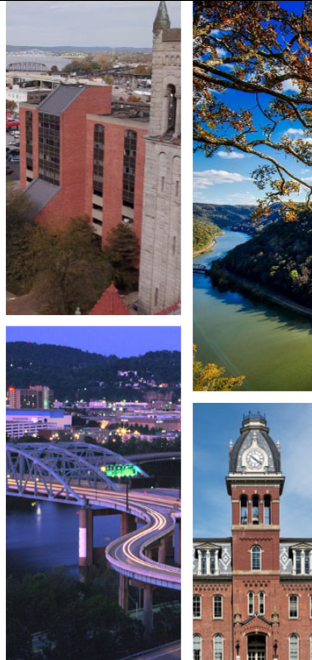




## Ethics

Rebecca Sigman, CPA

July 13, 2021



## Today's Discussion

---

- What are ethics?
- Ethics in the workplace
- Real life examples of fraud
- Recent WV Ethics Commission Advisory Opinions



“YOUR REPUTATION IS MORE  
IMPORTANT THAN YOUR  
PAYCHECK, AND YOUR INTEGRITY IS  
WORTH MORE THAN YOUR  
CAREER.”  
-Ryan Freitas

## What are ethics?

---

- According to Miriam-Webster:
  - Ethics are defined as “dealing with what is good and bad and with moral duty and obligation” or “the principles of conduct governing an individual or a group”.
- Moral is defined as “relating to principles of right or wrong” and “conforming to a standard of right behavior”.

## What are ethics?

---

- Examples of ethical dilemmas
  - Tickets to a game
  - Attendance form
  - Pressure to record revenue in the wrong period

## Ethics in the Workplace

---

- What are “Work Ethics”?
- A group of moral principles, standards of behavior, or set of values regarding proper conduct in the workplace.

## Ethics in the Workplace

---

- Relationships at Work
  - Administrators towards students/parents
  - Administrators towards faculty/staff
  - Administrators towards external parties
  - Faculty/staff towards administrators
  - Faculty/staff towards each other

## Ethics in the Workplace

---

- Relationships at Work
  - Gossip
    - Poor work environment
    - Decreases productivity
  - Harassment
    - Unwelcome sexual advances, jokes, stories, etc...
    - Compliance as a condition of employment
    - Interferes with work performance
    - Legal liability

## Ethics in the Workplace

---

- Relationships at Work
  - Break confidentiality
    - Legal issues
    - Lose trust
  - Ignore safety concerns
    - Legal issues
    - Reduced moral

## Ethics in the Workplace

---

- Relationships at Work
  - Irresponsible behavior
    - Sets a bad example
    - Changes the dynamics of the work environment

## Ethics in the Workplace

---

### ■ Business Abuse

- Stealing: inventory, money, equipment, school supplies, time, trust
- Unnecessary purchases and/or trips
- Conflict of interest
- Kickbacks
- Vandalism
- Falsify records (Fraud)



## Ethics in the Workplace

---

### ■ How or why do these situations arise?

- Rationalization – “everybody does it”, “they won’t miss this”, “that’s how it’s always been done”
- Justification – “they don’t pay me enough”, “they don’t deserve my loyalty”, “I deserve this”
- Opportunity – poor controls, lack of oversight, familiarity, cultural complacency
- Things just happen



## Ethics in the Workplace

---

- So how can we prevent these situations?
  - Security
  - Controls
  - Increase loyalty – wages, recognition, fair treatment
  - Speak up - whistleblower program
  - “Tone at the top” – culture change
  - Increased awareness

## Ethics in the Workplace

---

- When in doubt ask,
  - is this legal?
  - is this against state, federal, or board policy?
  - could my actions cause loss or harm to anyone?
  - if everyone saw me would I feel embarrassed, ashamed, or uncomfortable?

## Ethics in the Workplace

---

- Refer to the following Ethical Decision Making Model:
- Step 1 is to Clarify –
  - Determine precisely what must be decided.
  - Formulate and devise the full range of alternatives.
  - Eliminate patently impractical, illegal and improper alternatives.
  - Force yourself to develop at least three ethically justifiable options.
  - Examine each option to determine which ethical principles and values are involved.

## Ethics in the Workplace

---

- Refer to the following Ethical Decision Making Model:
- Step 2 is to Evaluate –
  - If any of the options requires the sacrifice of any ethical principle, evaluate the facts and assumptions carefully.
  - Distinguish solid facts from beliefs, desires, theories, suppositions, unsupported conclusions, opinions, and rationalizations.
  - Consider the credibility of sources, especially when they are self-interested, ideological or biased.
  - With regard to each alternative, carefully consider the benefits, burdens and risks to each stakeholder.



