Ethics

Integrity  Excellence  Accountability  Respect

John W. Gregg
Director, Controls & Accountability
UC Davis
Training Goal:
UC Statement of Ethical Values and Standards of Ethical Conduct

- Impact on You, the Business Officer
- How Best to Use
- Pitfalls to Avoid
Ethics Checklist?
Our Most Valuable Resource?

Operating Expenses
FY 2011  $24 Billion

- Salaries & Benefits: 64%
- Other: 36%
Ethics

A set of moral principles or values
... a guiding philosophy

*Merriam-Webster’s Collegiate Dictionary, Tenth Edition*
Factors Influencing Individual Values

- Upbringing (family values, religion, culture)
- Self-Conception
- Motivations
  - Need for Approval
  - Need for Security
  - Need for Money or Position
- Ethical Consciousness/Awareness
- Moral Courage/Strength of Character
Most of the time, we know what we *should* do.

The real test of ethics and character is whether we are willing to do the right thing

... even when it is likely to cost more than we want to pay.
Who Cares?

FY 2010/11 Revenues: $23.7 Billion
How Much Do They Care?
UC Revenue Trends Since 2001

$15.6B to $23.7B
How Much Do They Care?

Federal False Claims Act Settlements $122.4M

- Robert Wood Johnson University Hospital Hamilton (2010) $  6.4M
- Rush University Medical Center (2010) $  1.5M
- University of Medicine and Dentistry of New Jersey (2009) $  2.0M
- Alta Colleges (2009) $  7.0M
- Yale University (2008) $  7.6M
- St. Louis University (2008) $  1.0M
- Oakland City University (2007) $  5.3M
- Florida International University (2005) $13.2M
- University of Alabama (2005) $  3.4M
- Mayo Foundation (2005) $  6.5M
- University of Pennsylvania Children’s National Medical Center (2005) $  1.3M
- East Carolina University (2004) $  2.3M
- Johns Hopkins University (2004) $  2.6M
- Northwestern University (2003) $  5.5M
- Harvard Beth Israel Deaconess Medical Center (2002) $  3.2M
- University Medical Center of Southern Nevada (2002) $  1.2M
- Texas Tech University (2001) $  2.3M
- Thomas Jefferson University (2000) $  2.6M
- New York University (1999) $15.5M
- University of Minnesota (1998) $32.0M
How Much Do They Care?

Allegations Made Against the Institutions

- Lack of accounting integrity
- Unallowable costs
- Improper use of animals
- Conflicts of Interest
- Cost Transfers – Incorrect Accounts
- Improper Salary Expenses
- Duplicate Billings
- Inaccurate Effort Reporting

- Ineligible researchers
- Over-recovery of F&A costs
- Improper treatment of human subjects
- False statements in reports to Federal Government
- Failures in Integrity of Research
- Mischarged costs and overbilling
UC Statement of Ethical Values

- **Integrity** in our dealings
- **Excellence** in our work
- **Accountability** individual & compliance
- **Respect** rights & dignity of others
UC Standards of Ethical Conduct

1. Fair Dealing
2. Individual Responsibility & Accountability
3. Respect for Others
4. Compliance - Laws & Regulations
5. Compliance - Policies, Procedures & Guidance
6. Conflicts of Interest or Commitment
7. Ethical Conduct of Research
8. Records: Confidentiality/Privacy & Access
9. Internal Controls
10. Use of University Resources
11. Financial Reporting
12. Reporting Violations and Protection from Retaliation
UC Standards of Ethical Conduct

What they really mean:

- Exemplify Fairness
- Act Responsibly
- Respect Others
- Follow Rules
- Find Answers
- Be Worthy of Trust
- Protect Privacy
- Ensure Right Thing Happens
- Prove Stewardship
- Report Wrong-Doing
Guidelines for Actions & Decision-Making

Mission

- Personal Ethics
- Shared Values
- Internal Controls
- University Policies
- Regulations
- Laws

Accountability

Trust

Trust Accountability

Business Officers Institute, Patrick Reed, University Auditor, 10/27/99
Ethics is the Foundation of Internal Control

- **Management Environment** - Tone at the top, integrity, **ethics**, competence.
- **Risk Assessment**
- **Controls Activities**
- **Information and Communication**
- **Monitoring**
Advantages of Ethics

- **Competitive Edge** – people prefer to work with those they can trust
- **Credibility** – people believe you
- **Efficiency** – trust makes decision making faster and more economical
- **Morale** – people feel better about their jobs and themselves
- **Loyalty** – internal and external
- **Personal Satisfaction** – self respect, affection of others

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Realistic Expectations

- **Criminal Conduct** – It won’t make crooks honest but it can create an environment where criminal conduct is less likely and more risky.

- **Improper Conduct** – It can provide knowledge and promote systems that significantly reduce a large category of improprieties.

