Ethics Seminar

October 7, 2014
Kansas City, Missouri
Introduction

Brent W. Stevens, CPA
Partner in Charge
Colleges & Universities Services Group
RubinBrown LLP
314.290.3428
brent.stevens@rubinbrown.com
Agenda

• Areas Covered
  • Broad Overview of AICPA Code of Conduct
  • In–depth review of the Code as it applies to “members in business”
  • Case Studies and take–away points to use at your Institution

• Areas Not Covered
  • Independence and other matters pertaining to members in public practice
A Quiet Year...

- 2013 was a quiet year for new technical guidance
- Professional Ethics Executive Committee (PEEC) has been busy with proposed revised AICPA *Code of Professional Conduct* (Code)
- Issued a Exposure Draft on April 15, 2013
Current Code

- Current Code
  - Started as 8 rules – 1 sheet of paper
  - Adopted April 9, 1917 by American Institute of Accountants
  - Evolved over time
  - Codified in 1973 to the current *Code of Professional Conduct*

- Intent of project
  - Maintain the substance of the existing ethics standards
  - Enhance as needed
Reformatted Code

• Intuitively organized
• Restructured into several parts
  • PART 1 – Members in public practice
  • PART 2 – Members in business
  • PART 3 – All other members (retired, between jobs)
• Organized by topic, subtopics and sections
Reformatted Code (continued)

• All ethics rulings have been redrafted as interpretations and codified under the appropriate topic
• Nonauthoritative guidance issued by PEEC applicable to a topic appears in boxed text under the applicable standard
• Changes to speed navigation
Reformatted Code (continued)

• Intent to maintain substance of existing standards
• Incorporation of two conceptual frameworks
  • Members in public practice
  • Members in business
• Broadening certain existing guidance
When?

- Final revised code was adopted in January 2014 with a December 15, 2014 effective date
Principles of Professional Conduct

- Principles express the profession’s recognition of responsibilities
  - Guide members in performance of their responsibilities
  - Call for unswerving commitment to honorable behavior, *even at the sacrifice of personal advantage*
Principles of Professional Conduct

• Responsibilities
  • Credo to exercise sensitive professional and moral judgment

• Public Interest
  • Members accept the obligation to act in a way that serves the public interest
  • Defined as the collective well-being of the community of people and institutions that the profession serves
  • Threats arise when the interest of the public is at ends with the interest of your client or employer
Principles of Professional Conduct

• Integrity
Principles of Professional Conduct

- **Integrity**
  - Requires a member to be honest and candid, within the constraints of confidentiality
  - Accommodates:
    - Inadvertent errors, honest differences of opinion
  - Does not permit:
    - Deceit
    - Subordination of principle
  - Measured in terms of “right & just”
Principles of Professional Conduct

• Objectivity and Independence
  • Maintain objectivity and be free of conflicts of interest in discharging professional responsibilities

• Due Care
  • “The quest for excellence”
  • Observe profession’s technical and ethical standards
  • Strive to continually improve competence & quality of services
Due Professional Care
Key Terminology

- Threats

- Safeguards

- Acceptable Level
Ethical Decision Making Under the Code of Conduct

 Threat assessed at Acceptable Level

 Yes
 No

 No Further Action Required

 No

 Apply Safeguards, Reassess Level

 Yes
 No

 No Further Action Required

 No

 Decision Should be altered
Threats
Threats

- Adverse Interest
- Advocacy
- Familiarity
- Self Interest
- Undue Influence
Threats

• Adverse Interest Threats
  • Member will not act objectively – members interests are opposed to the employer’s interests
    • Member charges employer with violation of law
    • Member or relatives have financial interest of vendor/customer/competitor of employer
Threats

• Advocacy Threats
  • Member promotes employer’s interests to the point that his/her objectivity is compromised
  • Gives or fails to give information that would unduly influence a third party
  • Examples in practice include:
    • Regulatory filings
    • Grant applications and related reporting
    • Bond & other Debt Financing
    • Activities conducted with use of restricted funds
  • Discussion on Materiality
Threats

