



Exploring Ethics

August 22, 2025



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Meet the Presenters



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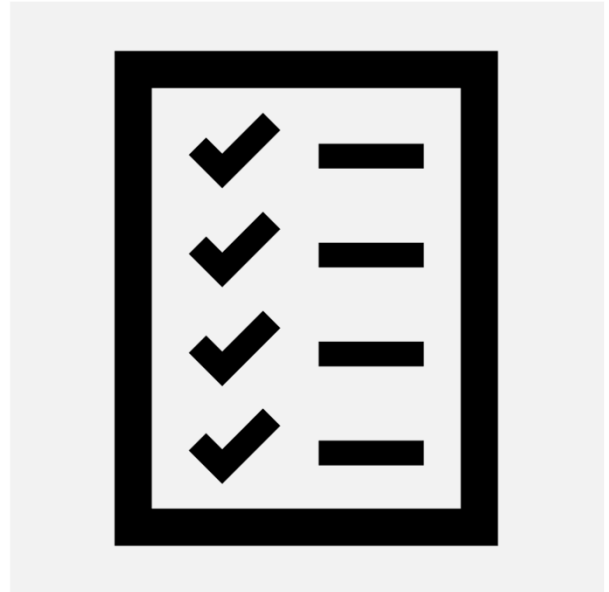
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Agenda

- Why Ethics?
- Where Do Our Ethics Come From?
- Code of Ethics
- Deciphering the Grey – A Quiz
- AICPA – Code of Professional Conduct
- Wells Fargo Case Study



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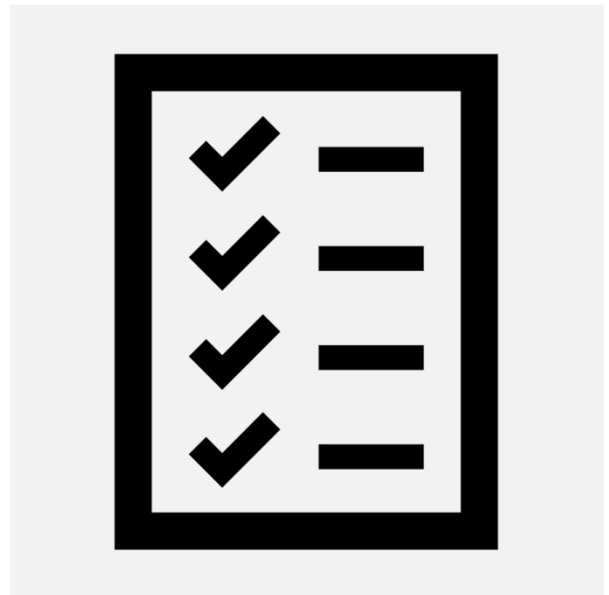
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Learning Objectives

- Identify where our ethics come from
- Recognize ethical dilemmas
- Use the AICPA Code of Professional Conduct
- Apply lessons learned from the Wells Fargo Case Study



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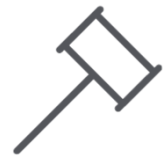
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Why Ethics?



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Why Ethics?



- We all have a set of ethics
- Ethics can be both conscious with thought & unconscious with instinct
- There is often not a consensus on ethics, as ethics come from different places
 - Governing principles such as state law or the Uniform Commercial Code
 - Personal principals such as personal faith & experiences
- Ethics are drawn from portions of our personal & business lives to drive decisions

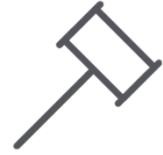
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Why Ethics?



Ethics Requirement

All license holders must complete at least 4 hours of CPE in the area of accounting professional conduct and ethics during the 3 years immediately preceding the expiration date of their current license. The ethics hours requirement does not go into effect for new CPAs until their first full calendar year of licensure.

<https://www.arcpa.org/cpe-events/state-board-requirements>

Meet the Ethics Requirement

Two of your CPE/CPD credits must be earned in ethics. IIA makes this easy by offering Ethical Behavior & Ethical Scenarios for Internal Auditors course through OnDemand training. Participants can save on the OnDemand courses when purchased as part of The IIA's [Ethics Essentials](#) course bundle.