- **Poor Judgment** – It can create a heightened understanding of the kinds of conduct that generate criticism and accusations of unethical conduct.
Ethics is not about the way things **are**…

… It’s about the way things **ought** to be.
The Moral Landscape
The Way It Is
Post Enron Environment

Intensified Scrutiny

Public Cynicism

Burdensome Regulation

Prosecution

Broader Accountability

Turning Our World Upside Down

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<table>
<thead>
<tr>
<th>Attitude</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>“It’s important for me to be a person of good character”</td>
<td>98%</td>
</tr>
<tr>
<td>“It’s important to me that people trust me”</td>
<td>97%</td>
</tr>
<tr>
<td>“In business and the workplace, trust and honesty are essential”</td>
<td>94%</td>
</tr>
<tr>
<td>“Being a good person is more important than being rich”</td>
<td>89%</td>
</tr>
<tr>
<td>“My parents or guardians always want me to do the right thing, no matter the cost”</td>
<td>90%</td>
</tr>
</tbody>
</table>
### Job Pool - Cynicism

<table>
<thead>
<tr>
<th>Statement</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>“In the real world, successful people do what they have to to win, even if others consider it cheating”</td>
<td>59%</td>
</tr>
<tr>
<td>“A person has to cheat sometimes in order to succeed”</td>
<td>42%</td>
</tr>
<tr>
<td>“People who are willing to lie, cheat or break the rules are more likely to succeed than those who do not”</td>
<td>23%</td>
</tr>
</tbody>
</table>
### Job Pool - Conduct

<table>
<thead>
<tr>
<th>Activity</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Lied to parent about something significant</td>
<td>82%</td>
</tr>
<tr>
<td>Lied to teacher about something significant</td>
<td>62%</td>
</tr>
<tr>
<td>Copied an internal document</td>
<td>33%</td>
</tr>
<tr>
<td>Cheated during a test at school</td>
<td>60%</td>
</tr>
<tr>
<td>Stole something from a parent / relative</td>
<td>23%</td>
</tr>
<tr>
<td>Stole something from a friend</td>
<td>19%</td>
</tr>
<tr>
<td>Stole something from a store</td>
<td>28%</td>
</tr>
</tbody>
</table>

In the Past 12 Months:
Perception is Reality

• When it comes to trust, perception is reality.
• *It is not enough that we do no wrong, we must also try to assure that others believe we have done no wrong.*
Jack’s Rule of Thumb

- We judge other people by their actions and we judge ourselves by our intent.

Jack Azzaretto, UCR, “Ethics for UC Business Officers”
What is Work Culture?

Shared History
Expectations
Unwritten Rules
Social Mores

Underlying beliefs
color perceptions
of actions and communications

"200 years of tradition, unimpeded by progress!"

Department of Defense
Enemies of Integrity

- Complacency
- Self Delusion
- Rationalizations
- Survival Syndrome
- Win-at-Any-Cost

- Misplaced Loyalty
- Undervaluing Integrity
- Unaccountability
- Short-Term Thinking
- Arrogance of Power
Rationalizations
Classical Fallacies – It’s not unethical if …

1. It’s for a good cause
2. I’ve got it coming
3. It’s legal
4. Everyone does it
5. Others are a lot worse
6. I don’t get caught
7. It’s not for me
8. It benefits my family
9. It’s necessary/it’s the only way I can win
10. I’m just following orders
11. My job is on the line
12. I’m just fighting fire with fire
13. No one is really hurt
Rationalizations

Doctrine of Relative Filth

I’m not so bad as long as others are worse.

– Michael Josephson
Relativity is about physics, not ethics

- Albert Einstein
Win At Any Cost

If you’re not willing to lose, you have to be willing to do anything it takes to win.

– Michael Josephson
Win At Any Cost

- US settles case of Gene Therapy Study that ended with teen’s death
- U. of Penn & Children’s National Medical Center
  - Government alleged:
    - Study produced toxicities in humans, but was not terminated
    - Reports misrepresented actual clinical findings
    - Consent form did not disclose anticipated toxicities
  - Settlement: $1,032,118
Ethics Transcends Laws

Minimum compliance is like aiming for the outer rim of the target.

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Tools for the Way It Ought To Be
The Golden Rule

Confucius  What you do not want done to yourself, do not do unto others.
Aristotle  We should behave to others as we wish others to behave to us.
Judaism   What you dislike for yourself, do not do to anyone.
Hinduism  Do nothing to thy neighbor which thou wouldst not have him do to thee thereafter.
Islam     No one of you is a believer unless he loves for his brother what he loves for himself.
Buddhism  Hurt not others with that which pains thyself.
Christianity  Do unto others as you would have them do unto you.
Principles of Community

• Promote your campus *Principles of Community* together with the UC Statement of Ethical Values and Standards of Ethical Conduct

• UC Diversity Website presents systemwide and campus principles
  - [http://www.universityofcalifornia.edu/diversity/principles_community.html](http://www.universityofcalifornia.edu/diversity/principles_community.html)
People behave in an unethical way because they are either responding to signals sent by top management or because the only way that they can meet expectations is to cheat.”

