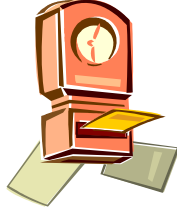
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### Between a rock and a hard place...

- AG learned that the company's officers and directors resigned
- AG telephoned 12 Consolidata customers who were also AG clients, told them of the situation, and advised them NOT to entrust further payroll funds to Consolidata



*Auditing & Assurance Services, © 2011 by Louwers, et al. McGraw-Hill/Irwin, p. 568* 16

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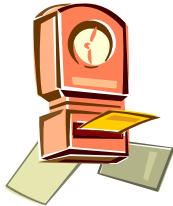
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### Between a rock and a hard place...



- Those 12 were spared the risk of losing their money
- Consolidata went out of business one month later
- Consolidata accused AG of breach of contract for breaking the obligation of confidentiality

*Auditing & Assurance Services, © 2011 by Louwers, et al. McGraw-Hill/Irwin, p. 568* 17

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### Ethical violation?

- Mary Debra is not yet a CPA but is doing quite well in her first employment with a large CPA firm. She has been on the job two years and has become an experienced assistant. If she passes the CPA exam this year, she will be promoted to senior accountant.
- This month, during the audit of Row Lumber Co., Debra told the controller that she is remodeling an old house. The controller likes Debra and had a load of needed materials delivered to her house, billing Debra at a 70% discount – a savings over the normal cash discount of about \$300. Debra paid the bill and was happy to have the materials that she otherwise could not afford on her meager salary.



*Auditing & Assurance Services © 2013 Louwers, et al McGraw-Hill/Irwin, p. 627* 18

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## Journey of a Corporate Whistleblower

- Cynthia Cooper, former Vice President of Internal Audit @ WorldCom
  - "People don't wake up and say, 'I think I'll become a criminal today.' Instead, it's often a slippery slope and we lose our footing one step at a time."
  - What is the difference between an 'ethical dilemma' and 'just doing one's job'?



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## Questions?



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