<https://www.theiia.org/en/learning/continuing-professional-education-cpe/>

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Disclaimer Slide

CPE requirements for ethics can vary between states & between the different credentials. While this was approved for 1.5 CPE credits in Behavioral Ethics, it is up to each professional to understand the specific requirements for their state or their credential before applying this CPE as ethics credit.

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Where Do Our Ethics Come From?

- Childhood Upbringing
- Later Life Experiences
- Codes of Ethics
- Discussions with Others
- Ethical Philosophers
- Ethical Dilemmas



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Childhood Upbringing

- Parents
 - Teach through words &, more importantly, actions
 - These teachings shape our most fundamental attitudes about what is “right” & “wrong”



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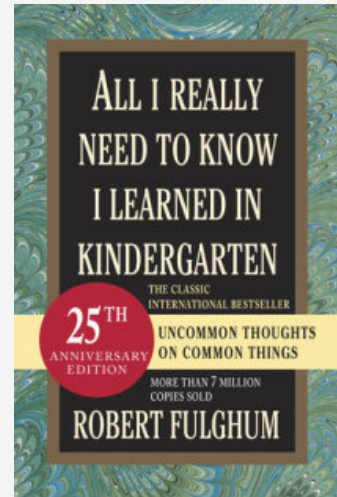
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Childhood Upbringing

- *Share everything*
- *Play fair*
- *Don't hit people*
- *Put things back where you found them*
- *Clean up your own mess*
- *Don't take things that aren't yours*
- *Say you're sorry when you hurt somebody*
- *Wash your hands before you eat*
- *Flush*

<https://www.penguinrandomhouse.ca/books/56955/all-i-really-need-to-know-i-learned-in-kindergarten-by-robert-fulghum/9780345466396/excerpt>

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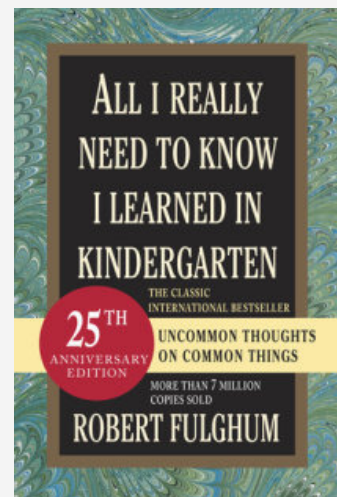
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Childhood Upbringing

- *Warm cookies and cold milk are good for you.*
- *Live a balanced life-learn some and think some and draw and paint and sing and dance and play and work every day some.*
- *Take a nap every afternoon.*
- *When you go out into the world, watch out for traffic, hold hands, and stick together.*
- *Wonder. Remember the little seed in the Styrofoam cup: The roots go down and the plant goes up and nobody really knows how or why, but we are all like that*

<https://www.penguinrandomhouse.ca/books/56955/all-i-really-need-to-know-i-learned-in-kindergarten-by-robert-fulghum/9780345466396/excerpt>

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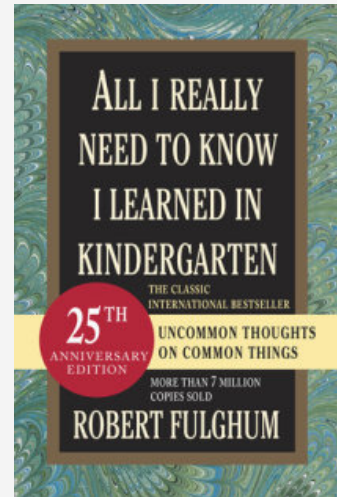
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Childhood Upbringing

- *Goldfish and hamsters and white mice and even the little seed in the Styrofoam cup—they all die. So do we.*
- *And then remember the Dick-and-Jane books and the first word you learned—the biggest word of all—LOOK.*
- *Everything you need to know is in there somewhere. The Golden Rule and love and basic sanitation. Ecology and politics and equality and sane living.*

13 <https://www.penguinrandomhouse.ca/books/56955/all-i-really-need-to-know-i-learned-in-kindergarten-by-robert-fulghum/9780345466396/excerpt>



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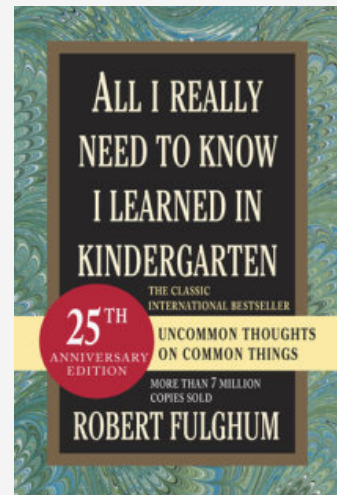
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Childhood Upbringing

