

Get ready for....

The



Deadly
"Ethical" Sins
of Organizations

Presented by:

Amanda "Jo" Erven

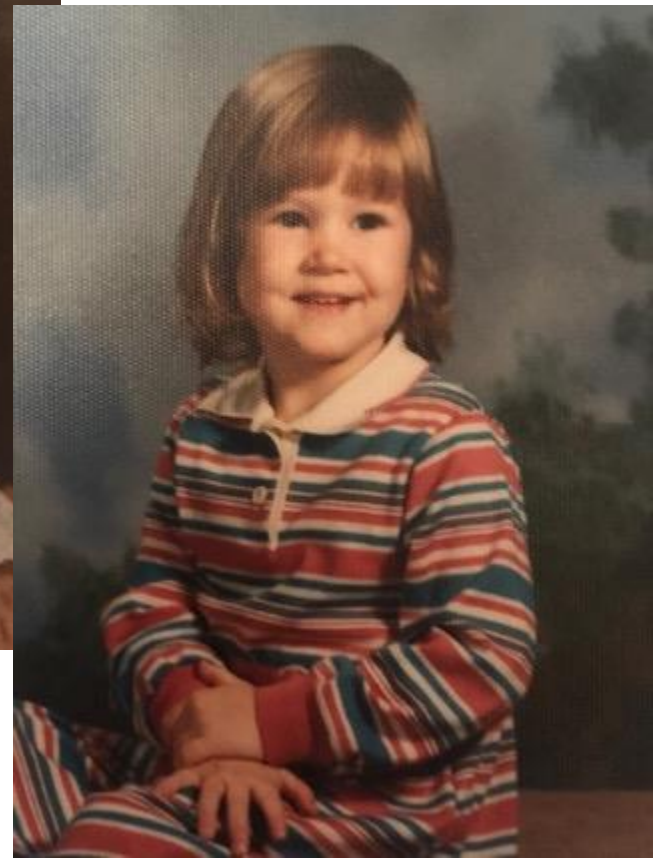
Founder, Audit. Consulting. Education. LLC
www.AuditConsultingEducation.com



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“I saw that...
and I’m SO
telling.”



“Don’t worry Mommy,
I’ve got your back.”

A photograph of four children in graduation caps and gowns sitting on a stage. A speech bubble is overlaid on the image, pointing to the child in the center. The speech bubble contains the text: "Is my nose REALLY brown?"

“Is my nose
REALLY
brown?”



“Some people think I’m
a TATTLETALE.
I prefer to think of
myself as
a really short
WHISTLEBLOWER.”



- ◆ BBA/MS Accounting, UGA
- ◆ CPA, CIA, CFE, CTQA
- ◆ Big Four Auditor
- ◆ Accountant/Controller
- ◆ Internal Audit Director
- ◆ Founder of **Audit. Consulting. Education. LLC**
- ◆ Accounting, Audit, & Business Professor
- ◆ Internal Audit Strategist and Management Consultant
- ◆ Author, *Total Quality Auditing*,

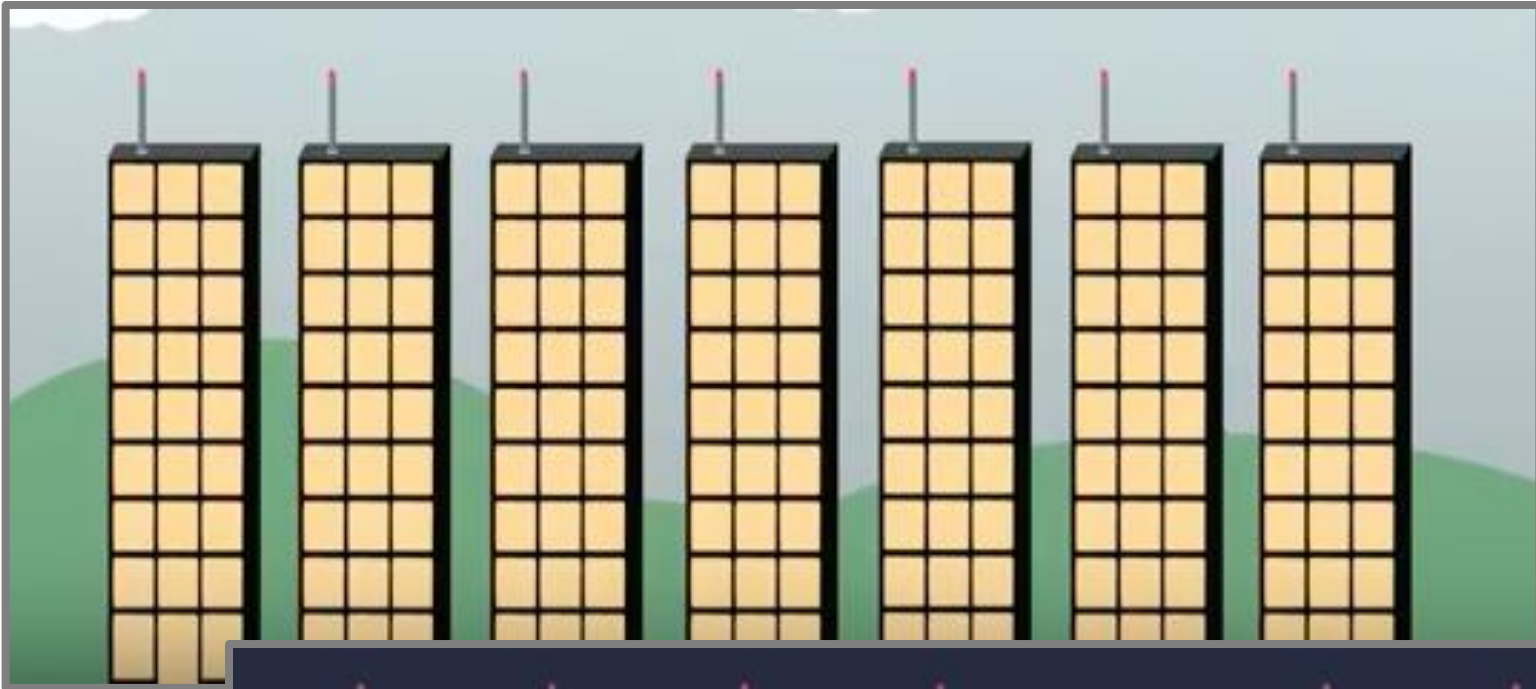
Your Road. Your Choices. &

Becoming the Everyday Ethicist

- ◆ NASBA CPE Trainer: Audit, Ethics, Personal Development
- ◆ **TEXT “CPE” to 66866 to join my CPE Book Club!**
- ◆ Wife. Mom. Friend. ***Real Person.***



Still a whistleblower. Just taller now.



**THE
WHY**



Occupational Fraud 2022: A REPORT TO THE NATIONS®

CFEs estimate that organizations **LOSE**

5% of revenue to **FRAUD** each year

Projected against 2021 GWP (\$94.94 TRILLION),

that's more than **\$4.7 TRILLION** lost to



\$1,783,000

AVERAGE LOSS PER CASE



21% OF CASES HAD LOSSES OF \$1 MILLION+

CONCEALMENT BY POSITION



48% of executive-level perpetrators **DESTROYED** evidence.



