

TALES OF CORRUPTION 2022

ETHICAL MISDEEDS



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Course Overview

WELCOME

- This course is designed with information from actual "ripped from the headlines" ethics cases. Most of these cases are on the extreme end of ethical misdeeds, but there's a lot that can be learned about "doing the right thing" from examining these cases.
- An ethical decision-making model will be presented in relation to each case. The key to utilizing an ethical decision-making model is appreciating how each model may be useful depending on the circumstances. By better realizing what is needed in a given situation, you can do a better job of choosing the right decision-making model to address necessary issues.

A MESSAGE FROM THE VBOA



Meet the Host & Course Author



CLARE LEVISON

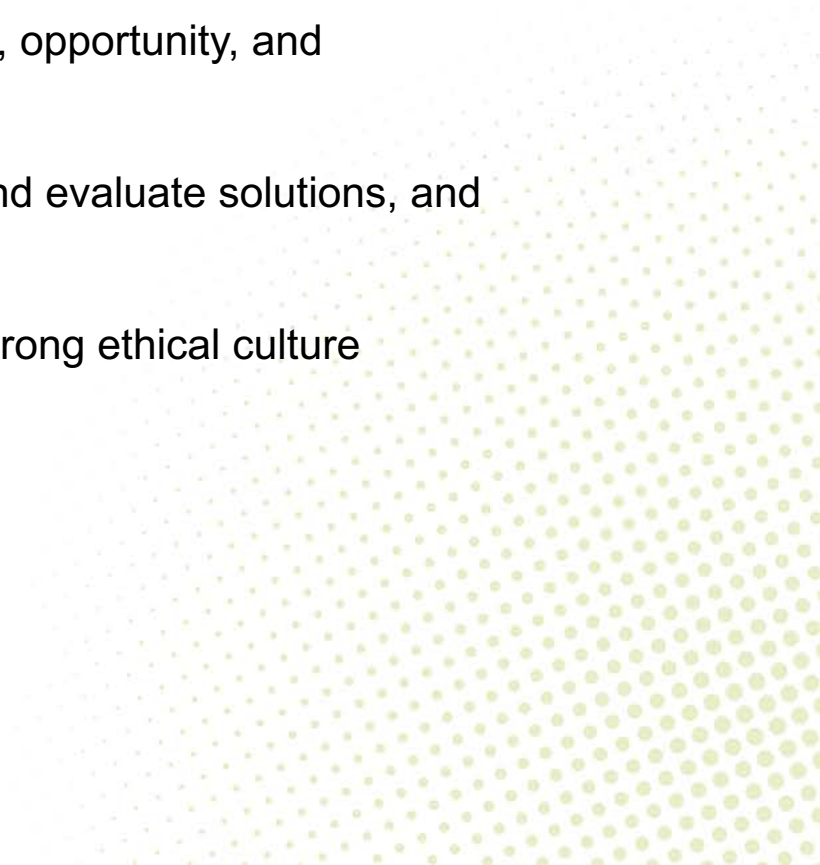
Clare Levison, CPA, CGMA is the owner of Inspired Responsibility, a consulting company dedicated to delivering continuing education via positive messages and meaningful content that inspires change. She strives to help organizations bridge gaps in their current learning with inspiring programs and meaningful agendas that deliver the message, as well as the WHY behind the message, to propel employees from good to best.

Prior to starting Inspired Responsibility, Levison spent more than twenty years in the aerospace and defense industry involved in all aspects of management, project, and financial accounting, as well as government compliance. Levison also authored competitive proposal volumes, with a focus on creating compelling, compliant content and providing cost trend analysis and risk mitigation.

Learning Objectives



AT THE END OF THIS COURSE PARTICIPANTS WILL BE ABLE TO:

- Evaluate small ethical breaches and their potential to escalate
 - Recall the American Institute of CPAs (AICPA) Code of Professional Conduct when faced with ethical dilemmas
 - Categorize the elements of pressure, opportunity, and rationalization in relation to fraud
 - Define an ethical problem, identify and evaluate solutions, and determine the best course of action
 - Recognize the building blocks of a strong ethical culture
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The background of the slide is a teal color with a fine, dotted pattern. Overlaid on this is a grid of thin white lines. Several fingerprints are visible, some of which are slightly faded. A magnifying glass with a black handle and a silver rim is positioned on the left side, focusing on a large, clear fingerprint. The text 'Numerous Ethical Violations' is written in a large, white, sans-serif font on the right side of the slide. Below it, the text 'Case Study' is written in a smaller, white, sans-serif font, separated by a thin white horizontal line.

