Michigan School Business Officials
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ETHICS AND YOUR AUDIT

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Ethics & Compliance Initiative (ECI) – 2018 State of Ethics and Compliance in the Workplace

REPORTED MISCONDUCT

<table>
<thead>
<tr>
<th>Year</th>
<th>2000</th>
<th>2003</th>
<th>2005</th>
<th>2007</th>
<th>2009</th>
<th>2011</th>
<th>2013</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>%</td>
<td>56%</td>
<td>64%</td>
<td>53%</td>
<td>60%</td>
<td>63%</td>
<td>65%</td>
<td>64%</td>
<td>69%</td>
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LEADING TYPES OF MISCONDUCT REPORTED IN 2017

- **Misuse of Confidential Information**: 79%
- **Giving Accepting Bribes/Kickbacks**: 76%
- **Stealing**: 74%
- **Failed Specifications**: 73%
- **Sexual Harassment**: 70%
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WHERE THERE IS SMOKE, THERE IS FIRE

PRESSURE & OBSERVED MISCONDUCT

Pressure matters because it leads to misconduct: 84% of those who feel pressure also observed misconduct. This is a 115% increase compared to those who do not feel pressure.

REWARDING QUESTIONABLE PRACTICES

Pressure creates an environment in which questionable business practices are almost twice as likely to be accepted. 63% see such practices rewarded, fueling the likelihood that violations will appear.

- Experienced Pressure
- DID NOT Experience Pressure
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CULTURE & ETHICS OUTCOMES

<table>
<thead>
<tr>
<th></th>
<th>Strong Culture</th>
<th>Weak Culture</th>
</tr>
</thead>
<tbody>
<tr>
<td>Reported Misconduct</td>
<td>88%</td>
<td>52%</td>
</tr>
<tr>
<td>Experienced Retaliation</td>
<td>43%</td>
<td>55%</td>
</tr>
<tr>
<td>Observed Misconduct</td>
<td>28%</td>
<td>83%</td>
</tr>
<tr>
<td>Experienced Pressure</td>
<td>12%</td>
<td>34%</td>
</tr>
</tbody>
</table>
Can you teach *ethics*?

According to Psychology today, Mitchell M. Handelsman, Ph.D. says....

**YES**
Teaching *Ethics*

- The Analogous Relationship
- Both Sides Toward the Middle
- Testing the Limits
- Writing a Policy
- Role Reversal
DILBERT ON BUSINESS ETHICS...
Sources of Ethical Standards

- Utilitarian
- Rights
- Fairness/Justice
- Common Good
- Virtue
Illustration A -

How *could* one look at the situation...

- Utilitarian
- Rights
- Fairness/Justice
- Common Good
- Virtue
MSBO Code of Ethics

I. **MSBO members** shall demonstrate and be dedicated to the highest ideals of honor and integrity to merit the respect, trust and confidence of school officials, other public officials, employees and of the public.

II. **MSBO members** shall recognize and be accountable for their responsibilities as school employees in the public sector.

III. **MSBO members** shall be responsible for maintaining their own competence, for enhancing the competence of their colleagues, and for providing encouragement to those seeking to enter the field of public schools.

IV. **MSBO members** shall demonstrate professional integrity in the issuance and management of information.

V. **MSBO members** shall act with honor, integrity and virtue in all professional relationships.

VI. **MSBO members** shall actively avoid the appearance of or the fact of conflicting interest.

VII. **MSBO members** shall uphold the constitution, laws, and regulations of the United States, the State of Michigan and all governments therein.

VIII. **MSBO members** shall perform their duties with the highest ethical standards.
# Ethical Decision Making

<table>
<thead>
<tr>
<th></th>
<th>Consequentialist</th>
<th>Duty</th>
<th>Virtue</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Deliberative Process</strong></td>
<td>What kind of outcomes should I produce (or try not to produce)?</td>
<td>What are my obligations in this situation, and what are the things I should never do?</td>
<td>What kind of person should I be (or try to be), and what will my actions show about my character?</td>
</tr>
<tr>
<td><strong>Focus</strong></td>
<td>Directs attention to the future effects of an action, for all people who will be directly or indirectly affected by the action.</td>
<td>Directs attention to the duties that exist prior to the situation and determines obligations.</td>
<td>Attempts to discern character traits (virtues and vices) that are, or could be, motivating the people involved in the situation.</td>
</tr>
<tr>
<td><strong>Definition of Ethical Conduct</strong></td>
<td>The action that will achieve the best consequences.</td>
<td>Involves always doing the right thing: never failing to do one’s duty.</td>
<td>Whatever a fully virtuous person would do in the circumstances.</td>
</tr>
<tr>
<td><strong>Motivation</strong></td>
<td>Aim is to produce the most good.</td>
<td>Aim is to perform the right action.</td>
<td>Aim is to develop one’s character.</td>
</tr>
</tbody>
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To tell or not to tell...

• You are at a basketball game and see the ticket booth not following procedures.

• You have a safe with petty cash. Occasionally you know small amounts are borrowed for lunch, but an IOU is always left and it is repaid.

• You found out a new employee was let go from a previous position for theft. What do you do?
Next Steps

Auditees
• District wide code of ethics – covering all stakeholders (including board members, employees, consultants, contractors.....)
• Communication and education annually

Auditors
• Auditors – ask for it, recommend it!
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