• Familiarity Threat
  • A members close relationship with a vendor, customer or competitor will detriment their employer
  • Examples include:
    • Vendor conflict of interest
    • Acceptance of work product with little/no review
    • Gift acceptance policy
Threats

• Self Interest Threat
  • Inadequate or negligent evaluation
  • Examples
    • A/P Staff is promoted to open position in internal audit and is tasked in the future to review procurement controls
    • Lack of segregation of duties in the financial statement preparation process
Threats

• Undue Influence Threat
  • Subordination of Member’s judgment – The “Bully”
  • Examples include:
    • Pressure to become associated with misleading info
    • Pressure to deviate from company policy
    • Pressure to change a conclusion regarding an accounting or tax issue
    • Pressure to hire an unqualified individual
    • Pressure to approve an expense report “up the ladder”
Safeguards
Safeguards

• **Purpose**
  • Partial or complete elimination of threats
  • Diminish the potential influence of a threat

• **Types**
  • Created by legislation, profession or regulation
  • Created by the Employer
Safeguards

• Professional, legislative and regulatory
  • Education and training requirements on professional activities
  • Ethics training
  • Professional discipline
  • Competency and experience requirements for licensure
• Hotlines & other professional resources
  • Ethics@AICPA.org
  • 888–777–7077
Safeguards

- Employer Sponsored
  - Tone at the top
  - Policies and procedures for ethical conduct
  - Audit Committee Charter
  - Independent Directors/those charged with governance
  - Required disclosure and policies on conflicts of interest
  - Purchasing controls
  - Whistleblower policy
  - HR discrimination policies and procedures
Safeguards

• Employer Sponsored (continued)
  • HR policies and procedures on retention
  • Adequacy of staffing
  • Policies addressing segregation of personal & institutional assets
  • Internal audit function
  • Promotion, rewards and acknowledgment of ethical behavior
  • Consultation on matters of significant professional judgment.
Fraud Hotlines: Don’t Miss That Call

- *Journal of Accountancy*, August 2013
- Tip lines are one of the most effective tools for detecting and preventing fraud
- 59% said internal whistleblower hotlines would lead to improvements in preventing fraud in the next 2–5 years
  - Forensic and valuation CPAs participating in the AICPA’s *2011 Forensic and Valuation Services Trend Survey*
How Robust is Your Whistleblower Policy?

- Tip input
- Anonymity
- Availability
- Multilingual
- Case management
- Compliance monitoring
- Internal control review
- Employee awareness
- Organizational placement
- Responsibility for follow-up
- Audit trail
Video

https://www.youtube.com/watch?v=vstg5c3c3g8
Areas of Focus For Members in Business
Acts Discreditable

- Basic Premise
  - A member shall not commit an act that is discreditable to the profession
Acts Discreditable (continued)

- Discrimination and Harassment in Employment Practices
- Solicitation or Disclosure of CPA examination Questions and Answers
- Failure to File a Tax Return or Pay a Tax Liability
  - Inclusive of failure to file and remit employer’s payroll and other taxes collected on behalf of others
- Negligence in preparing financial records
Acts Discreditable (continued)

• Compliance with regulatory requirements
  • Think SEC filings, public documents, etc

• Confidential Information
  • Prohibition for members in public practice to use knowledge in business to circumvent an audit
  • Disclosure prohibited unless:
    • Authorized by law or employer
    • Compliance with subpoena or summons
    • Comply with professional standards
    • Obtaining financing
    • Communication with employer’s vendors, constituents, attorneys, accountant’s, consultants and regulators
Acts Discreditable (continued)

- False, misleading or deceptive acts in promoting or marketing professional services
  - Use of the term “CPA”
  - Embellishment of professional skills or abilities
  - Be careful with LinkedIn!!
Subordination of Judgment