61% of managers **CREATED** fraud.



CORRUPTION was the most common scheme in every global region



The percentage of cases involving **CORRUPTION** is on the **RISE**

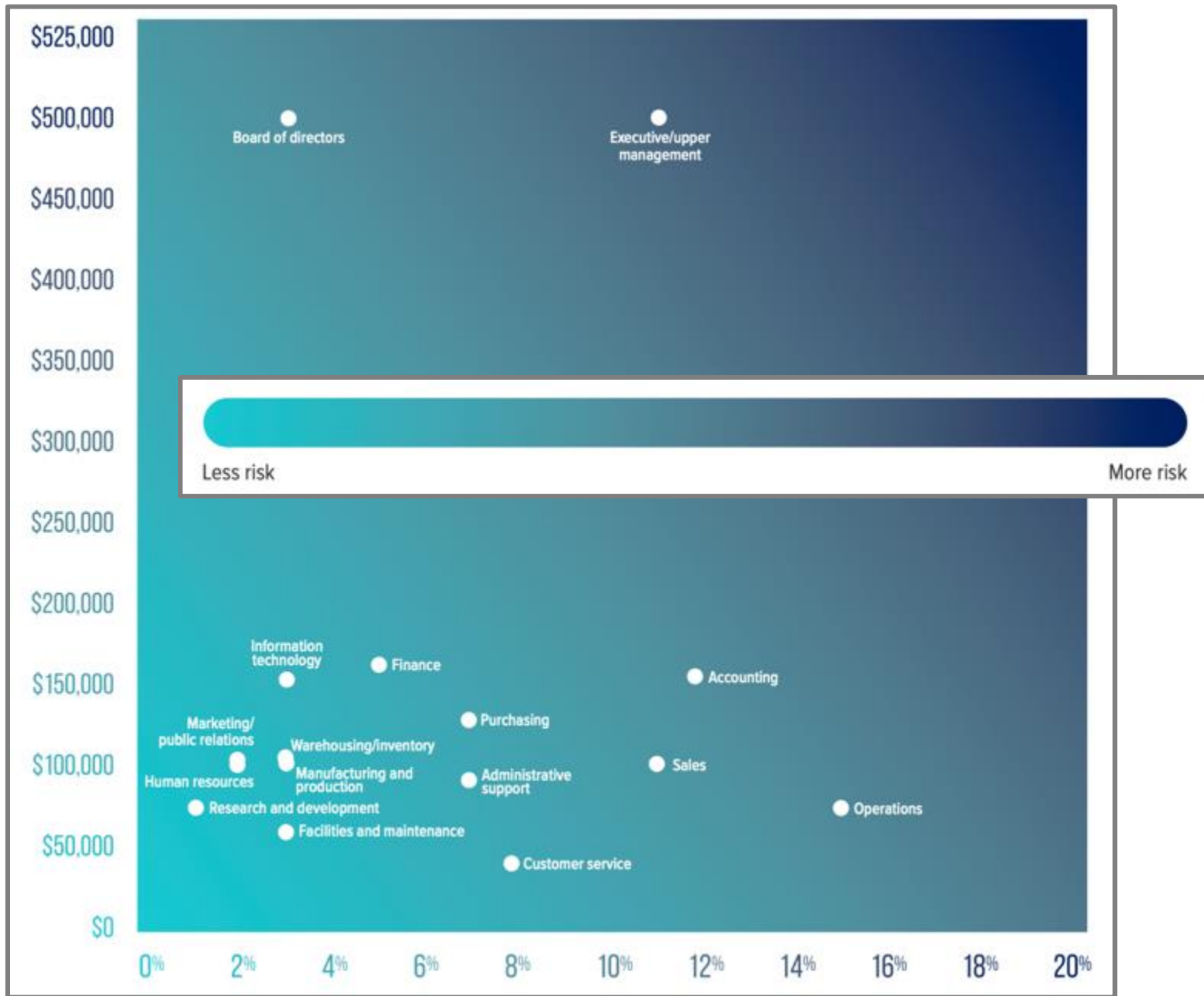
33% 2012 **50%** 2022

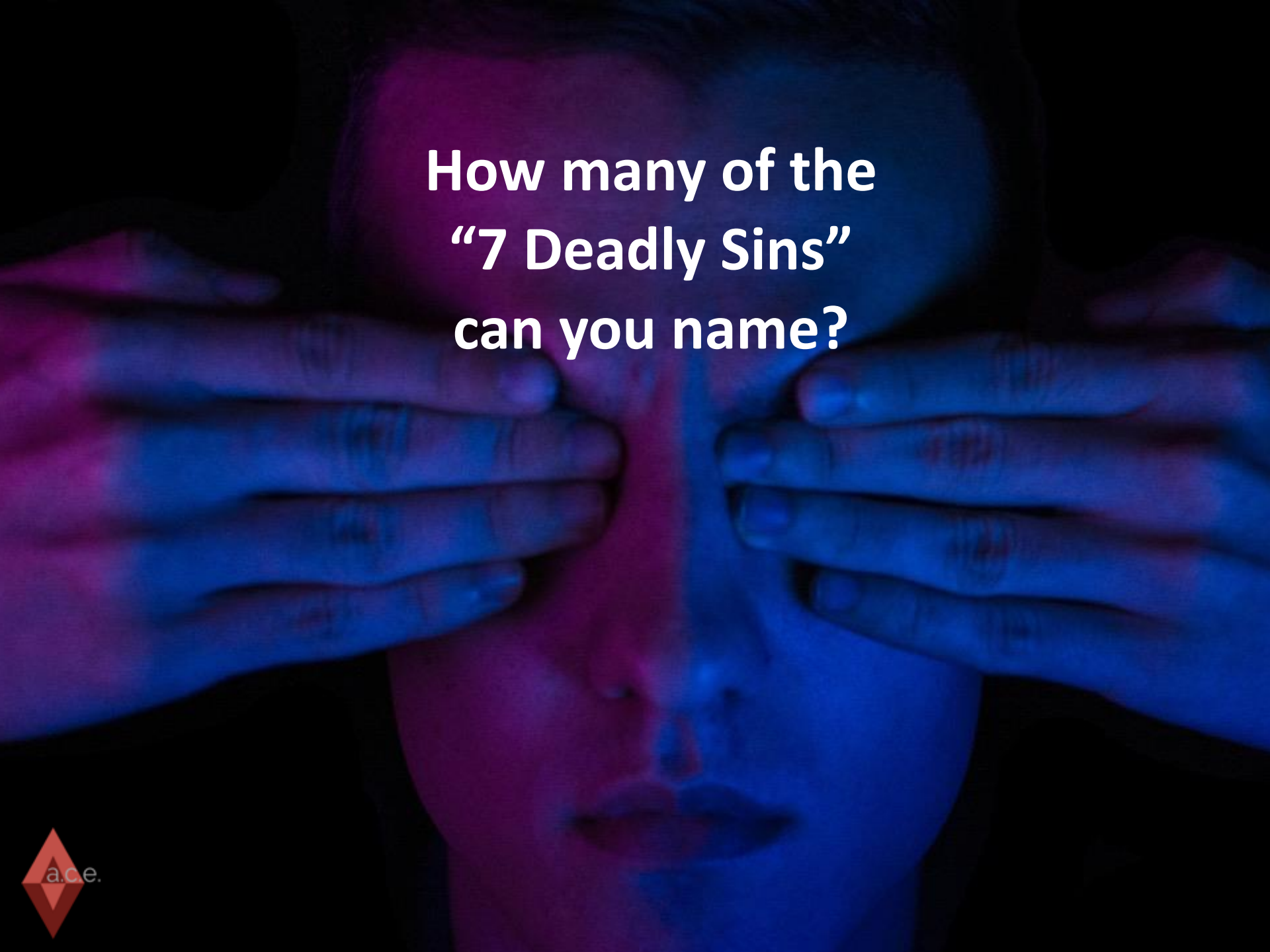
FIG. 21 WHAT ARE THE MOST COMMON OCCUPATIONAL FRAUD SCHEMES IN VARIOUS INDUSTRIES?

