

The Oklahoma Business Ethics Consortium



ENTERING OUR ELEVENTH YEAR OF PROMOTING OKLAHOMA VALUES OF INTEGRITY AT WORK!

BE THE DIFFERENCE • WWW.OKETHICS.ORG

AGENDA • JUNE 25TH, 2015 • TULSA CHAPTER

I. Welcome

Lynn Flinn, President of The Rowland Group; Tulsa Founder of OK Ethics

II. Upcoming Events

Shannon Warren, Founder, OK Ethics

Friday, July 17th
(Bonus Program in OKC)

Dermot Ahern, Irish Statesman and UN Special Negotiator
Joint program with General Tommy Franks Leadership Institute & Museum and Oklahoma Christian University

Cost: \$75 if register by July 3 (No walk-ins; advance reservations only; pay online.)

Recommended for 1 CPE in Ethics

Thursday, August 20th

New Generation Ethics:
Naval Leadership Lessons
Commander Arthur Gibb, PH.D.
US Naval Academy

Recommended for 1 CPE in Ethics

LOCATION: DoubleTree by Hilton, Downtown Tulsa

Thursday, September 10th

Manipulation: Tips to Stop Getting Tricked
J. D. Taylor, Business Consultant
Recommended for 1 CPE in Ethics

Thursday, October 22nd

Rick Muncrief, President & CEO, WPX Energy
CPE designation pending

III. Guiding Principle and Speaker Introduction

Brandon Croley, BOK Financial

IV. Keynote

Crossing the Ethical Line:
Insights into Workplace Fraud

Jeffrey Roberts, BKD, LLP, CPA, CFE, CFF, Managing Director
Forensics and Valuation Services

UPCOMING EVENTS

CONFLICT RESOLUTION

FEATURING DERMOT AHERN
Irish Statesman and UN Special Negotiator

Friday, July 17th Oklahoma Christian University



Recommended for 1 CPE in Ethics

Advanced registration required.

For more information and to register, visit okethics.org or call 405.889.0498.



NEW GENERATION ETHICS: NAVAL LEADERSHIP LESSONS

CDR ARTHUR GIBB, III, USN, PH.D.

Permanent Military Professor and Chair
Leader Development and Research Department
United States Naval Academy



OKC Chapter

Tulsa Chapter

August 19th
11:30AM-1:00PM

The Petroleum Club
Oklahoma City

August 20th
11:30AM-1:00PM

DoubleTree by Hilton
Downtown Tulsa

Did you know that 501c3, non-profit organizations can join for free at the Frontier level?

Vision: To be recognized as a statewide and national forum for promoting business ethics.

REMINDER: PLEASE PICK UP CPE'S AT CONCLUSION OF EVENT.

PINNACLE MEMBERS



NAVIGATOR MEMBERS



MEDIA ALLIES



STAR MEMBERS



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okethics.org or call 405.889.0498.

BONUS PROGRAM: OK Ethics is delighted with the invitation from the General Tommy Franks Leadership Institute and Oklahoma Christian University to help host this special event. Please note that this unique opportunity was not included in the budget this year and therefore not a part of the membership benefits. However, we have arranged for special discounts for OK Ethics members as a gesture of appreciation for your support.



OK OKLAHOMA CHRISTIAN UNIVERSITY

NEW GENERATION ETHICS: NAVAL LEADERSHIP LESSONS

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*Permanent Military
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J. D. TAYLOR

Business Consultant



MANIPULATION: TIPS TO STOP GETTING TRICKED

OKC Chapter:

September 9th

The Petroleum Club
Oklahoma City

Tulsa Chapter:

September 10th

DoubleTree by Hilton
Downtown Tulsa



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APPRECIATION:

OK Ethics relies primarily on volunteers to achieve the organization's successful pursuit of Oklahoma's values of integrity at work. It takes leadership and teamwork to host these exciting events and we salute your dedication in achieving OK Ethics' mission! Listed below are today's volunteers who consistently provide service to our members:

AGENDAS:

We need help from individuals willing to print future agendas. Please contact Lynn Flinn at lynn@rowland-group.com

VOLUNTEERS-AMBASSADOR TEAM:

These friendly people welcome our guests each month and assist in helping them locate seats. They also arrive early to help distribute agendas and assist with name tags.