- Interpretation in the Code of Conduct was recently broadened to make clear applicable to members in public practice AND members in business
- Provides guidance on how to navigate differences of opinion with a supervisor related to the application of accounting principles
- Applies also when providing services on a volunteer basis
  - Effective August 31, 2013
Subordination of Judgement

• Undue Influence Threat
  • Subordination of Member’s judgment – The “Bully”
  • Examples include:
    • Pressure to become associated with misleading info
    • Pressure to deviate from company policy
    • Pressure to change a conclusion regarding an accounting or tax issue
    • Pressure to hire an unqualified individual
    • Pressure to approve an expense report “up the ladder”
Subordination of Judgment

• Step 1 – assess the threats
  • Acceptable vs. non-acceptable levels, safeguards

• Step 2 – discuss with supervisor

• Step 3 – communicate with those charged with governance

• Step 4
  • Additional requirements under policies and procedures
  • Requirements to communicate to 3rd parties
  • Document & Consult with legal counsel

• Step 5 – consider employment status
  • Not a final alleviation of burden
Gifts and Entertainment

• Threats:
  • Self-Interest
  • Undue-Influence
  • Compliance with Integrity and Objectivity

• Exercise
  • How Many of you have a gift policy at your University?
    • Share examples of how it is monitored, reporting limits, etc.
Gifts and Entertainment

• Evaluate Circumstances and determine acceptable level
  • Nature of gift/entertainment
  • Occasion giving rise to gift
  • Cost & value of gift
  • Nature and frequency
  • Relationship of gift/entertainment to business activity
  • Other customers/vendor participation
Conflicts of Interest

- Definitions
  - Legal*
  - A transaction with the Organization and a third party, in which a director of the organization has a material interest in the third party
  - Can be approved by board/committee of board if:
    - Material facts of transaction and director’s interest known to all
    - Directors approve transaction in good faith and believe to be fair to the organization
    - Directors approving the transaction have no direct or indirect interest
  - Approval also possible through Attorney General or Circuit Court
  - IRS
    - A person in position of authority in the Organization can benefit financially from a decision he or she makes in that capacity for the Organization

*Content derived from State of Missouri Statute 355.416. Similar provisions noted in Colorado and Kansas
Conflicts of Interest

*(Continued)*

- **Definitions**
  - **Board Source**
    - Whenever the personal or professional interests of a board member are potentially at odds with the best interests of the nonprofit
  - **Non-authoritative**
    - A transaction such that an independent observer might reasonably question the motive, actions and outcomes regarding decisions made or actions taken by the individual, as a director, officer or employee
Examples of Conflicts of Interest

- University enters into a contract with a vendor owned by a board member to perform/provide a service

- University hires an employee who is a relative or business associate of a board member or key employee

- A development services officer recommends use of a software system and is later asked to serve on the developer’s advisory board, which meets twice a year in Hawaii for 10 days at a time

- A legislator with influence over the University’s budget allocation/appropriation seeks a government relations director's help getting his daughter admitted into a selective program from which she has been initially rejected
Conflicts of Interest

• Potential Outcomes When Conflicts Are Not Properly Monitored
  • Loss of public confidence
  • Damaged reputation
  • Issue raises a signal for interested parties to dig deeper into the Organization and increases scrutiny and skepticism
  • No impact on the University
  • The University’s resources are not properly and effectively utilized
  • Undue benefit to an individual occurs with a corresponding detriment to the University
  • Recent case in New York resulted in the Attorney General levying a $5.5M fine on the Organization, $1M of which was required to be paid by the conflicted Board Members
Conflicts of Interest
(Continued)

• Addressing Conflicts of Interest
  • Not one “catch all” solution
  • Build awareness of importance within your Organization
  • Educate your Board Members and key employees on the importance of this topic
    • Find a champion with influence on the Board to help make it a push from the top
    • Consider adding as a responsibility of the Audit Committee (or equivalent)
  • Examine the adequacy of your existing policy
    • Is it broad enough to cover the appropriate situations and transactions?
    • Examine and assess the enforcement of the policy
Conflicts of Interest
(Continued)