Take any one of those items and extrapolate it into sophisticated adult terms and apply it to your family life or your work or your government or your world and it holds true and clear and firm. Think what a better world it would be if we all—the whole world—had cookies and milk about three o'clock every afternoon and then lay down with our blankies for a nap. Or if all governments had as a basic policy to always put things back where they found them and to clean up their own mess.

14 <https://www.penguinrandomhouse.ca/books/56955/all-i-really-need-to-know-i-learned-in-kindergarten-by-robert-fulghum/9780345466396/excerpt>



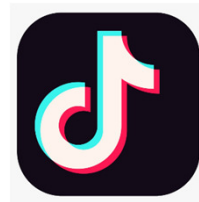
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Later Life Experiences

Social media influencers:



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Code of Ethics

- Direct & explicit source of daily ethical guidance
- Issued by many difference sources: professional groups, e.g., AICPA, ACFE; institutions (your employer), state law, etc.



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Codes of Ethics - Goals



- To set forth objectives like quality output, honesty, & public service in the customer or community dealings by the people who are governed by, or choose to subscribe to, a particular code
- To protect those to whom the code applies from harmful conduct by others governed by that particular code—conduct such as unfair competition or actions that cast the entire group in a bad light

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Codes of Ethics

- A Code of Ethics is often expressed through rather specific rules about what those governed by the code **definitely must**, or **must not**, do in their dealings with customers, one another, & the public at large. These self-protective rules can sometimes appear to **conflict** with religious, philosophical, or other sources of ethical guidance

**What happens when
there is conflict? What
should we do?**



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Core Values Test

In situations where you are uncertain what to do, ask yourself these questions:

1. Is the action legal?
2. Does it comply with a code of conduct and ethics or related policies?
3. Does it reflect our core values?
4. Would I be comfortable if my friends and family knew about it?
5. Would it be ok if other employees or my peers did it?
6. Would it keep my company/organization or other stakeholders from experiencing loss, harm, or unnecessary risk?
7. Does it feel like the right thing to do?

If you answered “no” to any of these questions, **do not do it.**

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Title

Date

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Managers Responsibility

How can you lead by example?

- Making sure you know, understand, and model the Code of Conduct and related policies.
- Reinforcing the importance of conducting business with the highest level of integrity with your employees.
- Ensuring your employees complete all required trainings in a timely manner.
- Supervising activities and conduct of employees in your reporting chain.
- Responding to misconduct and report violations as soon as you witness them or are made aware of them and use the resources listed below to make a report.
- Promoting a positive and ethical work environment in which employees feel comfortable raising concerns and communicating bad news.
- Addressing issues raised by employees by listening and taking action when appropriate, including contacting the Ethics hotline, as applicable.

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Employee Responsibility

Every employee has a responsibility not only to adhere to the Code of Business Conduct and Ethics, but also to raise issues when you become aware of misconduct or other violations



Act with integrity



Use good judgement



Being honest, accurate, respectful and responsible.

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Consequences Understanding the Impact

When someone fails to adhere to a code of conduct, whether intentionally or inadvertently, there can be significant consequences that affect various aspects of their life. These consequences can be both personal and professional.

- **Legal consequences** – Violating a code of conduct can have legal ramifications, depending on the nature and severity of misconduct. Legal repercussions may include fines, penalties, lawsuits, or even criminal charges. It is essential to understand that laws vary across jurisdictions, and what might be a violation in one place may not be in another.
- **Professional repercussions** – Many professions have their own codes of conduct that individuals must follow as part of their ethical obligations. Failing to adhere to these standards can result in professional consequences such as loss of employment, damage to one's professional reputation, or difficulty finding future employment opportunities. Depending on the severity of the misconduct, professional licensing or certification may also be at risk.
- **Damage to relationships** – Codes of conduct often exist to promote respectful and considerate interactions among individuals. When these codes are violated, it can lead to strained relationships, loss of trust, and damaged personal connections.
- **Reputational harm** – In today's interconnected world, news of misconduct can spread rapidly and have long-lasting consequences. Whether traditional media outlets or social media platforms, violations of codes of conduct can tarnish a person's reputation. Reputational harm can impact personal and professional opportunities, leading to loss of trust from colleagues, clients, or the public at large.