Karie Mullins	<i>NORDAM</i>	<i>Team Leader</i>
Colin Schoonover	<i>ONE Gas, OK Ethics Foundation Board & Team Leader</i>	<i>Ambassador</i>
Mark Belanger	<i>ONE Gas, Inc.</i>	<i>Ambassador</i>
Shelly Gallaway	<i>ONE Gas, Inc.</i>	<i>Ambassador</i>
Brian Shore	<i>ONE Gas, Inc.</i>	<i>Ambassador</i>
Perry Henson	<i>The Rowland Group</i>	<i>Ambassador</i>

VOLUNTEERS-REGISTRATION TEAM:

These dependable individuals diligently record our guests' attendance and handle the collection of fees:

Alicia Goodloe	<i>The Bama Companies, Inc.</i>	<i>Registration & Volunteer Coordinator</i>
Vanessa Statum	<i>Career Development Partners, Inc.</i>	<i>Registration</i>
Amber Waid	<i>ONEOK</i>	<i>Registration</i>

SPECIAL INITIATIVES:

Susie Wellendorf	<i>Wellendorf Communications</i>	<i>PR</i>
Michael Oonk	<i>American Bank and Trust</i>	<i>Facilities & Logistics</i>
Lynn Flinn	<i>The Rowland Group</i>	<i>Tulsa Chapter Founder & Programs</i>
James Kelley	<i>The Rowland Group</i>	<i>Membership</i>
Travis Jones	<i>Career Development Partners</i>	<i>Programs</i>
Nick Minden	<i>Darby Equipment</i>	<i>Programs</i>
Tom Vincent	<i>Gable Gotwals</i>	<i>Programs</i>
Susan Pate	<i>Stinnett & Associates</i>	<i>Accountant</i>

OTHER INITIATIVES:

Jalisha Petties*	<i>OK Ethics</i>	<i>Member Care Coordinator</i>
Anna Rosenthal*	<i>Accounting Principles</i>	<i>Notices & Special projects</i>
Tawni Phelan*	<i>Factor 110</i>	<i>Name Tags and Guest Services</i>

*Paid Service Provider

HELP WANTED:

Volunteers to print the monthly agenda. Please contact either Lynn Flinn at lynn@rowland-group.com or Shannon Warren at warrenokla@cox.net.

Ambassadors to welcome and assist guests at monthly events. Please contact either Karie Mullins at legalmullins@cox.net or Alicia Goodloe at AGoodloe@bama.com.

MANY THANKS TO OUR HORIZON MEMBERS:





CROSSING THE ETHICAL LINE:

Insights into Workplace Fraud

Presented by
Jeffrey Roberts
*Managing Director, Forensics
and Valuation Services
BKD, LLP*

Fraud impacts our economy significantly, siphoning an estimated 5% of annual revenues from the average company. While many frauds are obvious once discovered, there are often situations where an alleged fraud or misdeed is not black and white. Lines can be blurred. Questions such as “was a fraud committed?” or “was this transaction ethical?” are sometimes tough to answer if a company is not prepared. This presentation will show real life case examples of frauds — including situations that were not so clear — from a professional with significant experience advising companies dealing with embezzlements, kickback schemes, financial statement fraud, mismanagement and otherwise questionable transactions. You will also learn about the psychology of fraud and how people rationalize and frame their decisions before they cross the ethical line. Practical strategies for preventing and detecting fraud will also be shared.