Numerous Ethical Violations

Case Study

Numerous Ethical Violations

Case Study

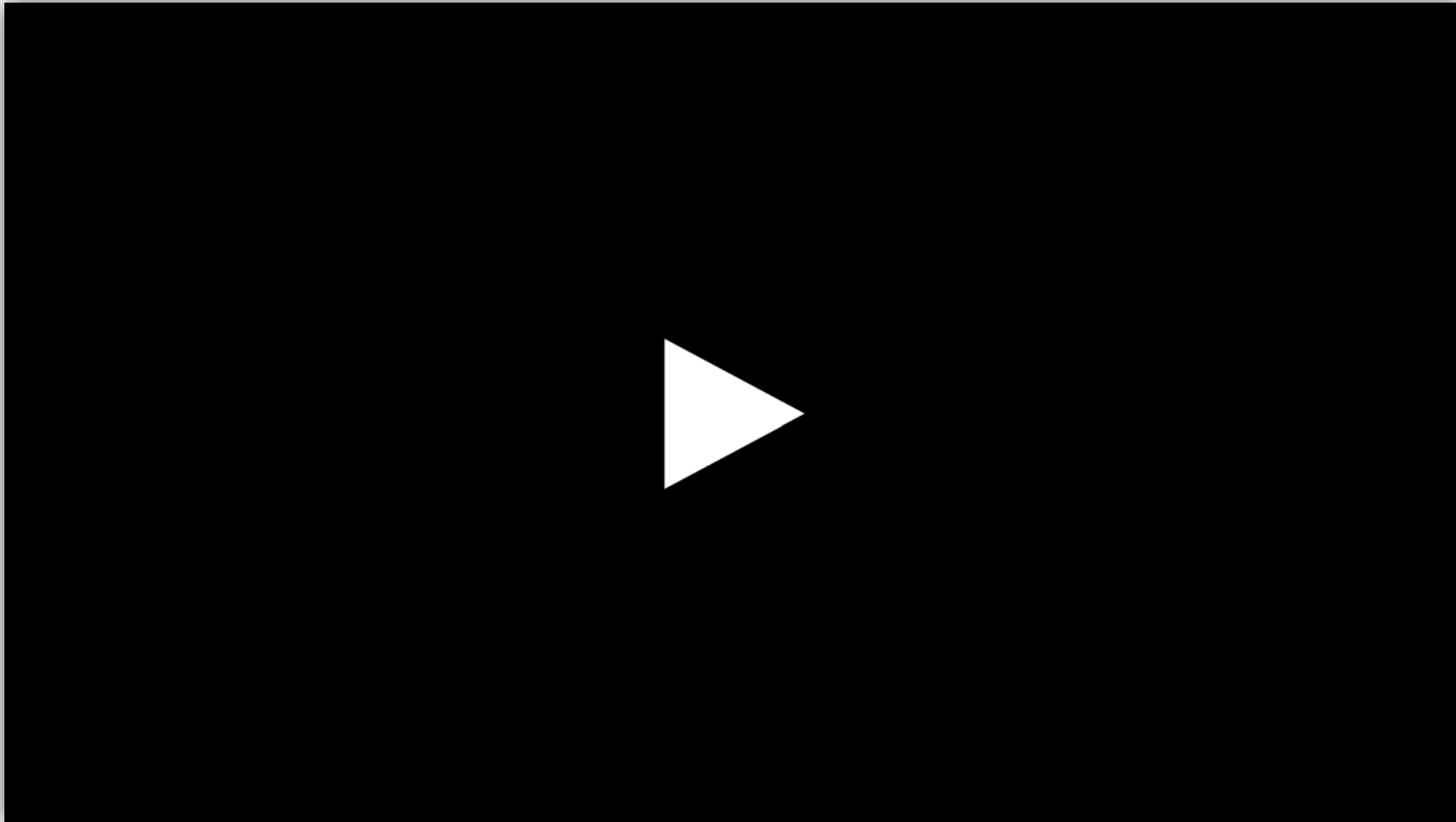


CASE SUMMARY

- ❖ Case details can be found on pages 7-8 of the course handout.