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Consequences

Understanding the Consequences of Ignoring the Code of Conduct

Legal Consequences:

- Legal liability – Ignoring the Code of Conduct can result in legal action against individuals or organizations. This can include lawsuits, fines, penalties, or even criminal charges in some cases. For example, if an employee engages in discriminatory practices or harassment and it is proven that the organization failed to address the issue, the organization can be held legally responsible.
- Breach of contract – Many organizations require employees to sign an employment contract that includes a provision to adhere to the Code of Conduct. Ignoring the Code of Conduct can be considered a breach of contract, which may result in termination of employment or other disciplinary actions.

Professional Consequences:

- Damage to reputation – Ignoring the Code of Conduct can lead to a tarnished reputation for individuals and organizations alike. News of unethical behavior or misconduct can spread quickly through social media and other channels, causing significant damage to public perception. This can affect future job prospects, business relationships, and overall credibility.
- Loss of trust and morale – When individuals within an organization ignore the Code of Conduct, it erodes the trust among colleagues and undermines morale. Employees feel demoralized and disengaged when they witness unethical behavior going unpunished. This can lead to decreased productivity, increased turnover, and a toxic work environment.

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Consequences

Understanding the Consequences of Ignoring the Code of Conduct, cont.

Organizational Consequences:

- Legal and financial costs – The legal consequences mentioned earlier can result in significant financial costs for organizations. Lawsuits, fines and penalties can drain resources and affect the bottom line. Moreover, organizations may incur additional costs to implement corrective measures, strengthen compliance programs, and rebuild their reputation.
- Compliance failures – Ignoring the Code of Conduct can expose organizations to compliance failures. This can lead to regulatory investigations, audits, and increased scrutiny from stakeholders. Non-compliance can result in loss of licenses, permits, or certifications, which may hinder business operations or lead to closure.
- Damage to company culture – The Code of Conduct serves as a moral compass for an organization, guiding behavior and shaping company culture. Ignoring the Code of Conduct can erode the values and principles that form the foundation of the organization. It can create a culture that tolerates misconduct, unethical behavior, and a lack of accountability.

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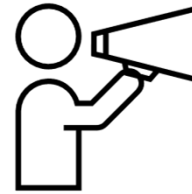


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Speaking Up

Speaking up helps us

- protect our business and reputation
- Detect and resolve issues



In many cases, your manager can resolve issues, or help guide you through the appropriate process



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Discussion With Others

- Ethical judgements about behavior are being discussed daily, both implicitly & explicitly
 - Small talk, chit chat, gossip, etc.
- The words of others can lead each of us to a sense of what those around us view as good/bad, ethical/unethical
- The Social Consensus
 - How often do we “go along” with the opinions of others?
 - Is that easier than independently evaluating the ethical aspects of others’ actions?
 - What if we have strong personal views on a matter?

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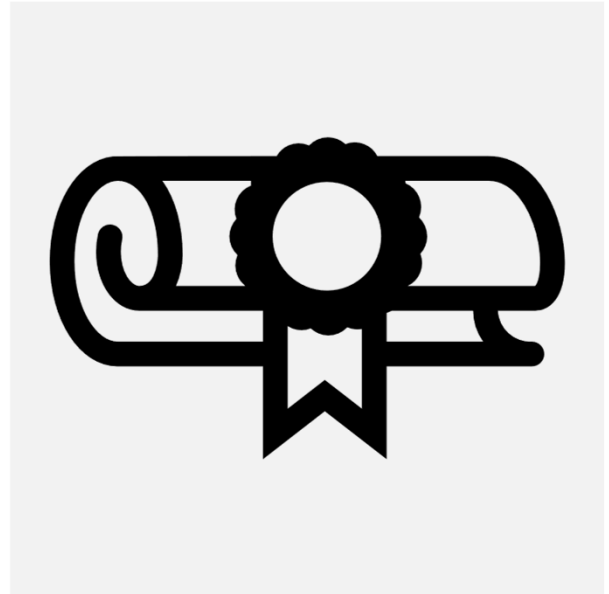
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Ethical Philosophers