Jeffrey has been with BKD for over 19 years and is a Managing Director in the Forensics and Valuation Services practice. He is a CPA, Certified Fraud Examiner and is Certified in Financial Forensics. A considerable part of his practice involves helping companies address allegations of embezzlement, mismanagement, conflicts of interest and similar issues. He also consults and serves as an expert witness in issues involving accounting, auditing and other financial matters. He also frequently presents to industry groups and professional associations covering such topics as fraud and fraud prevention. He is a 1995 graduate of Missouri State University.

Recommended for 1 CPE in Ethics*

**Program is designed at the basic level and is suitable for anyone aspiring to or currently holding a leadership position. Note that it is up to the individual attendee to demonstrate relevance to his/her own area of practice. OK Ethics makes no guarantees.*

GENERAL PROGRAM DISCLAIMERS:

LEGAL: Members of the Oklahoma Business Ethics Consortium frequently share information concerning various issues and developments that may have legal implications. The discussions, commentary, and handouts at Consortium meetings or presentations to other organizations are for general informational purposes only. They cover only some aspects of the subject topic, and do not constitute a complete legal analysis of the topic or how it might apply to any particular set of facts. Before taking any action based on information presented during a Consortium event, participants are encouraged to consult a qualified attorney.

CPE'S: From time to time, Continuing Professional Education credits are offered. Because OK Ethics relies heavily on volunteers to provide these, we do not have the manpower to send certificates after the program is completed.

REMINDER: PLEASE PICK UP CPE'S AT CONCLUSION OF EVENT.

PHOTOGRAPHY: Occasionally, photos of the event are made and these may be posted on the OK Ethics website or Facebook page. By attending the program, participants tacitly understand and agree to this process. If preferences are otherwise, please notify us at okethics@yahoo.com or call (405) 889-0498 and we will be happy to comply with your wishes.

PRESENTATION STANDARDS:

The observations and comments of presenters at Consortium meetings and networking are the views and opinions of the presenter and do not constitute the opinion or policies of the Consortium or any of its members. Presenters are respectfully requested to honor OK Ethics Guiding Principles as well as avoid profanity, preaching, politics, put-downs and self-promotion during their lectures. To ensure accountability, participants are invited to evaluate each program according to these and other standards.

Crossing the Ethical Line: Insights into Workplace Fraud

Oklahoma Business Ethics Consortium

June 25, 2015

Presented By:
Jeffrey Roberts
BKD, LLP Forensics and Valuation
Twitter: @BKDForensics
Blog: bkdforensics.com

experience **BKD**
CPAs & Advisors

Agenda

- Real people, real situations
- Grey areas
- Rationalizing and psychology of fraud
- Stopping the unethical slide

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The High Cost of Fraud



5% of Revenue

Loss due to fraud and abuse each year

Source: 2014 ACFE Report to the Nations

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Meet Rhonda: Why Did She Do It?



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Thought to Ponder

The question isn't whether a person is honest, but rather in what situations and to what extent

Source: Why Do Good People Sometimes Do Bad Things, Muel Kaptein.

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Ethical Lines – Sometimes Blurry

Affected By: Company culture, industry, personal spending philosophy, how we grew up

Good

Clearly bad

Examples:

Never taking a dollar that isn't yours, avoiding perceptions of conflicts of interest, recording accounting entries based on what is right – not what helps bottom line

Examples:

Luxury biz travel, borrowing office equipment for home projects, using employees for personal projects, awarding project to a relative, "aggressive" accounting positions. These are often debated.

Examples:

Classic fraud schemes – e.g. fake vendors, skimming cash receipts. Normally little debate here.

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Different Ways of Doing Business

- What's "ethical" in one company might be frowned upon in others
 - Spouse travel on company business
 - First class for executives
 - Wining and dining
 - Business in U.S. vs. Mexico vs. China, etc.