INDUSTRY	Cases	Billing	Cash larceny	Cash on hand	Check and payment tampering	Corruption	Expense reimbursements	Financial statement fraud	Noncash	Payroll	Register disbursements	Skimming
Banking and financial services	351	10%	11%	14%	14%	46%	8%	11%	11%	4%	2%	10%
Government and public administration	198	21%	8%	7%	9%	57%	12%	8%	16%	16%	3%	8%
Manufacturing	194	26%	5%	9%	7%	59%	10%	12%	23%	10%	4%	8%
Health care	130	20%	6%	8%	8%	50%	11%	9%	18%	12%	2%	9%
Energy	97	24%	9%	6%	8%	64%	16%	8%	13%	6%	3%	2%
Retail	91	19%	10%	9%	9%	43%	7%	4%	24%	5%	7%	14%
Insurance	88	15%	9%	8%	10%	40%	9%	5%	8%	10%	2%	11%
Technology	84	21%	6%	10%	6%	54%	14%	8%	30%	5%	1%	1%



Which area poses the greatest risk of fraud?



A close-up photograph of a person's face, with their hands covering their eyes. The scene is dramatically lit with a mix of deep blue and purple light, creating a somber and mysterious atmosphere. The person's features are partially obscured by the shadows and the hands.

**How many of the
“7 Deadly Sins”
can you name?**

A close-up photograph of a person's face, with their hands covering their eyes. The image is lit with a mix of purple and blue light, creating a dramatic and somewhat somber atmosphere. The person's features are partially obscured by their hands, which are held up to their eyes. The overall composition is centered and symmetrical, emphasizing the theme of self-reflection or the internal struggle with sin.

Pride

Greed

Gluttony

Lust

Wrath

Envy

Sloth

7 Deadly Ethical Sins of Organizations

- **PRIDE** = *Deny and Deflect*
- **WRATH** = *Disingenuous Leadership*
- **LUST** = *Move Fast and Break Things*
- **GREED** = *The Smartest Guys in the Room*
- **GLUTTONY** = *The Lawyers and Auditors Approved It*
- **ENVY** = *Everyone Does It, So It Must Be OK*
- **SLOTH** = *Everything is Grey*

**THE
HOW**



Pride

... a feeling of deep pleasure or satisfaction derived from one's own achievements.

= *Deny and Deflect*



*“Delay, Deny, and Deflect:
How Facebook’s Leaders Fought
Through Crisis”*

*“Facebook’s Broken
Vows”*

facebook

*“Facebook’s Ugly
Update: Everything You
Knew Was True, But
Worse”*

*“Mark Zuckerberg Says
Combating Misinformation on
Facebook is Just Too Hard”*



Civic virtue is the
harvesting of habits
important for
success in society...

We know what
integrity is...



Could Internal Audit assist with the “Civic Integrity” for organizations by looking at leadership & organizational behavior, culture, & ethics?





*Boeing To Pay \$2.5 Billion
Settlement Over Deadly 737 Max
Crashes*

BOEING

*“Horrific culmination of engineering flaws and a severe
lack of oversight.”*

... but what did they do?





**They denied and deflected...
they blamed the pilots!**

NETFLIX

**OFFICIAL
TRAILER**



*"Boeing Moved to Replace 777
Engine Covers Before Recent
Failures"*



BROOMFIELD PD



BROOMFIELD PD VIA EPA



Will we continue to let these companies have too much
PRIDE in their profits and **DENY & DEFLECT** their
behavior?

It's time to identify and **SPEAK UP** about the
consequences our companies' actions truly have.

Bring critical culture information to your **management**...
To your **board**... To the **community**... To the **media** (if
necessary)...



Wrath

... extreme anger; an intense emotional state involving a strong response to a perceived provocation, hurt, or threat.

= *Disingenuous Leadership*



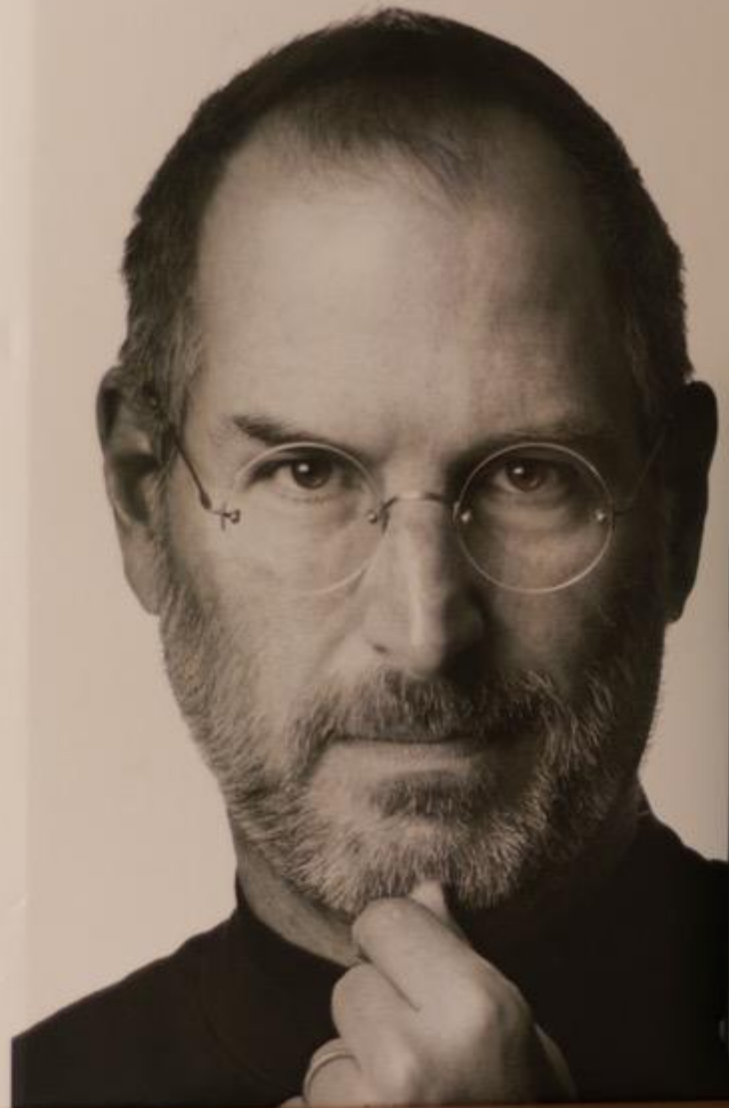
Bobby Knight

- half time speech -

YouTube: "BRAVO LIBRARY Bobby Knight angry halftime speech"



Steve Jobs by Walter Isaacson





Who knows this
disingenuous
leader?