## Ethics in the Workplace

---

- Refer to the following Ethical Decision Making Model:
- Step 3 is to Decide –
  - Make a judgment about what is not true and what consequences are most likely to occur.
  - Evaluate the viable alternatives according to personal conscience.
  - Prioritize the values so that you can choose which values to advance and which to subordinate.
  - Determine who will be helped the most and harmed the least.
  - Consider the worst case scenario.



## Ethics in the Workplace

---

- Refer to the following Ethical Decision Making Model:
- Step 4 is to Implement –
  - Develop a plan of how to implement the decision.
  - Maximize the benefits and minimize the costs and risks.



## Ethics in the Workplace

---

- Refer to the following Ethical Decision Making Model:
- Step 5 is to Monitor & Modify–
  - Monitor the effects of decisions.
  - Be prepared and willing to revise a plan, or take a different course of action.
  - Adjust to new information.

## Ethics in the Workplace

---

- Black, white or grey?
  - Business can be associated with competition and greed
  - If the laws and rules in place do not explicitly address the situation do we still rely on our own moral values or do we determine it is acceptable because it does not state otherwise?
  - Ethical fading
    - We become blind to the fact that we are actually crossing boundaries

## Ethics in the Workplace

---

- In John C. Maxwell's book Ethics 101
  - 43% of employees (surveyed) committed an unethical act
  - 75% observed unethical acts and did nothing.
    - Reasons:
      - Participation Attitude – They are also part of the 43%
      - Apathetic – The employee who notices really doesn't care
      - Afraid – The employees don't feel safe reporting the incident, and
      - Surrender Attitude – Why bother? Nothing will be done anyway.

May the Fraud Be Ever In  
Your Favor

## Fraud at Child-Feeding Sites

---

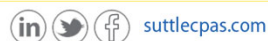
- The U.S. Department of Agriculture subsidizes a number of feeding programs that allow children to receive nutritious meals at free or reduced prices including the National School Lunch Program. The agency extended additional flexibilities to program providers over the past 12 months due to the pandemic.
- Many schools, community organizations, and nonprofits across Oklahoma raced to provide free meals to children. Participation in Oklahoma State Department of Education's Summer Food Service Program soared by over 700 percent during the pandemic.



## Fraud at Child-Feeding Sites





---

- It was found that program sites served over 13 million meals to children from May to August in 2020. Those sites include public schools, daycares, juvenile centers, after-school programs, and stand-alone summer feeding programs.
- The OSDE found federal funds were improperly claimed for reimbursement since April 2020. The majority of these improper claims were reported at child-care sites.
- The agency's Office of Child nutrition services uncovered the fraudulent activity through a number of accountability measures, including an unannounced review process implemented in 2016 under State Superintendent of Public Instruction Joy Hofmeister.



What was the amount of federal funds improperly claimed for reimbursement?





- A. \$4.1M
- B. \$900K
- C. \$2.3M
- D. \$1.6M

    [suttlecpas.com](http://suttlecpas.com)

And the verdict is...

D. \$1.6M

<https://www.kjrh.com/news/local-news/osde-uncovers-over-1-6-million-in-fraud-at-child-feeding-sites>

    [suttlecpas.com](http://suttlecpas.com)

## Kentucky School Finance Director Embezzles \$1.6M

---

- Starting in February 2011 and continuing through about June 2019, Franklin County Board of Education Finance Director wrote unauthorized checks to herself, then falsified the necessary records and invoices to cover up her crimes.
- She created fake invoices from real vendors that the school district worked with. The school district sometimes gets multiple invoices at a time from a company, so she could make a fake invoice to include among the real ones. A corresponding check would be cut and she would doctor the check to change the name and address, sometimes to her own. She was also treasurer of her church, where she essentially had full control over its financial management, with little oversight or internal controls.



## Kentucky School Finance Director Embezzles \$1.6M

---

- She was also treasurer of her church, where she essentially had full control over its financial management, with little oversight or internal controls.
- She periodically used the church's account to launder money she had stolen from the FCBOE, before writing checks to herself, attempting to avoid detection and making the checks appear legitimate.
- She willfully filed false individual income tax returns, for the years 2011-2018, by intentionally failing to report the income from her fraudulent scheme. The total amount of tax loss was \$315,677.



## Kentucky School Finance Director Embezzles \$1.6M

---

- Inadequate segregation of duties was cited in the most recent audit, which uncovered writing of checks that were not valid expenditures.
- The fraud was uncovered by Commonwealth Credit Union who had contacted Federal agents about a suspicious check the Finance Director had deposited.

What was her sentence?

A. 10 years in prison

B. 3 years in prison

C. 5 years in prison

D. Pay restitution with probation and no jail time

## And the verdict is...

---

C. 5 years in  
prison

<https://www.kentuckytoday.com/stories/former-fcs-finance-director-embezzled-more-than-1-million-from-school-district,23586>

<https://www.wtvq.com/2020/10/02/former-school-finance-director-gets-five-years-for-stealing-1-6-million/>



## Superintendent Plagiarism

---





- A Rochester Public Schools Superintendent was reprimanded following reports of plagiarism, ranging from letters to staff to graduation speeches.