- Rules based vs. Results based
 - Rules based: The Ten Commandments
 - Results based: Hippocrates

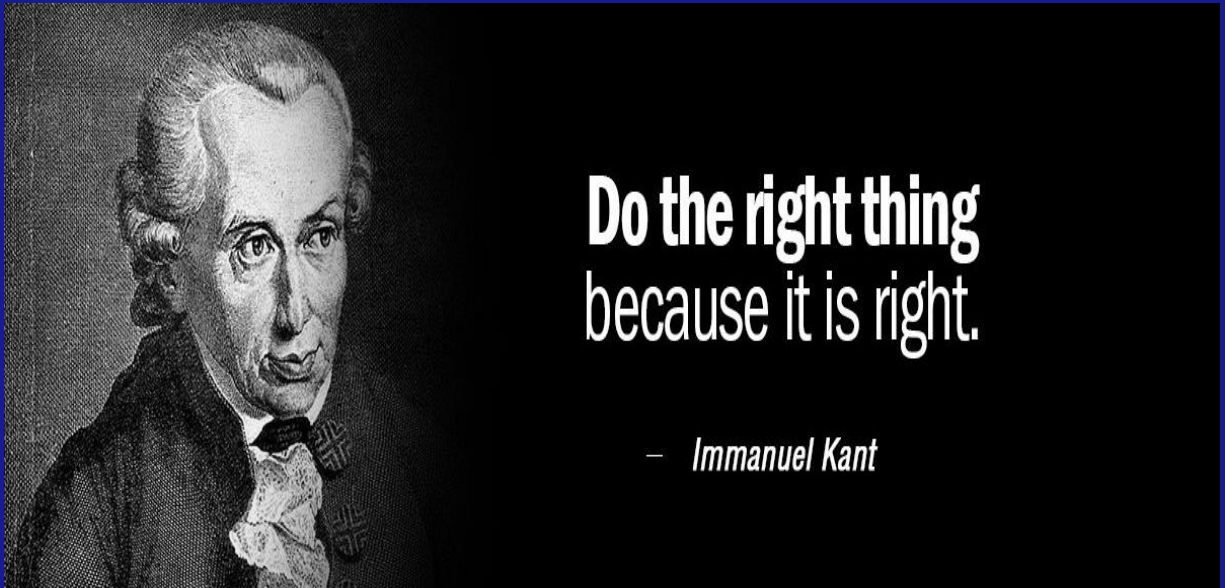


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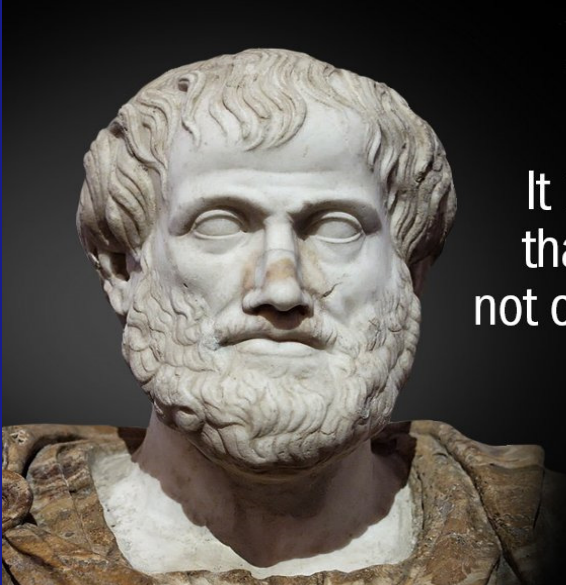
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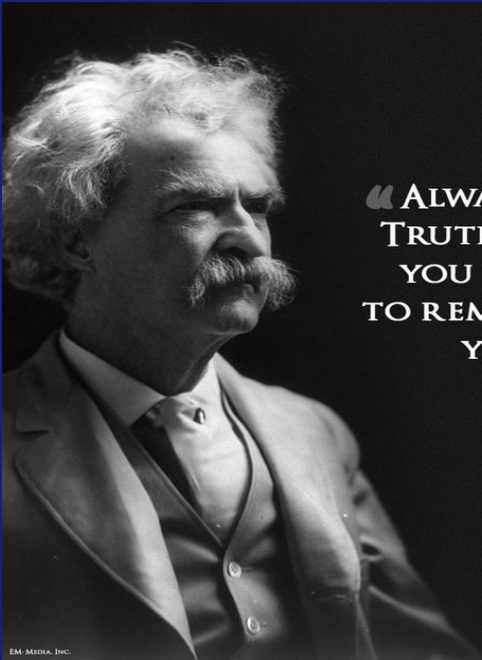
It is our **choice** of good or evil
that determines our character,
not our **opinion** about good or evil.