Anthony Hamlet was the superintendent of the Pittsburgh Public Schools in Pittsburgh, Pennsylvania, from July 1, 2016 to October 1, 2021. Hamlet committed multiple ethics violations including improperly receiving travel reimbursements, getting payments for appearances related to his job, and incorrectly filing financial documents.

NUMEROUS ETHICAL VIOLATIONS CASE STUDY - INTRODUCTION



Numerous Ethical Violations

Case Study



SMALL ETHICAL BREACHES / MISREPRESENTATIONS

- Not all ethical breaches are dramatic. But can small misrepresentations lay the groundwork for larger violations?
- Can minor bad behavior snowball or be the first step down a slippery slope?
- Is it okay to tell a lie if it's merely a "white lie?"

Numerous Ethical Violations

Case Study



CASE CONCLUSION

- Anthony Hamlet was directed to make reimbursements and payments to the Pittsburgh Public Schools and the Pennsylvania State Ethics Commission in amounts totaling just over \$20,000.
- Hamlet resigned from his position thirteen days after the Pennsylvania State Ethics Commission released their report. He received one year of his salary and benefits minus the value of the vacation days that the commission found Hamlet owed to the district.

NUMEROUS ETHICAL VIOLATIONS CASE STUDY - CLOSING COMMENTS



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Conceptual Framework

Case Study

Conceptual Framework

Case Study

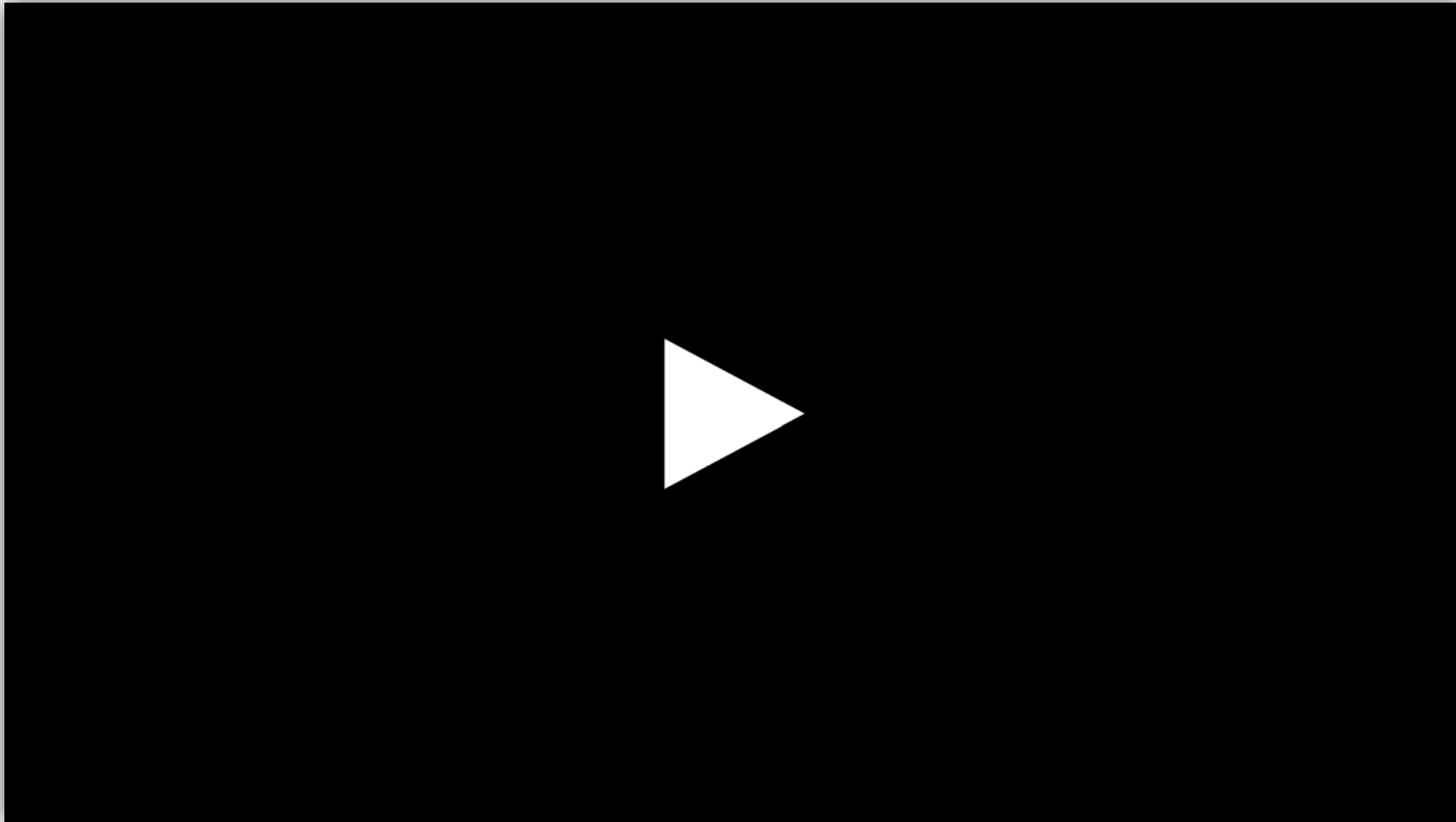


CASE SUMMARY

- ❖ Case details can be found on pages 9-12 of the course handout.

Rita A. Crundwell was the Comptroller and Treasurer of Dixon, Illinois from 1983 to 2012. She committed what is believed to be the largest municipal fraud in U.S. history by embezzling \$53.7 million from the city of Dixon for over twenty-two years to support her championship American Quarter Horse breeding operation along with other purchases.