- James O’Toole, USC Graduate School of Business
Make Character-Based Decisions

• Stakeholder interest & well-being
  – Meeting expectations?

• *UC Ethical Values* above all others
  – Integrity, Excellence, Accountability & Respect

• Greatest amount of good in the long run
Control Environment

- Train, Train, Train
- Ensure Separation of Duties
- Delegate Authority, Responsibility & Accountability
- Prohibit Password/Account Sharing
Educate Employees on Ethical Obligations

• Proper & improper use of public position and property
  – BFB G-39, Conflict of Interest Policy

• Recognize & avoid conflict of interest:
  – Gifts & Gratuities
  – Dealing with friends and relatives
  – UC purchasing power
  – Consulting & moonlighting
Ethics in Recruitment
UCD AVC – Capital Resource Mgt

• “In these interactions, the Assistant Vice Chancellor acts consistent with the following core values:
  – Integrity – full disclosure of all information pertinent to issues
  – Commitment – taking full responsibility for products, recommendations and actions
  – Objectivity – Ensuring impartial analysis of resource issues that are fair to all competing constituencies
  – Creativity – thoughtful assessment of problem-solving alternatives
  – Professionalism – treating all within and outside with respect
  – Shared Success – Valuing a team approach that also gives a positive experience and an opportunity for individual success
UNIVERSITY OF CALIFORNIA
BUSINESS OFFICER INSTITUTE

Administrative Responsibilities Handbook

A Handbook for Administrative Officials

• Available through your Controller’s Office
Objectives – In a Nutshell

- Meet stewardship responsibilities
- Provide management information
- Process properly and accurately all receipts and disbursements
- Account for all financial resources received and used
- Conform to:
  - Legal requirements and Administrative policies
  - Generally Accepted Accounting Principles
- Present a complete picture of funds and uses
Keep Documents Supporting Financial Transactions

• Retain documents for review by auditors
• Keep for the periods specified in the UC Records Disposition Schedules Manual
Don’t Wait to Fix Things

“The longer you wait to adjust the trajectory of a rocket that is going off course, the more severe the adjustment will have to be.”

“The same is true with new employees.”

- Michael Josephson
Consider the Real Cost

- Productivity
- Morale
- Investigative Leave
- Investigation
- Disciplinary Action
- Grievances
- Lawsuits
- Recruitment
- Training
- Funding / Gifts

$ Small Loss $
Bell, Book & Candle Test

Listen for the bells warning you of an ethical issue.

Check to see if there are any laws, regulations or rules which restrict your choices.

How will your decision look in the light? Could a reasonable fair-minded person conclude you acted improperly?
When you decide to fight fire with fire ...  
... all you get is the ashes of your own integrity.

– Michael Josephson
The problem with the rat race is that even if you win, you’re still a rat.

― Lily Tomlin
The future will be better tomorrow.

- Dan Quayle
Scenarios

- Read scenario together
- Vote and See Responses
- Discuss in small groups:
  - What are the competing pressures?
  - What actions might be taken?
- Share with room
**Scenario A**

Are you acting appropriately in tempering the discipline of an erring subordinate, who happens to be a friend, because you are aware of some personal problems the employee is currently experiencing?

1. Yes
2. No
Scenario B

Your supervisor orders you to “build a case” for dismissing a subordinate whom you regard as capable and promising, but who committed an “error in judgment” by “going public” about the handling of research funds. The resulting newspaper article caused an adverse public reaction and embarrassed the department. Are you acting appropriately in carrying out your supervisor’s order?

1. Yes
2. No
Scenario C

A civic club you belong to is selling candy to support a worthy cause. Is it OK to ask your employees and co-workers to buy this candy?

1. Yes
2. No
Scenario D

A longtime employee starts to drink heavily after the untimely death of a spouse. The employee's supervisor, also a friend, has been covering up for absences and shoddy work. Co-workers come to you and complain, but the supervisor begs for more time to help the employee work out the problem. Do you allow more time?

1. Yes
2. No
Scenario E

Last year your department made considerable use of temporary employees from a particular firm in your city. You know that your decision to use this firm was based on both cost-effective criteria and because it is the best agency in the area. In December, you receive a case of wine with holiday greetings from the agency. Do you accept it?

1. Yes
2. No
3. Drink the wine quickly and throw away the bottles.

Cross-tab label
Scenario F
You happen to see the Assistant Vice Chancellor to whom you report being wined and dined after hours by the head sales representative of a large, established company that is competing for a contract with your department for $500,000. Based on sound analysis, your personal favorite to be awarded the contract is a young company, with a short, but equally excellent record of achievement. You suggest that the contract be awarded to the newer, smaller company. If the Assistant Vice Chancellor award

1. Yes
2. No
Remember:

- **YOU** are our most valuable resource.
- **TOGETHER** we can:
  - Support Ethical Culture.
  - Model Ethical Behavior.

*Thank You!*
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