– Aristotle

AZ QUOTES

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“ALWAYS TELL THE
TRUTH. THAT WAY,
YOU DON'T HAVE
TO REMEMBER WHAT
YOU SAID.”

~ MARK TWAIN

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Why Ethics?



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Ethical Dilemma



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What is an Ethical Dilemma?

Definition

- An Ethical Dilemma occurs when a person regards themselves as having moral reasons to do each of two actions, but doing both actions is not possible.
- Crucial Features:
 1. The person is required to do each of two (or more) actions
 2. The person can do each of the actions, but cannot do both (or all)
 3. The person thus seems condemned to moral failure. No matter what they do, they will do something wrong.

[Moral Dilemmas \(Stanford Encyclopedia of Philosophy\)](#)

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What is an Ethical Dilemma?

Ethical Theories

- Ethical Theories arise from the presence of an ethical dilemma
 - If there is a clear-cut solution, no ethical theories are necessary
- Each Ethical Theory maintains that when there is a conflict of reasons, there is an overarching reason that takes precedence
 - Ex: Precedence to rights/fairness over harm, benefits over rights/fairness

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What is an Ethical Dilemma?

Types of Ethical Theories

Utilitarians

- The ultimate justifying reason for an action is that the action brings about more good for more people than it does harm
- The many > the few

Egoists

- Consider only what is good for ourselves and prioritize self-interested concerns over what is good for others and what is fair.
- Me > we

Deontologists

- They believe that actions themselves are ethical in spite of the consequences.
- The end does not justify the means

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What is an Ethical Dilemma?

Examples

- Truth vs. Loyalty – arises when one is caught between absolute honesty and allegiance to individuals or groups
 - Conflict of interest
 - Whistleblowing
 - Professional secrecy
 - Journalism confidentiality
 - Employee favoritism
 - Client representation
 - Academic cheating
- Individual vs. Community – involve discrepancies between personal interest and collective benefits
 - Resource allocation
 - Vaccination debates
 - Zoning disputes
 - Public health measures
 - Education policy changes
 - Environmental regulations
 - Freedom of speech

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What is an Ethical Dilemma? Examples

- Short-Term vs. Long-Term – compels one to choose between immediate benefits or long-term consequences
 - Financial investments
 - Career advancement
 - Environmental considerations
 - Health choices
 - Business growth
 - Public policy
 - Technology upgrades
- Justice vs. Mercy – highlight the tension between fair consequences and compassion
 - Leniency for first-time offenders
 - Pardon of death row inmate
 - Hate crime retribution
 - Academic misconduct
 - Role of advisors in financial crisis
 - War crimes dilemma
 - Social welfare decisions

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Dilemmas in the Workplace

10 Ethical Dilemmas in the Workplace per the University of Tennessee Chattanooga

1. Conflicts of Interest
2. Use of Company Resources
3. Information Privacy and Confidentiality
4. Hiring and Firing Practices
5. Gifts and Bribes
6. Fairness and Equality
7. Whistleblowing
8. Intellectual Property and Confidentiality
9. Employee Monitoring
10. Sustainability and Environmental Responsibility

[Understanding the Top 10 Ethical Dilemmas in the Workplace](#)

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Deciphering the Grey – A Quiz

- What is the ethical grey?
 - Refers to situations where ethical decisions are not clearly defined as right or wrong, often involving ambiguity and conflicting values.
 - In business, this can occur when decisions that seem profitable may conflict with ethical principles, leading to dilemmas where profit and morality intersect.



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Is it ethical to purchase first-class flights for work travel?

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If your personal credit card, for which you personally pay the annual fee, provides you with free checked bags, is it ethical to add the \$30 checked bag fee to your expense reimbursement request to recoup some of the annual fee that you personally paid?

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Is it ethical to charge breakfast on your expense report when breakfast is provided by a hotel?