CONCEPTUAL FRAMEWORK CASE STUDY - INTRODUCTION



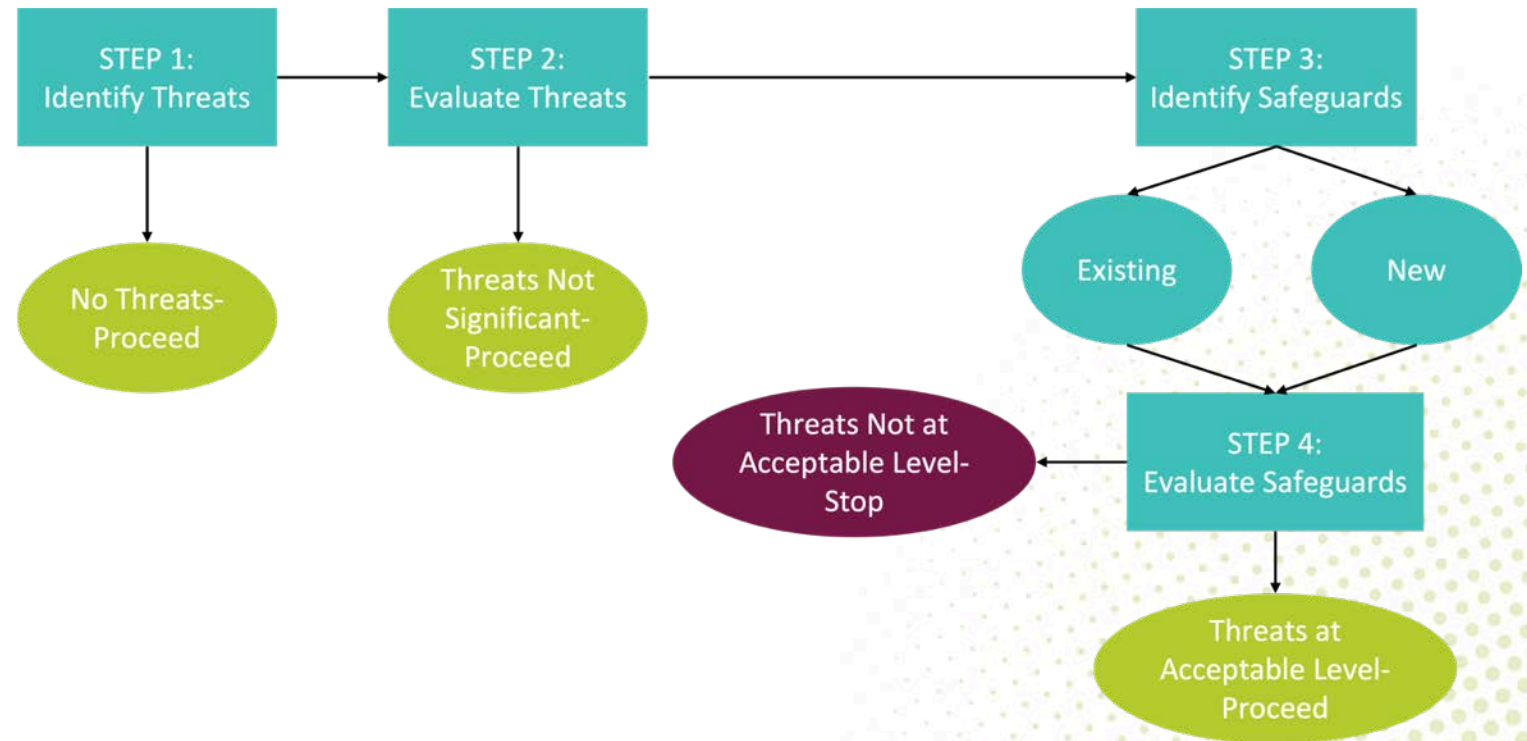
Conceptual Framework

Case Study



AICPA CODE OF PROFESSIONAL CONDUCT

The AICPA provides a conceptual framework that can be applied when assessing decision-making in a particular situation.