- Addressing Conflicts of Interest
  - Enhancing Your Policy
    - Start with a template & compare to existing policy
    - Determine how “robust” your policy needs to be
      - Type of support your Organization receives
      - Number of users of your Organization’s services
      - Resources
    - Focus on enforcement of the policy and ensuring that the appropriate amount of diligence is exercised when the conflicts are identified
      - Some Organizations may consider this an area to include in their Internal Audit cycle
Conflicts of Interest

(Continued)

• Addressing Conflicts of Interest
  • Examine the adequacy of your policy
    • Key components of a policy
      • Tailored for your Organization
      • Stipulates how transactions are dealt with/approved when a conflict is present
      • Stipulates who it applies to
      • States employee’s/board member’s fiduciary duty to disclose
      • Corrective action if policy is violated
  • Periodically reassess
Conflicts of Interest

• Tools and Resources
  • National Council of Nonprofits
    • http://www.councilofnonprofits.org/conflict-of-interest
  • AICPA non-profit Audit Committee Toolkit
Working Examples
Subordination of Judgment

- You are on the procurement selection committee to evaluate contractors for construction of new student recreation center

- Your superiors have advised you that the contractor that is owned by the current chairman of the board of directors would be the best selection

- What do you do?
## Subordination of Judgment

<table>
<thead>
<tr>
<th>THREATS</th>
<th>SAFEGUARDS</th>
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</tbody>
</table>
You are the VP of Finance & Administration at a Private University
Of your many responsibilities, you are tasked with reviewing and approving the President’s periodic expense reports.

Your President is:
• A well respected luminary, and sets the proper tone at the top in the organization
• Heavily involved in development & fundraising
• Not so keen on tedious, low value–added tasks
• Responsible for determining your compensation
Subordination of Judgment

- Your President turns in an expense that appears to be personal in nature, may include spousal benefits, and has little to no documentation.
## Subordination of Judgment

<table>
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</tbody>
</table>
## Gifts and Entertainment

<table>
<thead>
<tr>
<th>Gift</th>
<th>Safeguards</th>
<th>Conclusion</th>
</tr>
</thead>
<tbody>
<tr>
<td>Dinner with Auditors at CACUBO workshop</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Tickets to Royals Home–Opener</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Season Tickets to the Chiefs</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Trip to Hawaii, all expenses paid</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Golf T–Shirt &amp; 1 dozen Titleist Pro–VI’s with vendor logo</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Payment for a foursome that includes you and the vendor</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Conflict of Interest

- Example 1
  - Organization needs to hire a marketing & promotions firm to assist with the public outreach of a new program service
  - Costs paid to the firm are expected to exceed $100,000 in the first year of the contract
  - Organization has a $5,000,000 annual operating budget
  - Organization hires Firm ABC to provide the service
  - Firm ABC is wholly owned by a member of the Organization’s Board of Directors
  - Member makes substantial annual contributions to the Organization
  - Organization obtained 3 competitive bids for the contract
  - Firm ABC was not the lowest priced but had the best credentials and work plan to execute the contract
  - Board approved the contract prior to any exchange of compensation
  - Conflicted board member recused from decision
Conflict of Interest (Continued)

• Example 2
  • Organization needs to hire a marketing & promotions firm to assist with the public outreach of a new program service
  • Costs are expected to exceed $100,000 in the first year of the contract
  • Organization has a $5,000,000 annual operating budget
  • Organization hires Firm ABC to provide the service
  • Firm ABC is wholly owned by a member of the Organization’s Board of Directors
  • Member makes substantial annual contributions to the Organization
  • Organization obtained 3 competitive bids for the contract
  • Firm ABC was not the lowest priced; other vendors had similar credentials and work plan
  • Contract is funded by a Federal Grant
Example 3

- Organization needs to hire a marketing & promotions firm to assist with the public outreach of a new program service
- Costs are expected to exceed $100,000 in the first year of the contract
- Organization has a $5,000,000 annual operating budget
- Organization hires Firm ABC to provide the service
- Firm ABC is wholly owned by a member of the Organization’s Board of Directors
- Organization did not obtain competitive bids
- The Organization’s senior management team and the conflicted Board member were the only parties aware of the transaction before and after compensation was provided
Other Considerations from the Code of Conduct
On The Horizon...