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Is it ethical to charge dinner to your expense report when there's a conference reception ... even if it's only heavy hors d'oeuvres?

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Is it ethical to drive to a meeting instead of flying to maximize your reimbursement?

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Audit Beacon Beware of Your Own Ethical Lapses

IF YOU CANNOT TRUST THE
INTERNAL AUDITOR, WHO
CAN YOU TRUST?

VULNERABILITY TO
MISTAKES ≠ ETHICAL
LAPSES

WITHHOLDING
INFORMATION TO PROTECT
OTHERS FROM BAD
PUBLICITY ENDS BADLY
FOR ALL PARTIES INVOLVED

COVER-UP IS WORSE THAN
THE CRIME!!!

“I would rather no one know
what internal auditors do than
to draw conclusions from
those who do it poorly.”

- Richard Chambers,
CIA, CFE, QIAL, CRMA,
CGAP

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<https://www.richardchambers.com/internal-auditors-beware-of-your-own-ethical-lapses/>

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Audit Beacon Beware of Your Own Ethical Lapses

The World isn't always black and white

- Your annual risk assessment identifies a key business process related to how the company performs during the winter holiday season. Scheduling the audit for the coming year means that you and your team will have to sacrifice the holidays with your family. Would you schedule it anyway?
- You audit an area in which a family member or close friend has key management responsibilities. You identify major problems. What do you do?
- You have been accruing company stock in your 401(k) and stock options in your company since you accepted the role of CAE. Your audit team just delivered a draft audit report to you that cites a potentially serious fraud involving the company's financial reporting. Disclosure would likely devastate the share value – along with your personal worth. What do you do?

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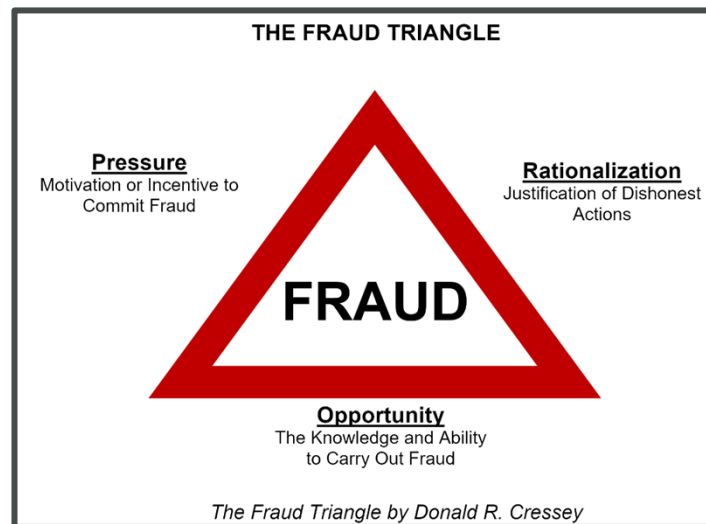
<https://www.richardchambers.com/internal-auditors-beware-of-your-own-ethical-lapses/>

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Fraud Triangle



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Fraud Triangle Components

Opportunity:

- Weak internal controls
- Poor tone at the top
- Inadequate accounting policies

Incentive:

- Bonuses based on a financial metric
- Investor and analyst expectations
- Personal incentives

Rationalization:

- “They treated me wrong”
- “Upper management is doing it as well”
- “There is no other solution”

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Ethics CPE, the Fraud Triangle, & Rationalization


Our ethics directly impact our
ability to rationalize

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Code of Professional Conduct

Effective December 15, 2014.
Updated for all official releases through March 2025.

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AICPA – Code of Professional Conduct

Principles of Professional Conduct – 0.300

0.300.020 – Responsibilities:

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

0.300.030 – The Public Interest:

.01 *The public interest principle*. *Members* should accept the obligation to act in a way that will serve the public interest, honest the public trust, and demonstrate a commitment to professionalism.

0.300.040 – Integrity:

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

0.300.050 – Objectivity and Independence:

.01 *Objectivity and independence principle*. 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.