Conceptual Framework

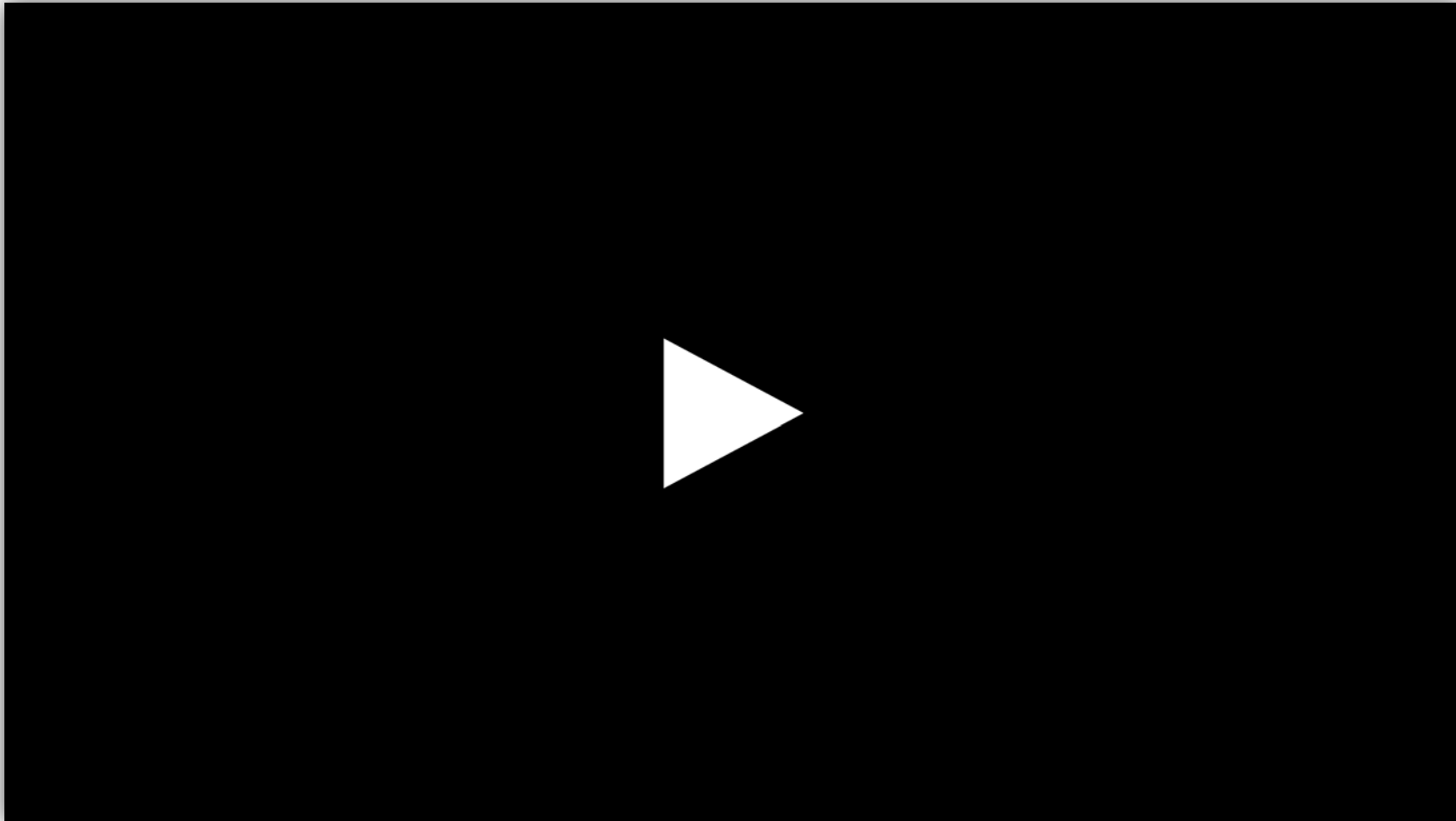
Case Study



CASE CONCLUSION

- In 2013, Crundwell was sentenced to 19 years and 7 months in federal prison and was ordered to pay restitution to the City of Dixon totaling \$53.7M.
- In April of 2020, Crundwell petitioned a federal judge for early release based on her deteriorating health condition and the COVID-19 pandemic. She ultimately withdrew this request but on August 4, 2021 she was released from the Federal Corrections Institution in Illinois without explanation. The Bureau of Prisons cited Crundwell's privacy as the reason for not explaining her early release. She had served less than half her sentence.