• Proposed definition of those charged with governance
  • Provide guidance and converge with International Ethics Standards Board for Accountants
• Convergence with International Standards
Reminders

- In December 2011 the GAO issued the 2011 Yellow Book
  - Effective for financial audits and attestation engagements for periods ending on or after December 15, 2012
  - Identifies a conceptual framework similar to AICPA based on facts and circumstances that are often unique to specific audit environments
  - Auditors are required to assess threats that could impair independence (which includes independence of mind and appearance) and consider safeguards to mitigate significant threats to acceptable levels
Current Revisions to the Code

• Nonattest Services
  • Financial statement preparation, cash-to-accrual conversions and reconciliations are considered outside the scope of the attest engagement
  • Effective for engagements covering periods beginning on or after December 15, 2014

• Internal Audit Assistance Services
  • Describe impact that performing ongoing and separate evaluations would have on a member’s independence
  • Yellow Book rules are stricter in this area!
Current Revisions to the Code (continued)

- Cumulative Effect of Multiple Nonattest Services
  - Addresses practice issue when multiple nonattest services are performed for an attest client and sufficient safeguards are not in place to reduce or eliminate the threat that independence could be impaired
  - Effective for engagements covering periods beginning on or after December 15, 2014
The Impact Generational Differences Have on Workplace Ethics and Compliance Programs
Generations in the Workplace

- Traditionalist (born 1925–1945)
- Baby Boomers (born 1946–1964)
- Generation X (born 1965–1980)
Traditionalists

- Events shaping worldviews
- Traits ascribed to this generation
- Workplace attributes
  - What motivates
  - What retains
  - Mentoring
  - Career goals
Baby Boomers

• Events shaping worldviews
• Traits ascribed to this generation
• Workplace attributes
  • What motivates
  • What retains
  • Mentoring
  • Career goals
Generation X

- Events shaping worldviews
- Traits ascribed to this generation
- Workplace attributes
  - What motivates
  - What retains
  - Mentoring
  - Career goals
Millennial

- Events shaping worldviews
- Traits ascribed to this generation
- Workplace attributes
  - What motivates
  - What retains
  - Mentoring
  - Career goals
Business Ethics Timeline

# Ethics and the Generations

<table>
<thead>
<tr>
<th></th>
<th>Overall</th>
<th>Millennials</th>
<th>Gen X</th>
<th>Baby Boomers</th>
<th>Traditionalists</th>
</tr>
</thead>
<tbody>
<tr>
<td>Felt Pressure</td>
<td>13%</td>
<td>*</td>
<td>13%</td>
<td>9%</td>
<td>22%</td>
</tr>
<tr>
<td>Observed Misconduct</td>
<td>45%</td>
<td>49%</td>
<td>**</td>
<td>44%</td>
<td>36%</td>
</tr>
<tr>
<td>Reported Misconduct</td>
<td>65%</td>
<td>67%</td>
<td>69%</td>
<td>64%</td>
<td>39%</td>
</tr>
<tr>
<td>Perceived Retaliation</td>
<td>22%</td>
<td>29%</td>
<td>21%</td>
<td>18%</td>
<td>***</td>
</tr>
</tbody>
</table>


- *p < 0.05
- **p < 0.01
- ***p < 0.001
The Impact of Programs and Culture

### Programs and Culture Can Improve Workplace Ethics

- **Pressure to compromise standards**: 33% (Weak), 7% (Strong)
- **Observed misconduct in previous 12 months**: 89% (Weak), 30% (Strong)
- **Did NOT report misconduct they observed**: 48% (Weak), 6% (Strong)
- **Experienced retaliation after reporting**: 46% (Weak), 28% (Strong)