The Minnesota board charged with overseeing licensing for public school administrators voted to

- A. Revoke his license
- B. Put him on probationary status
- C. Take no action
- D. Keep the action on file for a year (censure)





    [suttlecpas.com](http://suttlecpas.com)

### And the verdict is...

D. Keep the action on file for a year (censure).

If there is no similar behavior at the end of the year the censure is removed. Censuring does not have any bearing on his ability to work for the school district. However, he ultimately resigned saying his actions had “set a poor example for our students and have caused a distraction from our mission.”

<https://www.medcitybeat.com/news-blog/2021/michael-munoz-censured-by-mn-superintendents-association>

    [suttlecpas.com](http://suttlecpas.com)

## Ghost Payroll Scheme

---

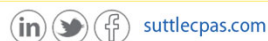
- A former Chicago Public Schools computer technician was paid nearly \$122,000 over two years while primarily living in California and doing virtually no work
- One of her colleagues, a clerk at the school, clocked her in and out to make it look like she was going to work.
- The computer tech may have made a couple trips back to Chicago in those two years and might have even worked those days.



## Ghost Payroll Scheme





---

- The school's principal was aware that she was in California and that the school clerk was clocking her in but did nothing about the situation.
- The computer technician also violated the district's code of ethics when, while employed at CPS, a printing company where she and her husband were corporate officers did \$237,302 worth of business with CPS schools. She personally purchased \$65,790 worth of printing supplies for her particular elementary school.



What was the outcome for the computer technician?


- A. Paid restitution and resigned
- B. Resigned
- C. 2 years in prison
- D. Terminated

    [suttlecpas.com](http://suttlecpas.com)

And the verdict is...

**B. Resigned**  
CPS ended its business relationship and barred future contracts with the company, the ex-technician and her husband at the OIG's recommendation. Do not hire designations were placed in all three ex-employees' files.

<https://chicago.suntimes.com/education/2021/1/6/22216116/cps-public-schools-ghost-payroll-scheme-inspector-general-fraud>

    [suttlecpas.com](http://suttlecpas.com)

## Wire Fraud

---

- A former technology coordinator of the Blue Ridge Community School District lied to a school district official and said computer switches had failed and needed to be replaced to maintain the district computer system.
- He repeatedly used his position to have the district order over 100 switches it didn't use or need from two separate vendors for more than \$400,000. Authorities said another 28 switches were ordered and never paid for, leading to a vendor suffering a loss of about \$106,200.



## Wire Fraud





---

- He contacted at least five different buyers while acting under his name and doing business as "The Bored Woodworker." He negotiated a purchase price for the switches, then shipped them to the buyers with payments going to himself or his business name.



The computer tech has not yet been sentenced. What is the statutory penalty for this type of fraud?





- A. Up to 20 years
- B. No jail time if restitution is paid
- C. Up to 10 years
- D. Up to 5 years

 **Suttler & Stalaker** PLC    [suttlecpas.com](http://suttlecpas.com)

And the verdict is...

A. Up to 20 years

[https://www.wandtv.com/news/former-employee-admits-to-defrauding-school-district-of-over-300k/article\\_31b125fa-723e-11eb-a748-3711958252ca.html](https://www.wandtv.com/news/former-employee-admits-to-defrauding-school-district-of-over-300k/article_31b125fa-723e-11eb-a748-3711958252ca.html)

 **Suttler & Stalaker** PLC    [suttlecpas.com](http://suttlecpas.com)

# Recent WV Ethics Commission Opinions



## Recent WV Ethics Commission Opinions

### AO 2021-01 Opinion Sought

- May the Board of Education use public funds to pay attorney fees, either directly or through the procurement of liability insurance, for the defense of pending Ethics Commission complaints if the complaints arise out of the performance of duties as superintendent.



## Recent WV Ethics Commission Opinions

### AO 2021-01 Facts for Direct Payment of Defense Costs

- The Ethics Commission relied upon common law for guidance
  - Powers v. Goodwin, 291 S.E.2d 466 (W. Va. 1982)
    - Supreme Court established a three-part test for when it is permissible to indemnify a public official for his or her legal fees in a civil or criminal context:
      1. The underlying action must arise from the discharge of an official duty in which the government has an interest
      2. The officer must have acted in good faith, and
      3. The agency seeking to indemnify the officer must have either the express or implied power to do so



## Recent WV Ethics Commission Opinions

### AO 2021-01 Opinion on Payment of legal defense costs for a pending ethics complaint

- The Ethics Act does NOT prohibit the BOE from using public funds to provide a defense to the Superintendent if the BOE finds that paying the attorney fees is
  1. In the best interest of the BOE, and
  2. The Powers test is satisfied



## Recent WV Ethics Commission Opinions

### AO 2021-01 Opinion on Insurance Coverage Provision

- It does NOT violate the Ethics Act for the BOE to procure liability insurance which may provide defense if the BOE determines it has
  1. Legal authority to do so, and
  2. It serves a public purpose



## Recent WV Ethics Commission Opinions

### AO 2021-08 Opinion Sought

- A County BOE Member asks whether she must recuse herself from participating in updates about a lawsuit filed against the Board by her brother and a related lawsuit in which her brother will likely be a witness.