CONCEPTUAL FRAMEWORK CASE STUDY - CLOSING COMMENTS





Fraud Triangle

Case Study

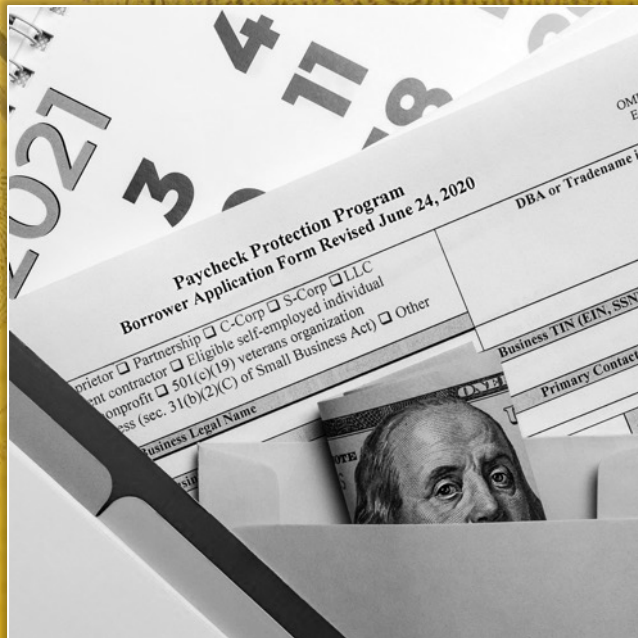
Fraud Triangle

Case Study

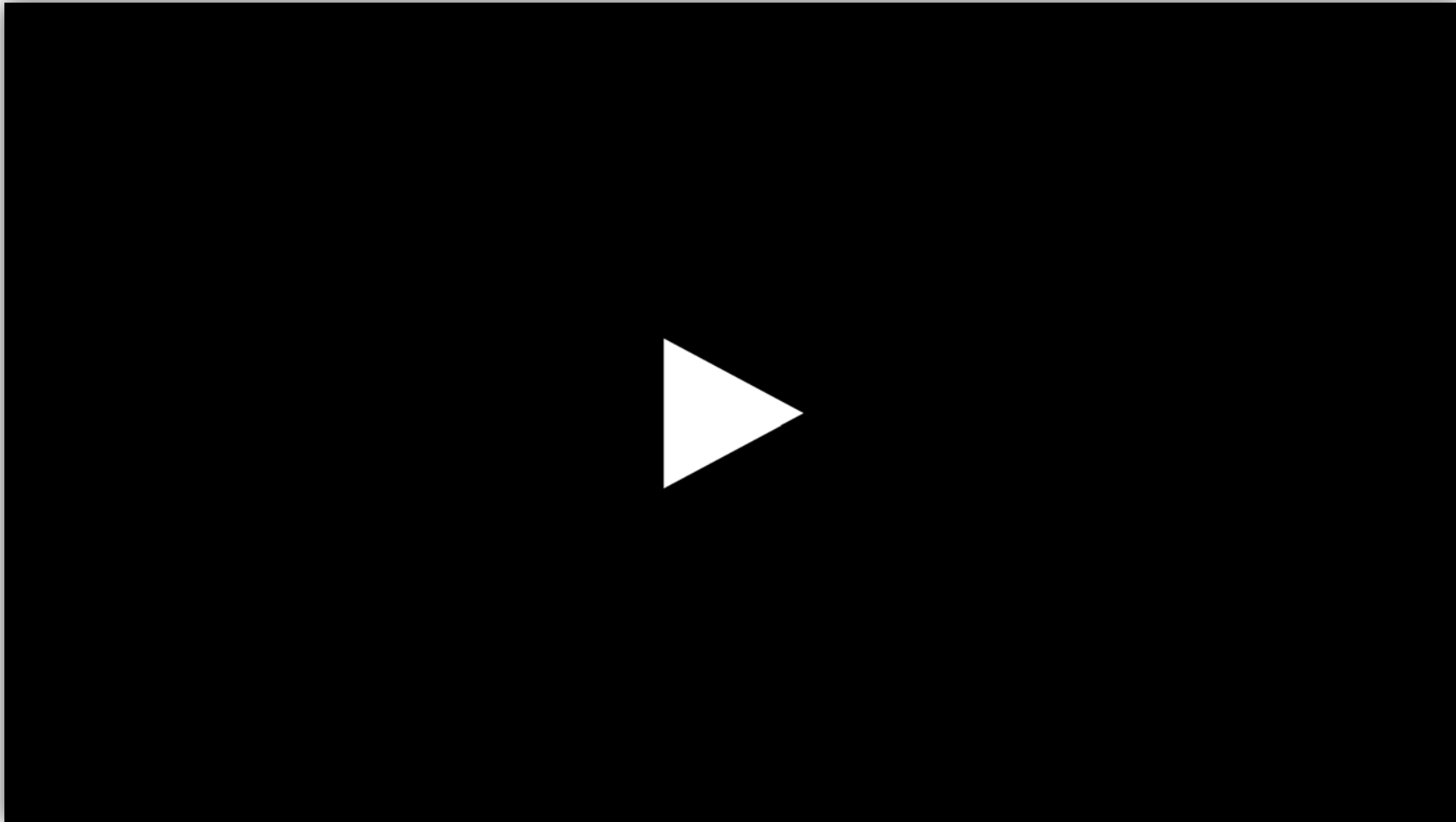
CASE SUMMARY

- ❖ Case details can be found on page 14 of the course handout.

Lee Price III, of Houston, Texas, submitted two fraudulent PPP loan applications to two different lenders. Through these PPP loan applications, Price sought and obtained over \$1.6 million in PPP loan funds by falsely representing the