[AICPA – Code of Conduct: et-cod.pdf](#)

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University of Texas - Ethics Unwrapped

Case Study: Wells Fargo and Moral Emotions



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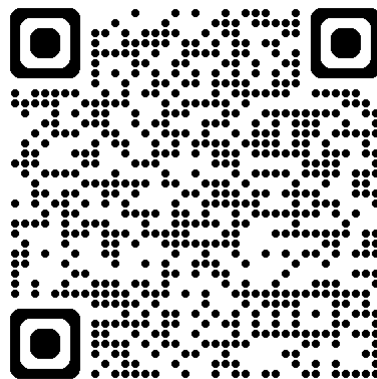
<https://ethicsunwrapped.utexas.edu/>

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Case Study- Wells Fargo and Moral Emotions



Open [this link](#) and read through the case study



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Case Study- Wells Fargo and Moral Emotions



- Wells Fargo admitted in 2016 that it had created as many as *two million* accounts for customers without their permission by using customers' personal identification numbers to enroll them in various products without their knowledge. Wells Fargo agreed to pay \$185 million in fines and penalties.
- Employees had been urged to "cross-sell," and they were incentivized, through both positive and negative means, to sell as many different types of accounts to customers as possible. "Eight is great" was a motto.
- Employees sought out outlets to relieve their guilt –
 - One tried to lessen his guilt by doing volunteer work.
 - Others were moved to call company hotlines or otherwise blow the whistle, but they were ignored.
 - One employee (whistleblower) who sued to challenge retaliation against him was "uncomfortable" and "unsettled" by the practices he saw around him, which prompted him to speak out. "This is a fraud, I cannot be a part of that."

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Case Study- Wells Fargo and Moral Emotions, cont.



- Early prognostications were that CEO, John Stumpf, would not lose his job over the fiasco; however, as time went on and investigations continues, the forms and amount of wrongdoing seemed to grow and grow.
- Evidence surfaced that the bank improperly changed the terms of mortgage loans, signed customers up for unauthorized life insurance policies, overcharged small businesses for credit-card processing, and on and on.
- After Stumpf was ousted, Tim Sloan replaced him at the helm.
- However, more and more allegations of wrongdoing arose. The bank had illegally repossessed cars from military veterans, modified mortgages without customer authorization, charged 570,000 customers for auto insurance they didn't need, and the total number of fake accounts ballooned to over 3.5 million.

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Case Study- Wells Fargo and Moral Emotions



What are Moral Emotions?

- Moral emotions are social emotions that play a crucial role in forming moral judgments and motivating ethical behavior, including feelings like guilt, shame, empathy and compassion. Experts think it is impossible to make any important moral judgments without emotions.
- Inner-directed negative emotions like guilt, embarrassment, and shame often motivate people to act ethically.
- Outer-directed negative emotions, on the other hand, aim to discipline or punish. For example, people often direct anger, disgust or contempt at those who have acted unethically. This discourages others from behaving the same way.
- Most of our moral judgments are based on emotions or intuitions.
- What we consider reasoning is rationalizing a judgment/decision that our brains have already instinctively made.

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Case Study- Wells Fargo and Moral Emotions



What are Moral Emotions?

They tend to lead people towards making the right decisions but...

1. Making a judgment emotionally, but showing inability to rationalize the decision is a concept called “moral dumbfounding”
2. We can deceive ourselves through rationalization and psychological tricks to view our actions as “not so bad”
3. Our emotional reactions tend to beat our logical thoughts to the punch



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Case Study- Wells Fargo and Moral Emotions

Discussion Questions



1. What moral emotions seem to have been at play in this case? On the part of the bank's employees? The bank's victims? The bank's regulators? The bank's shareholders?
2. What factors contributed particularly to the outrage and anger that legislators, regulators, customers, and shareholders felt?
3. Clearly inner-directed emotions such as guilt and embarrassment affected the actions of Wells Fargo employees. Were they always sufficient to overcome the employees' utilitarian calculation: "I need this job"?
4. Did moral emotions motivate some of the whistleblowers? How?
5. In the wake of everything described in the case study, Wells Fargo has fired many employees, clawed back bonuses from executives, replaced many of its directors, dismantled its sales incentive system and made other changes.
 - Do you think these changes were made out of a utilitarian calculation designed to avoid further monetary penalties, or a desire to avoid the shame and embarrassment the bank's managers and employees were feeling?
 - Or was it a combination of both of these things?
 - If a combination, which do you think played a bigger role? Why?

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In Conclusion...

Be Prepared!

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Questions?

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Thank you!

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