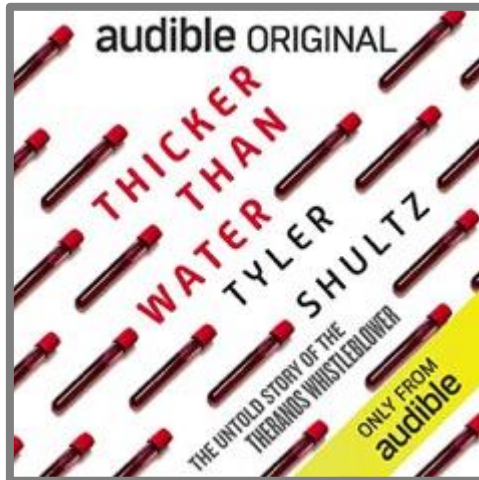
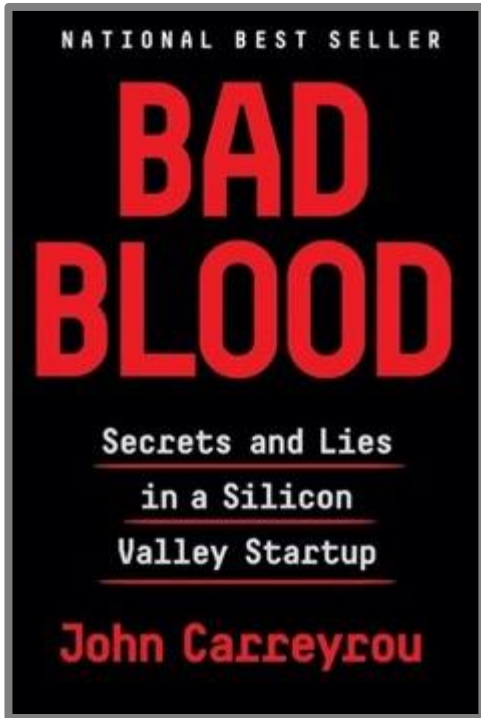
theranos





Elizabeth Holmes







hulu

hulu
THE **DROPOUT**





FAKE VOICE
[AND TELLING LIES]

TIME

U.S. • CRIME

Theranos Ex-President Balwani Found Guilty of Fraud

BY JOEL ROSENBLATT / AP JULY 7, 2022 4:55 PM EDT



A sentencing hearing has been set for "Sunny" Balwani for **November 15, 2022.**

Former Theranos COO Ramesh "Sunny" Balwani goes through a security checkpoint as he arrives at the Robert F. Peckham U.S. Federal Court on March 16, 2022 in San Jose, California. Justin Sullivan—Getty Images



Holmes And Feds Spar Over New Trial As Balwani Seeks Delay


By Lauren Berg · October 25, 2022, 8:22 PM EDT

Convicted ex-Theranos CEO Elizabeth Holmes and federal prosecutors both filed briefs Monday continuing their fight over whether a new trial is warranted



Elizabeth Holmes to try forcing key prosecution witness
to talk about his mental health






*“Ethics and oversight
are what you eliminate
when you want absolute power.”*

- Dr. DaShanne Stokes, Author & Sociologist





Will we continue to let these
DISINGENUOUS LEADERS get away with
their **WRATH** or their **SHOWS?**

It's time to start putting together **CULTURE DATA** for your
organizations to weed out these leaders!

Start "Auditing Culture" at the **MICRO** and **MACRO** level.
And start using **SURVEYS!**

"JUST ASK"





Lust

... a very strong desire for something.

= *Move Fast and Break Things*





Do you want “move fast and break things” to be the mentality of the organizations developing self-driving cars?

“2 dead in Tesla crash after car 'no one was driving' hits tree, authorities say”

“Tesla in Autopilot mode crashes into parked police car”

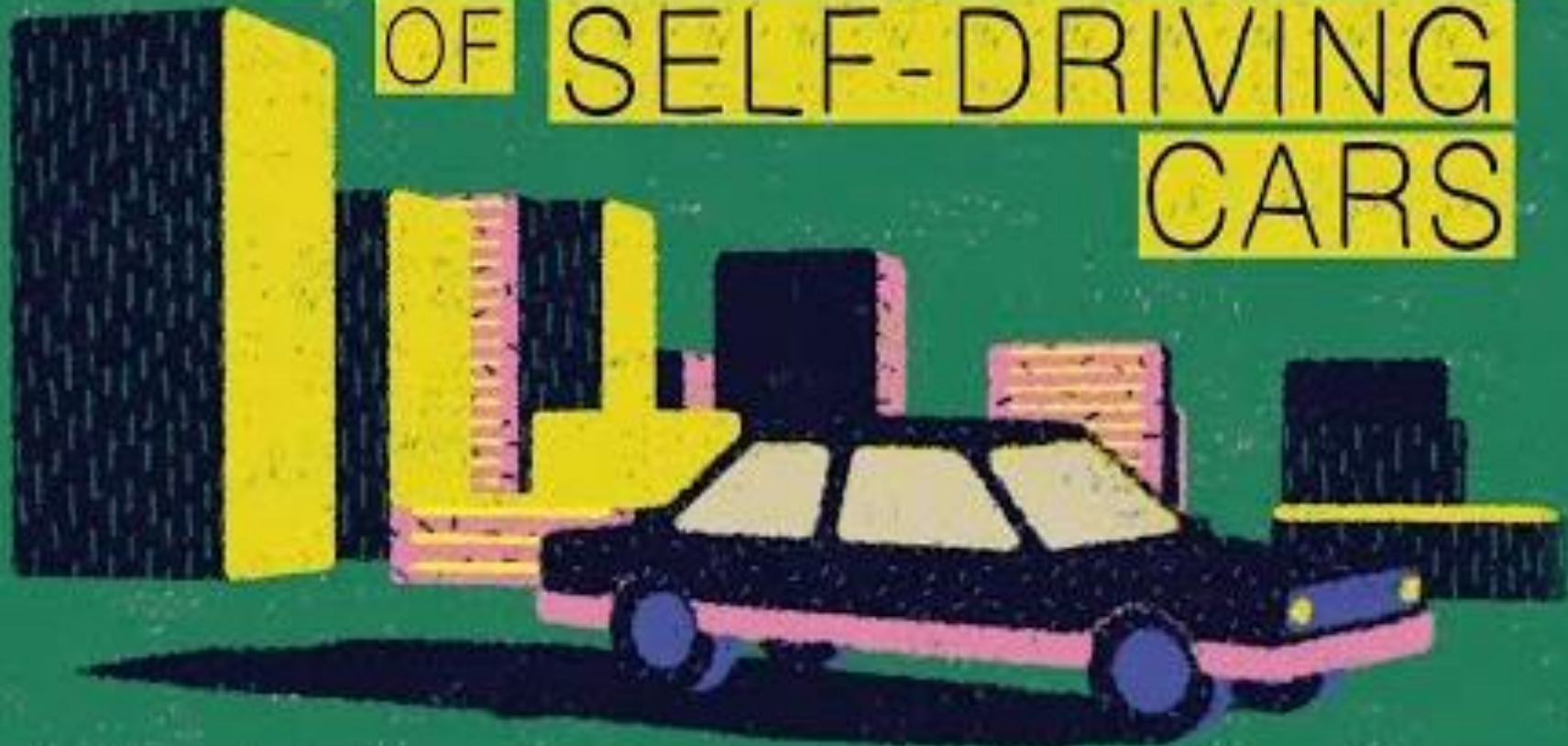
“Self-Driving Cars Could Be Decades Away, No Matter What Elon Musk Said”