### How Important are the Rules?

<table>
<thead>
<tr>
<th>Acceptable Behaviors</th>
<th>Millennials</th>
<th>Gen X’ers</th>
<th>Boomers</th>
<th>Traditionalists</th>
</tr>
</thead>
<tbody>
<tr>
<td>Acceptable to blog/tweet negatively about company</td>
<td>14%</td>
<td>9%</td>
<td>5%</td>
<td>1%</td>
</tr>
<tr>
<td>Acceptable to buy personal items with company credit card</td>
<td>15%</td>
<td>9%</td>
<td>8%</td>
<td>5%</td>
</tr>
<tr>
<td>Acceptable to keep copies of confidential documents</td>
<td>22%</td>
<td>18%</td>
<td>13%</td>
<td>8%</td>
</tr>
<tr>
<td>Acceptable to work less to compensate for cuts in benefits or pay</td>
<td>18%</td>
<td>13%</td>
<td>8%</td>
<td>2%</td>
</tr>
<tr>
<td>Acceptable to &quot;Friend&quot; a client/customer on a social network</td>
<td>36%</td>
<td>32%</td>
<td>24%</td>
<td>15%</td>
</tr>
<tr>
<td>Acceptable to use social networking to find out about company's competitors</td>
<td>37%</td>
<td>34%</td>
<td>27%</td>
<td>9%</td>
</tr>
<tr>
<td>Acceptable to upload personal photos on company network</td>
<td>26%</td>
<td>19%</td>
<td>15%</td>
<td>10%</td>
</tr>
<tr>
<td>Acceptable to take a copy of work software home for personal use</td>
<td>13%</td>
<td>11%</td>
<td>5%</td>
<td>8%</td>
</tr>
</tbody>
</table>

### How Important are the Rules? (continued)

<table>
<thead>
<tr>
<th>Would post the following on their personal social networking site:</th>
<th>Millennials</th>
<th>Gen X’er</th>
<th>Baby Boomers</th>
<th>Traditionalists</th>
</tr>
</thead>
<tbody>
<tr>
<td>Promotion to new job</td>
<td>62%</td>
<td>54%</td>
<td>47%</td>
<td>35%</td>
</tr>
<tr>
<td>Annoying habit of coworker</td>
<td>20%</td>
<td>14%</td>
<td>4%</td>
<td>3% X,B</td>
</tr>
<tr>
<td>Bad joke told by the boss</td>
<td>26%</td>
<td>17%</td>
<td>9%</td>
<td>3% X,B</td>
</tr>
<tr>
<td>Work on a project</td>
<td>26%</td>
<td>19%</td>
<td>11%</td>
<td>15%</td>
</tr>
<tr>
<td>Feelings about job</td>
<td>40%</td>
<td>27%</td>
<td>18%</td>
<td>17% X,B</td>
</tr>
<tr>
<td>Positive comments about coworkers</td>
<td>47%</td>
<td>41%</td>
<td>35%</td>
<td>37%</td>
</tr>
<tr>
<td>Positive comments about company</td>
<td>54%</td>
<td>49%</td>
<td>45%</td>
<td>53%</td>
</tr>
<tr>
<td>Picture of coworker drinking</td>
<td>22%</td>
<td>15%</td>
<td>4%</td>
<td>3% X,B</td>
</tr>
<tr>
<td>Information about company’s competitors</td>
<td>19%</td>
<td>12%</td>
<td>6%</td>
<td>7%</td>
</tr>
<tr>
<td>Opinion about coworker’s politics</td>
<td>16%</td>
<td>11%</td>
<td>4%</td>
<td>3%</td>
</tr>
</tbody>
</table>


How Important are the Rules? (continued)