## Recent WV Ethics Commission Opinions

### AO 2021-08 Facts

- The Member and her brother do not reside together and neither derives financial support from one another.
- The disposition of both lawsuits will have no conceivable impact on the brother's former employment or working conditions with the BOE nor will it impact his retirement benefits.
- The lawsuit is covered by the BOE's liability insurance and the insurance carrier controls the decisions about the lawsuits. However, the superintendent must agree to any settlement of the lawsuits and the BOE members to exercise influence and control over the superintendent.



## Recent WV Ethics Commission Opinions

### AO 2021-08 Provisions Relied Upon by the Commission

- W. VA. Code §6B-1-3
- W. VA. Code §6B-2-5(b)
- W. VA. Code §6B-2-5
- W. VA. Code §6B-2-5(j)
- W. VA. Code §158-6-3



## Recent WV Ethics Commission Opinions

### AO 2021-08 Opinion

- W. VA. Code §6B-2-5(j)(1)(A) does not require the Requester's recusal from the discussion and vote on matters related to the lawsuits.
- The Ethics Commission holds that neither the Ethics Act nor W. VA. Code R. §158-6-3 requires the Requester to recuse herself from participating in updates about either lawsuits.
- This opinion also overruled Advisory Opinions 1999-19, 2011-15, and 2011-16 to the extent they held that recusal is required on grounds other than those expressly contained in the Ethics Act or a Legislative Rule.



## Recent WV Ethics Commission Opinions

### AO 2021-13 Opinion Sought

- A County Board of Education Member asks whether she may be employed as a teacher by a private, nonprofit school which contracts with the BOE to provide educational and behavioral health services to students in the County School System.



## Recent WV Ethics Commission Opinions

### AO 2021-13 Facts

- Some of the BOE's students attend school at the nonprofit school. The contract at the nonprofit school contains agreed-to rates for the services it provides.
- The requester is a math teacher, with an annual salary and W-2. Her contract expressly states she is not entitled to overtime and her salary is not tied to the number of students that she teaches.
- A student from the Requester's County School System is currently a student in the class of the Requester.
- The BOE approves payments to the nonprofit school at the BOE monthly meetings.



## Recent WV Ethics Commission Opinions

### AO 2021-13 Provisions Relied Upon by the Commission

- W. VA. Code §6B-2-5(d)
- W. VA. Code R. §158-8-2
- W. VA. Code R. §158-8-4
- W. VA. Code §61-10-15
- W. VA. Code §6B-2-5(j)



## Recent WV Ethics Commission Opinions

### AO 2021-13 Opinion

- Analysis under the Ethics Act
  - The Requester is not associated with the nonprofit school for purposes of W. VA. Code §6B-2-5(d) because the Requester is not a director, officer, or holder of stock in the nonprofit school. The Ethics Act does not therefore prohibit her employment with a nonprofit school which contracts with the BOE. The Requester must abide by the voting restrictions.
- Analysis under W. VA. Code §61-10-15
  - The Requester may be employed by the nonprofit school if she complies with the restrictions herein. The Requester may not use her position to influence the BOE's decisions to continue its contract with the nonprofit school nor may she approve payments of invoices to the nonprofit.
  - If a matter relating to the nonprofit school comes before the BOE, then the Requester must recuse herself from all discussions and votes on such matter.



## Thank You!



Rebecca Sigman  
 Supervisor  
 Email: [rsigman@suttlecpas.com](mailto:rsigman@suttlecpas.com)  
 Phone: 303-343-4126  
 Office: Charleston

**Charleston Office**  
 1411 Virginia Street, East  
 Suite 100  
 Charleston, WV 25301  
 Phone 304-343-4126  
 Toll Free 1-800-788-3844  
 Fax 304-343-8008

**Parkersburg Office**  
 200 Star Avenue  
 Suite 220  
 Parkersburg, WV 26101  
 Phone 304-485-6584  
 Fax 304-485-0971

**Morgantown Office**  
 68 Clay Street  
 Suite C  
 Morgantown, WV 26501  
 Phone 304-554-3371  
 Fax 304-554-3410