*“Who’s at Fault **When** Autonomous Cars Kill?”*



THE ETHICAL DILEMMA OF SELF-DRIVING CARS

TEDEd







*Let me also
introduce you to
GardaWorld...*



*Who was so intent on growing
its business that it failed to invest
in new equipment, truck repair,
and maintenance.*

*It also didn't take the time to
train its drivers appropriately.*

*Many equipment failures, traffic
accidents, and sadly, deaths.*



Tampa Bay Times | Investigations

WHY GARDAWORLD'S ARMORED TRUCKS KEEP CRASHING



Will we continue to let these companies **LUST**
to beat out the competition or grow by
MOVING FAST AND BREAKING THINGS?

Internal Audit should be reviewing **system development** projects,
new technology, new products...

The way their organizations AND 3rd parties they contract with **deliver**
existing products...

And the impact on ALL stakeholders!



Greed

... intense and selfish desire for something, especially wealth, power, or food.

= *The Smartest Guys in the Room*



Remember them?

- ◆ *They have no integrity, total arrogance, limitless **greed**, and a disregard for stakeholders.*
- ◆ *They make all the rules, whether they are legal or ethical or not.*
- ◆ *They are oblivious of consequences or just don't care about the consequences.*
- ◆ *They take advantage of any and all loopholes and shortcuts.*
- ◆ *They believe financial engineering is just a way of "doing business."*
- ◆ *They use complexity as a tool to obscure reality and ethics.*
- ◆ *They ignore conflicts of interest and engage in self-dealings for personal gain.*





Bernie Ebbers
WorldCom



Bernie Madoff



Ken Lay
Enron

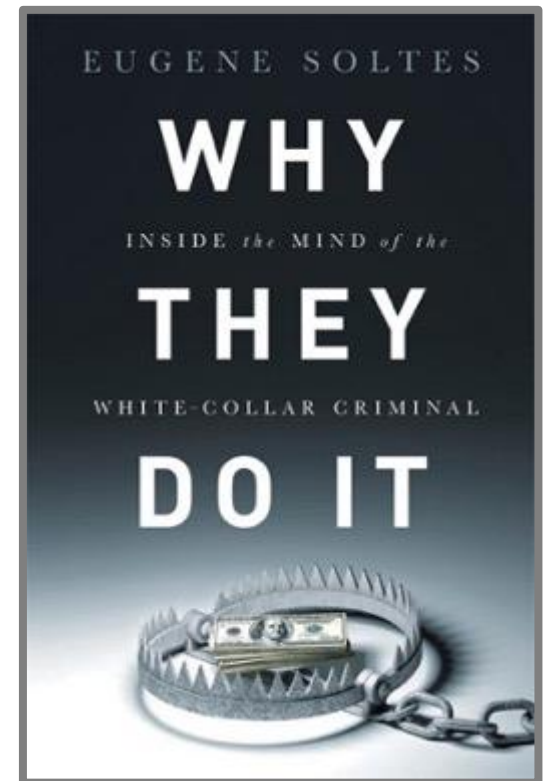


a.c.e. Dennis Kozlowski
Tyco



John Rigas
Adelphia

The Smartest Guys In The Room



EUGENE SOLTES

WHY

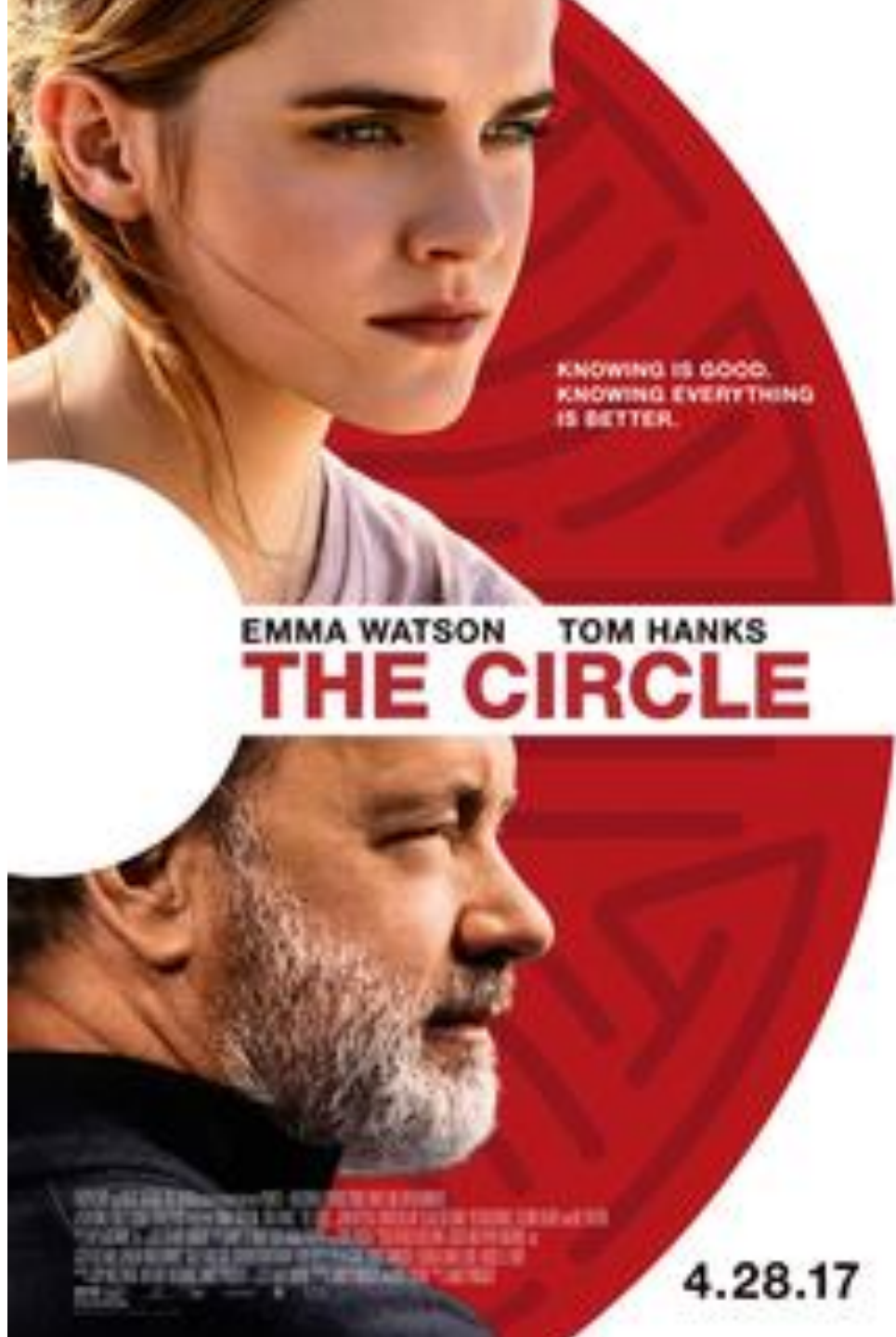
INSIDE *the* MIND of the

THEY

WHITE-COLLAR CRIMINAL

DO IT

Have you seen
The Circle?



