Ethical Dilemmas and Challenges

EUD Orientation for New Union and Conference Officers
August 28 – September 1, 2017

Ann Gibson, PhD, CPA
Andrews University
Ethics:

The moral principles that govern a person’s behavior and actions.

Webster’s Dictionary
Ethical Rationalization

1. Calling an unethical act by a different name.
2. “Everybody does it!”
3. “That’s the way we do things here.”
4. “We were only following orders.”
5. “It’s a gray area.”
“I looked up the word ‘cheat’ in the dictionary and decided it didn’t apply, given that it meant ‘to gain an advantage on a rival or foe.’ I didn’t view doping that way. I viewed it as a level playing field.”

Lance Armstrong, January, 2013
Occupational Fraud:

The use of one’s occupation for personal enrichment through the deliberate misuse or misapplication of the employing organization’s resources or assets.
Report to the Nations - 2016

Three categories:

- Asset misappropriation - 83.5%; $125,000
- Corruption - 35.4%; $200,000
- Financial Statement Fraud - 9.6%; $975,000
Not-for-profit organizations: 10.1% of the cases; median loss: $100,000

Religious, Charitable, or Social Service organizations: 2.4% of the cases; median loss: $82,000
Primary areas of fraud in Religious, Charitable, and Social Services Organizations:

<table>
<thead>
<tr>
<th>Area</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Billing</td>
<td>25.0%</td>
</tr>
<tr>
<td>Cash</td>
<td>23.1%</td>
</tr>
<tr>
<td>Check Tampering</td>
<td>25.0%</td>
</tr>
<tr>
<td>Corruption</td>
<td>28.8%</td>
</tr>
<tr>
<td>Expense Reimbursement</td>
<td>25.0%</td>
</tr>
<tr>
<td>Skimming</td>
<td>19.2%</td>
</tr>
<tr>
<td>Payroll</td>
<td>13.5%</td>
</tr>
</tbody>
</table>
Primary Internal Control Weaknesses for all types of fraud:

- Lack of internal controls: 29.3%
- Override of existing controls: 20.3%
- Lack of management review: 19.4%
- Poor tone at the top: 10.4%
- Lack of competent personnel in oversight roles: 6.4%
Big Picture Ethical Issues

1. Policy for denominational structure is not followed.

2. Unethical top-level decisions to “benefit the work.”

3. Pressure to meet goals which results in “fudged” numbers.
Slippery Slope Challenges

1. Taking things that don’t belong to you.

2. Giving or allowing false impressions.

3. Saying things you know are not true.
4. Buying influence or engaging in conflicts of interest.

5. Hiding or divulging information.

6. Permitting interpersonal and/or organizational abuse.
LORD, who may abide in Your tabernacle?
Who may dwell in Your holy hill?
He who walks uprightly,
And works righteousness,
And speaks the truth in his heart;

He who does not backbite with his tongue,
Nor does evil to his neighbor,
Nor does he take up a reproach against his friend;
In whose eyes a vile person is despised, 
But he honors those who fear the LORD; 
He who swears to his own hurt and does not change; 
He who does not put out his money at usury, 
Nor does he take a bribe against the innocent.

He who does these things shall never be moved.

Psalm 15 (NKJV)
Since an overseer (elder) is entrusted with God’s word, he must be blameless—not overbearing, not quick-tempered, not given to drunkenness, not violent, not pursuing dishonest gain. Rather he must be hospitable, one who loves what is good, who is self-controlled, upright, holy, and disciplined. He must hold firmly to the trustworthy message as it has been taught, so that he can encourage others by sound doctrine and refute those who oppose it.  

Titus 1:7-9
References