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Fine Ethical Lines Across the Border

- The New York Times' article detailing a "vast Mexico bribery case hushed up by Wal-Mart" includes many accusations of bribery that may not be illegal under the Foreign Corrupt Practices Act.....but many of the allegations reported in the *New York Times* could reasonably be interpreted as falling under the so-called 'facilitating payments' exception. A facilitating payment, often referred to as a grease payment, is a payment that is made to influence the timing of something like a permit and not intended to influence the outcome of routine government actions. These kinds of payments are generally not considered to fall under the definition of bribery under the FCPA, the main U.S. anti-bribery law.

Source: Forbes.com; April 24, 2012

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Actual Case: Cooking the Books...Or Not?



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Hospital Questions CFO's Accounting

- Long term employee – rose up through ranks
- Not much outside training
- Accounting practices come into question
- He believed his accounting was proper under the circumstances
- His contention: Just trying to get things right

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More Case Background

- One month, CFO says revenue seems low
- Claims no faith in outdated billing system
- Makes journal entries to “fix” the accounting
- Records \$5 mil in revenue to make comparable
- The term “smoothing” is found in some emails
- “Smoothing” goes under the legal microscope

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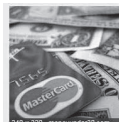
Polling Question

Smoothing earnings is:

- A. Always ethical
- B. Never ethical
- C. It depends on how you define smoothing
- D. Okay, if its trying to fix a problem
- E. I'm glad I am not an accountant

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Company Credit Cards The Canary in the Mine



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Typical Buckets of Credit Card Purchases



What people do here in the absence of policy tells a lot about the ethics and culture of a company

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Polling Question

Charges on the previous two slides (cash, hotel, towel hut charges) for these executives was:

- A. Excessive
- B. Could be embezzlement
- C. It depends on the situation
- D. Probably okay
- E. I need a conference in the Bahamas

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Creative Scheme



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Background

- Board approves a new subsidiary
- High tech home electronics business
- Unrelated business, but board green lights
- Board also says ok to install of some equipment
- Accounting manager starts getting bills
- She feels something isn't right

What did board really understand & approve?



Polling Question

Based on the facts presented, what happened here was:

- A. Illegal
- B. Unethical
- C. Both A & B
- D. Potential misunderstanding with the board



Ethical Lessons Learned

- Creativity and aggressive may be positive attributes
- But, where does the line get crossed?
- Some people build paper trails to cover trail
- Legal doesn't make it ethical
- Omissions rather than fabricated data
 - Vague or poorly written contracts
 - Nothing written down - hard to nail down later



Policies are Good but Only Go So Far



Even Enron had a 60 page "Code of Ethics" !!

Foreword

As officers and employees of Enron Corp., its subsidiaries, and its affiliated companies, we are responsible for conducting the business affairs of the companies in accordance with all applicable laws and in a moral and honest manner.

Code of
Ethics



July, 2000



The example you set, especially in tough situations, will do more to create a sustainable ethical culture than the biggest book of written policies



Psychology of Fraud



The Power of Rationalizations: The Ease of Justifying Unethical Behavior

- Its not my fault
- No one will suffer if I do this
- They had it coming – you get what you deserve
- They should look at themselves
- He started it!



Source: Why Do Good People Sometimes Do Bad Things, Muel Kaptein.



Rationalizations Are Real: Excerpts from Confession Letter



The forgeries started after I was in a battle with the Kansas City Commodity Futures Trading Commission's office. I was specifically attacked and harassed by CFTC's Branch Manager [REDACTED]. The reason for his vindictive actions was that I appear to have embarrassed him!

When I told [REDACTED] that he had given me the outdated rules, he was livid! He apparently didn't like being told that he was wrong. During the ensuing 5 months he and his team performed 6 onsite audits of PFG, until they found a technical violation.



And More....



I have to say I don't feel bad having deceived the Regulators – the CFTC and the National Futures Association. During the last 30 years that I have been exposed to them they have become more and more mean spirited. They made the decision to be my enemy. I know I am going to be deeply hated by the Regulators, but that is certainly nothing new. Their "Gotcha" style of regulating has made them the enemy of the industry and everyone in it. Their claim of protecting the customer is highly debatable, as



Confession Letter Ending



I know the Regulators will try to make other executives at PFG culpable for my crime but they will discover that I am the only guilty party and I have already imposed a punishment far greater than they could have hoped to impose. There are many honest, talented people at PFG, they don't deserve the predicament I have now put them in and I am deeply sorry.