KNOWING IS GOOD.
KNOWING EVERYTHING
IS BETTER.

EMMA WATSON TOM HANKS
THE CIRCLE

4.28.17


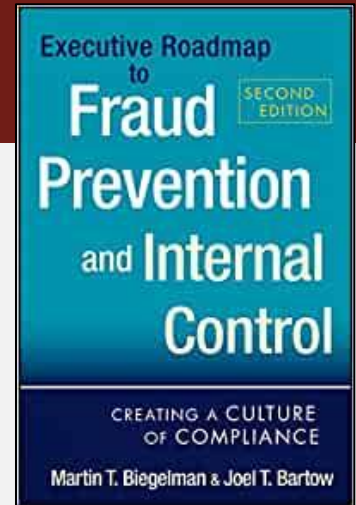




TRAILER

F HD



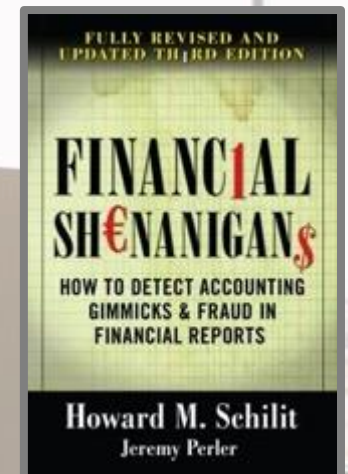


*“Power without
sufficient accountability
leads to corruption.”*

- Martin Biegelman and Joel Bartow in their book,
Fraud Prevention and Internal Control



Will we continue to ignore the **GREED**
emanating from the **SMARTEST GUYS**
(OR GALS) IN THE ROOM?



It's time to be the **ACCOUNTABILITY** your organization needs!
Look at the financials of your org -
Don't leave that up to the external auditors!
And read ***Financial Shenanigans!***



Gluttony

... habitual greed or excess.

= *The Attorneys and Auditors Approved it*



Mike Keefe THE DENVER POST 2002

AT ARTHUR
ANDERSON YOUR
CLIENTS INCLUDED
ENRON, QWEST,
WORLDWIDE...

YES. I
WAS CHIEF
FRAUDITOR
-ER-
AUDITOR.

RESUME



First...The (External) Auditors Approved it

- A few (who knows how many) auditors can't separate the fact that they are paid by the client...
- They become conflicted and look for loopholes on behalf of the client who is paying for their work...
- They sometimes cross the line and put the illegitimate interests of the client before the interests of the shareholders and public (all other stakeholders), the parties whose interests' auditors are supposed to protect.



In a German Tech Giant's Fall, Charges of Lies, Spies and Missing Billions

Markus Braun built Wirecard to “conquer the world,” but those aspirations attracted skeptics. Its accounting scandal has sent shock waves through Germany.

A photograph of a modern building facade with large glass windows. A prominent white sign with the word "wirecard" in lowercase blue letters is mounted on the building. The sign is illuminated from within, making it stand out against the dark building and the sky. The building has a dark, textured facade and a balcony with a metal railing above the sign. The background shows some trees with yellowing leaves, suggesting an autumn setting.

wirecard

Seven Reasons Why the Wirecard Fraud Matters

BY KARTHIK RAMANNA *October 25, 2020*

Share   



Expressly corrupted?

Simply incompetent?

Culturally conditioned, by “workplace practices” in auditing, to look away from such client malfeasance.



Second...The Lawyers Approved it

Lawyers can also inherently conflicted by the business relationship!

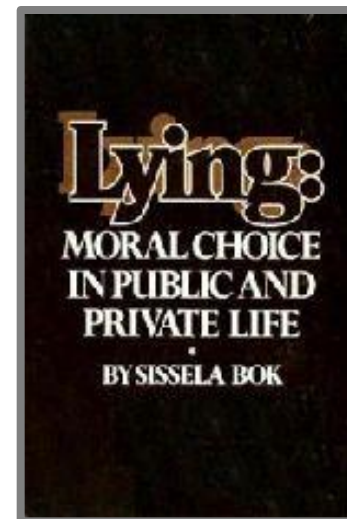
Internal lawyers are often hired to look out for the client's interests - no other stakeholders.

Internal and External lawyers are focused on the law, not ethics.

The BIG QUESTION - It may be legal, but is it right?

Sissela Bok describes some attorneys as:

“master manipulators of the truth on behalf of their clients”



Have you ever stayed at an



Originally, they were facilitator of hosts that:

- 1) *Had little or no interest in the health and welfare of their guests,*
- 2) *Had little or no interest in adherence to community standards and regulations established for the welfare of the community at large,*
- 3) *Had a tendency to evade taxes or commit tax fraud.*

BUT THE LAWYERS SAY IT'S OKAY - SO IT MUST BE?



Will we continue to ignore the **GLUTTONY**
of organizations that say **THE ATTORNEYS**
AND AUDITORS APPROVED IT?



Are the external auditors **truly independent?**

Are your lawyers doing what is **ethical,**

NOT just what is legal?



Envy

... a feeling of discontented or resentful longing aroused by someone else's possessions, qualities, or luck.

= *Everyone Does It, So It Must be OK*



INSYS
THERAPEUTICS, INC.