<table>
<thead>
<tr>
<th>Consider Telling:</th>
<th>Millennials</th>
<th>Gen X’ers</th>
<th>Boomers</th>
<th>Traditionalists</th>
</tr>
</thead>
<tbody>
<tr>
<td>Friends</td>
<td>65%</td>
<td>52%</td>
<td>41%</td>
<td>40% X,B</td>
</tr>
<tr>
<td>Family</td>
<td>65%</td>
<td>59%</td>
<td>51%</td>
<td>49%</td>
</tr>
<tr>
<td>Government</td>
<td>28%</td>
<td>24% M,T</td>
<td>14%</td>
<td>11% X,B</td>
</tr>
<tr>
<td>Social Networking site</td>
<td>21%</td>
<td>13%</td>
<td>4%</td>
<td>2% X,B</td>
</tr>
<tr>
<td>Traditional Media</td>
<td>17%</td>
<td>11% M,T</td>
<td>3%</td>
<td>2% X,B</td>
</tr>
<tr>
<td>Religious Leader</td>
<td>22%</td>
<td>16% M,T</td>
<td>9%</td>
<td>5% X,B</td>
</tr>
<tr>
<td>Legal Counsel</td>
<td>20%</td>
<td>21%</td>
<td>9%</td>
<td>8%</td>
</tr>
<tr>
<td>Other</td>
<td>6%</td>
<td>4%</td>
<td>8%</td>
<td>9%</td>
</tr>
</tbody>
</table>

Influence of Programs

- Standards of the organization
- Mechanisms to report misconduct
- Access to additional resources
- Consequences for violating the code
## Encouraging Reporting

<table>
<thead>
<tr>
<th></th>
<th>Millennial</th>
<th>Gen X</th>
<th>Boomer</th>
</tr>
</thead>
<tbody>
<tr>
<td>Using Company Resources</td>
<td>Using Publicly Available Resources for Support</td>
<td>Using Company Resources</td>
<td></td>
</tr>
<tr>
<td>Feeling Prepared to Handle an Ethical Dilemma</td>
<td>Encouraged to Seek Advice in Uncertain Situations</td>
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</tr>
<tr>
<td>Ethics Advice Resource in Company</td>
<td>Professional Colleagues Re lied Upon for Support</td>
<td>Company Rewards Ethical Behavior</td>
<td></td>
</tr>
<tr>
<td>Coworkers Relied Upon for Support</td>
<td>Not Feeling Pressure</td>
<td>Feeling Prepared to Handle an Ethical Dilemma</td>
<td></td>
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</tbody>
</table>

Generational Impact on Whistleblowers

• Initial reports that are made outside the company rise with age
• Youngest workers increasingly likely to report outside company with an additional report
Impact of Engagement & Loyalty

- Engaged employees rise with strength of ethics culture
- Engagement weakens with age
- Millennials more likely to leave the company within two years
- Signs of loyalty build over time
Don’t Redesign Ethics Programs

• Tailor messaging so that your company’s commitment to ethics program and integrity is heard by all of your employees

• For younger workers:
  • Social interactions influence
  • Coworkers influence culture

• For older workers:
  • Hierarchy, corporate structure, commitment matter
  • Culture influenced by stated values, tone at the top
Recommendations for Millennials

- Communicate in terms of people, relationships, integrity
- Messaging by colleagues and immediate supervisors
- Build opportunities to interact, discuss, give input, receive status updates
Recommendations for Gen X

- Make advice and standards easily accessible for review
- Inform that help is available when needed
Recommendations for Boomers

• Formal systems and reporting lines
• Provide way to share their experiences (with others) using the company standards or systems
• Employee reporting misconduct will be protected and informed
Recommendations for Effective Compliance Programs

- Invest in ethics and compliance programs
- Compliance programs require monitoring
- Tone in the middle matters
- Go beyond corrective action
- Customize training
Resources

• Generational Differences in Workplace Ethics, A Supplemental Report of the 2011 National Business Ethics Survey; Ethics Resource Center

• National Business Ethics Survey of Social Networkers; New Risk and Opportunities at Work

• Running the Risk: Mistakes and Realities of implementing and executing effective compliance programs; Inside Counsel–October 2013
Please feel free to contact any of the speakers or RubinBrown employees with any additional questions.

Thank you for your time.