I am ready to die. I guess this is the only way out of a business I hate so much.

I believe in a loving, forgiving God.



Small Ethical Slips Pave the Way



- May begin with small indiscretions
- Slowly moving away from "doing right"
- May do things to reduce internal moral conflict
 - Giving gifts
 - Donations, helping friends
 - Calling others out on bad behavior
- What was once unthinkable is now rationalized



Stopping the Unethical Slide

- Have a comprehensive code of conduct
- Ethics training for employees
- Intervene even in small ethical deviations
- Report problems and concerns
- Strong ethical culture makes a difference



Is it Right or is it Legal?



"I knew it was wrong....I knew that what I was doing was misleading. But I didn't think it was illegal. I thought: That's how the game is played. You have a complex set of rules, and the objective is to use the rules to your advantage. And that was the mistake I made."

Andrew Fastow
Enron Chief Financial Officer



Closing Thoughts

- You will be asked to do something questionable
- Guard yourself against rationalizing, especially in difficult circumstances!
- Grey areas can quickly turn black
- Your gut often tells you right from wrong
- Be the light that shines in your organization



Thank you!

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GUIDING PRINCIPLES

Adopted July, 2004

To ensure that the Consortium fosters positive characteristics of integrity in the successful achievement of its goals, these Guiding Principles were discussed and adopted (with revisions) during a milestone planning session held by Consortium leaders in Stroud on June 18, 2004. These principles were developed based on the Character First's values and philosophies.

RESPONSIBILITY TO SELF AND OTHERS

Service

- Passion for promoting ethics and integrity
- Encouraging the promotion of ethical behavior through personal actions and
- Sharing ideas and resources
- Responsibility and accountability for fulfilling the mission of the Consortium.

Collaboration

- Achievement of common goals through the promotion of ethical, mutually beneficial relationships
- Service to the Consortium over promotion of self-interest
- Cooperation emphasized over competition in promoting ethical business conduct
- Members collaborate by being constructively engaged in discussions regarding ethics
- Seeking consensus in interactive discussions regarding ethical matters.

Respect

- Members may become aware of confidential information shared by others in an effort to determine an ethical course of action. We ask members to be sensitive in recognizing and respecting the efforts made toward achieving ethical behavior. In that vein, public disclosure of this information is discouraged.
- We respect other members and the process by:
 - Exhibiting listening skills and actively listening to discussions
 - Being open to other points of view and outcomes
- We are an inclusive organization and demonstrate this by welcoming members who are in different stages of learning as applied to ethical behavior.

LEAD WITH INTEGRITY

Dependability

- Members are asked to demonstrate their support of this initiative by consistently attending meetings.

Initiative

- Recruiting other members who have demonstrated a desire to promote ethical behavior in their organizations.
- Recognizing what needs to be done to help promote the Mission of the Consortium and taking action to assist in that effort.

Honor

- Members are asked to honor the Consortium through the practice of integrity and ethical behavior in their business dealings.
- We express gratefulness to our hosts, sponsors and speakers; as well as to those whose volunteer service makes OK Ethics a stronger organization.
- Realizing that each of us is in a mode of continual learning, we demonstrate humility, care and compassion when sharing our thoughts and knowledge.

Courage

- Speak the truth with confidence and encourage others to do the same.

INSPIRE TRUST

We serve and promote the cause of truth with integrity, objectivity and fairness to all persons.

- We hold ourselves accountable by consistently honoring our word.
- We extend trust abundantly to those who have earned it.
- Trust, once earned, will not be taken for granted, manipulated or abused.

Visit okethics.org for resources, videos, articles and to see who's who.



***Like us on
Facebook.***