PURDUE

Janssen
PHARMACEUTICAL COMPANIES OF
Johnson & Johnson



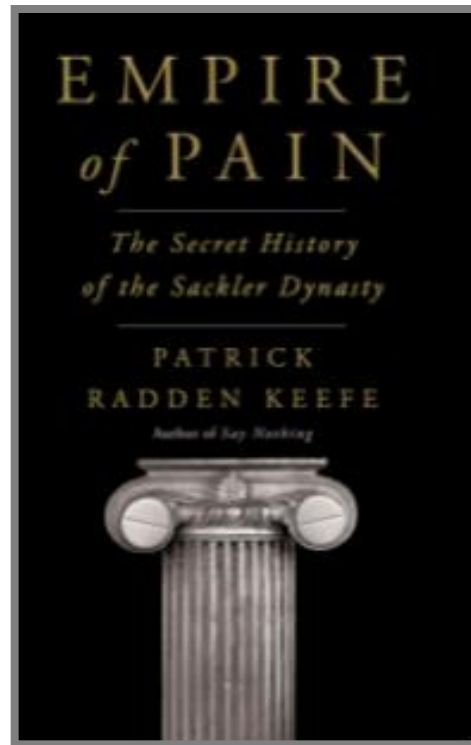
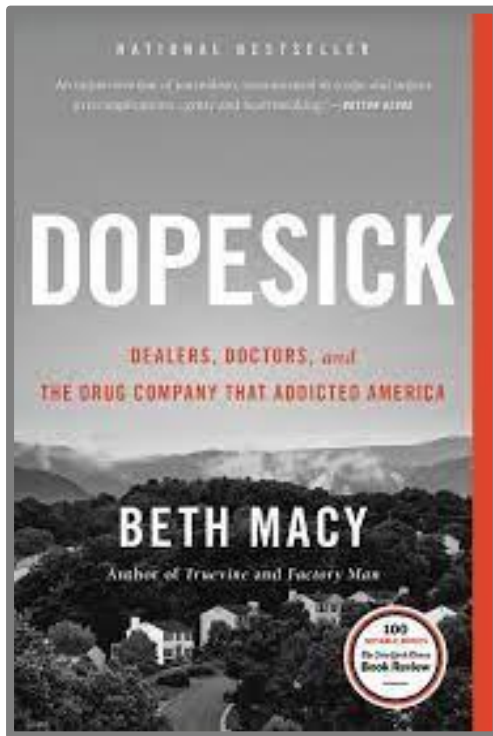
MCKESSON


AmerisourceBergen®



CardinalHealth







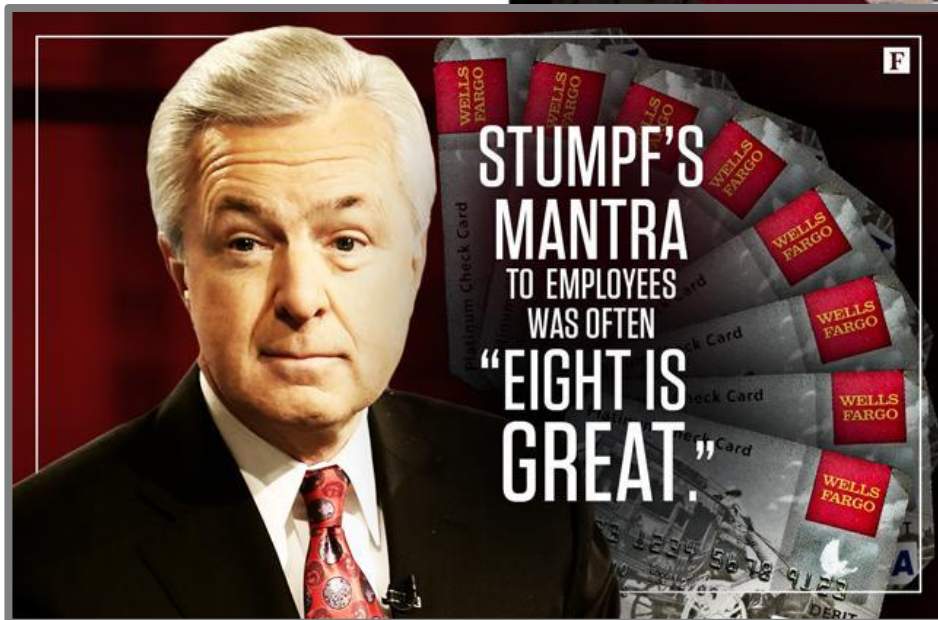
hulu

hulu
DOPESICK

INSIDE WELLS, THE ATTITUDE WAS “DO WHAT YOU HAVE TO DO,
BUT DON’T GET CAUGHT.”

A photograph of a large, red, three-dimensional Wells Fargo sign mounted on a building facade. The sign features the company name in yellow, bold, serif capital letters. In the background, a city street with tall buildings and a clear blue sky is visible. A street sign for 'W 39 St' is partially visible on the left.

WELLS FARGO



CEO OF WELLS FARGO

“The reason we picked 8
was that it rhymed with great
If we had found something to
rhyme with 10 we would have
picked 10”

Will we continue to allow **ENVY** among individuals and organizations and the use of the excuse **EVERYONE DOES IT, SO IT MUST BE OK?**

Internal Auditors – look at those **sales tactics** and those **incentive plans, commission structures, or bonus plans!**

What is the “**mentality**” of your organization – are there any “bad habits” being followed?



Sloth

... reluctance to work or make an effort; laziness.

= *Everything is Grey*



It's the middle of the 2008 financial crisis...

*Fancy financial instruments were developed - no one truly knew the underlying quality of the loans – a **very grey area.***

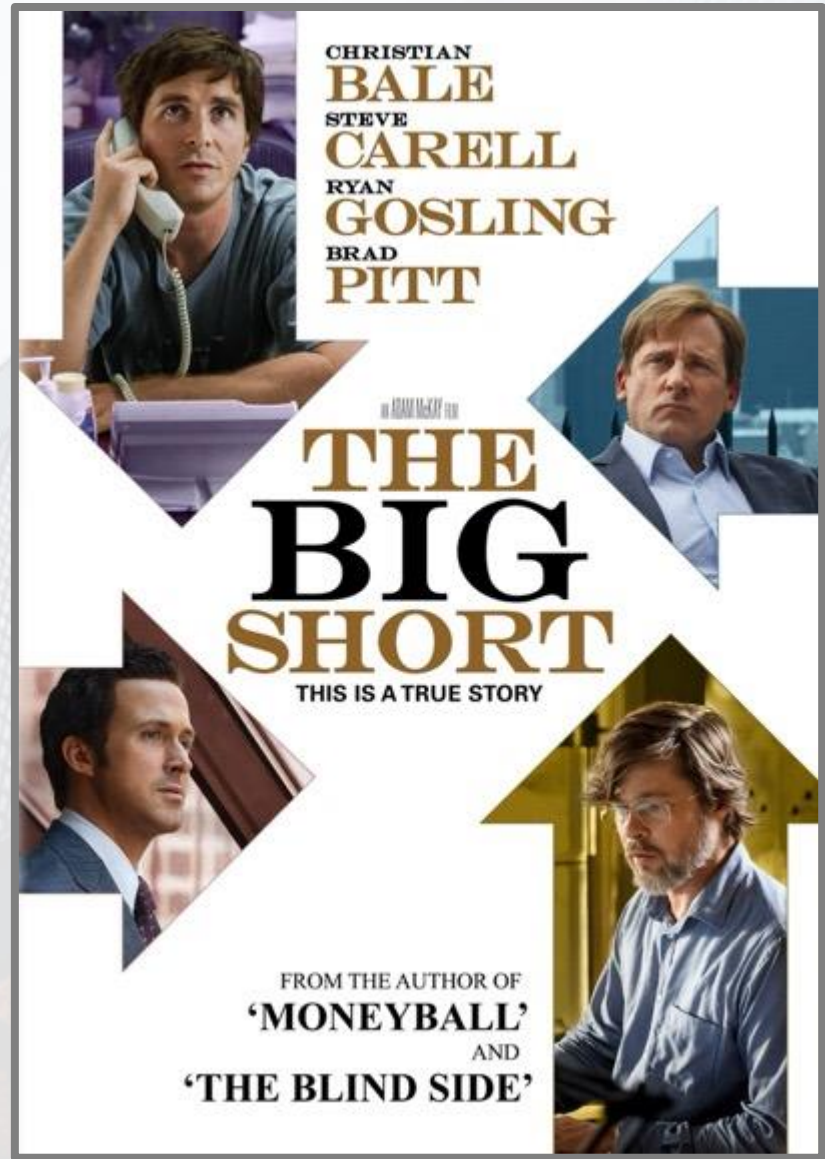
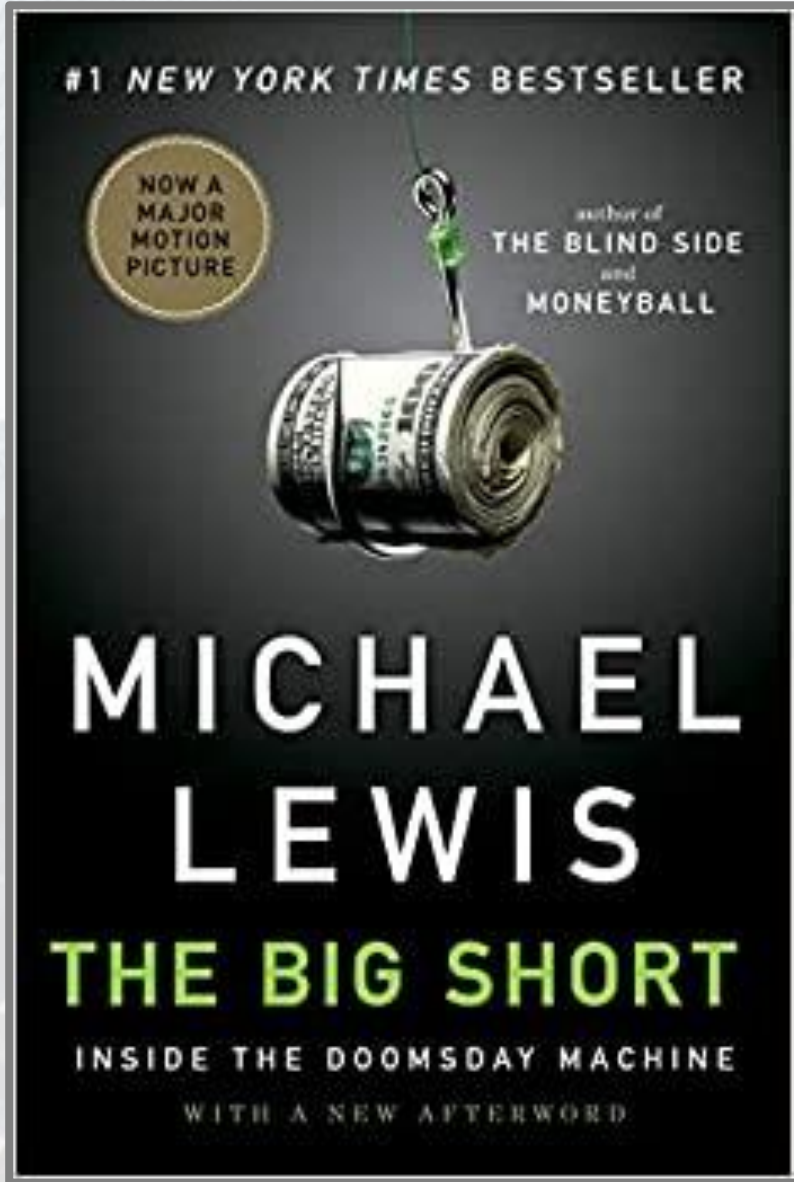
*Rating agencies classified subprime securities as investment grade - **it was a grey area.***

*Bank regulators insufficiently examined savings and investment banks leading up to the crisis - **it was just a grey area.***

*Mortgage banks lowered their underwriting standards – **it became a grey area.***

*Homeowners could put whatever they wanted on loan documents; everyone seemed to win, so – **it was a grey area.***





BUSINESS

Accounting giant Ernst & Young admits its employees cheated on ethics exams

June 28, 2022 · 6:00 AM ET

JACQUELINE GANUN



EY fined record \$100M for employee cheating scandal



By [Aaron Nicodemus](#) | Tue, Jun 28, 2022 10:38 AM

Though EY continually warned its employees not to cheat on exams and about the disciplinary actions the firm would face if the cheating was discovered, “it did not implement any additional controls to detect this misconduct during the relevant period,” the order said.

Sloth

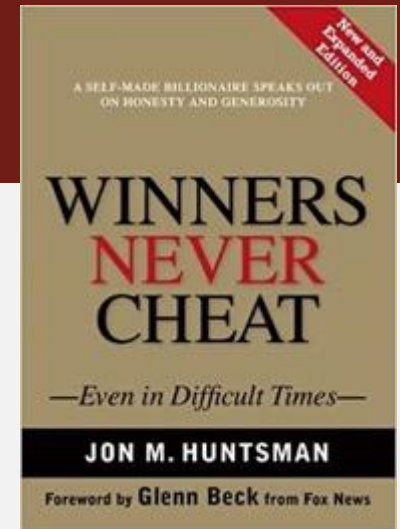
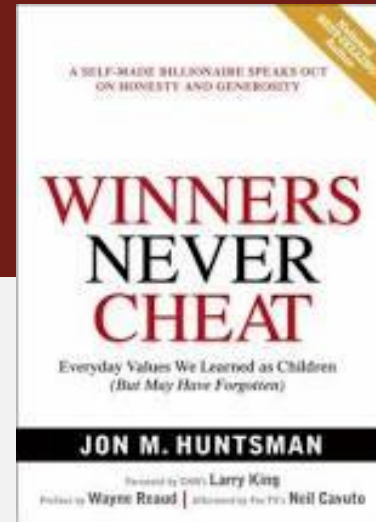
In addition, a “significant number of EY professionals who did not cheat themselves, but knew their colleagues were cheating and facilitating cheating, violated the firm’s code of conduct by failing to report this misconduct,” the SEC said.

Sloth

EY hindered the agency’s investigation into the cheating scandal by failing to turn over internal whistleblower reports regarding individual instances of cheating, as well as the firm’s own investigation into the misconduct.

Sloth





“Grey is not a substitute for black and white.”

— Jon M. Huntsman



A photograph of a man and a woman holding sloths. The man is on the left, holding a sloth against his chest. The woman is on the right, wearing sunglasses and holding a sloth. They are in front of a window with a decorative metal grille. The image is semi-transparent with text overlaid.

Will we be **SLOTHS** when it comes to our ethics and pretend like **EVERYTHING IS GREY?**

Make sure that employees aren't using this as an excuse! Don't allow the "**this is how we've always done it**" line – and make sure YOU and THEY have the **means and courage** to speak out!



*Complete this survey to get
resources from today!*



The



*Deadly
"Ethical" Sins
of Organizations*

Thank you for having me!

Amanda "Jo" Erven

Founder, Audit. Consulting. Education. LLC

www.AuditConsultingEducation.com