number of employees and payroll expenses in each of the PPP loan applications. To support the fraudulent PPP applications, Price also submitted fraudulent tax records and other materials.



FRAUD TRIANGLE CASE STUDY - INTRODUCTION



Fraud Triangle

Case Study

THE FRAUD TRIANGLE

Another tool you can use when exercising decision-making is the fraud triangle. Fraud experts generally agree that three elements need to coalesce for fraud to occur.

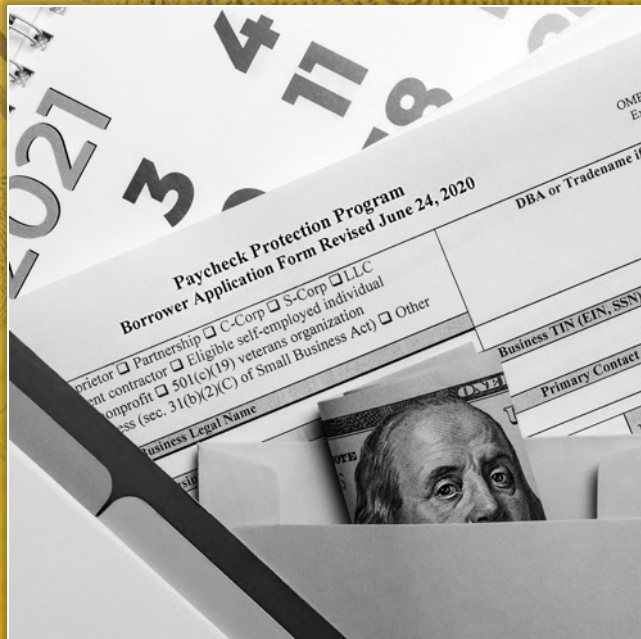


Fraud Triangle

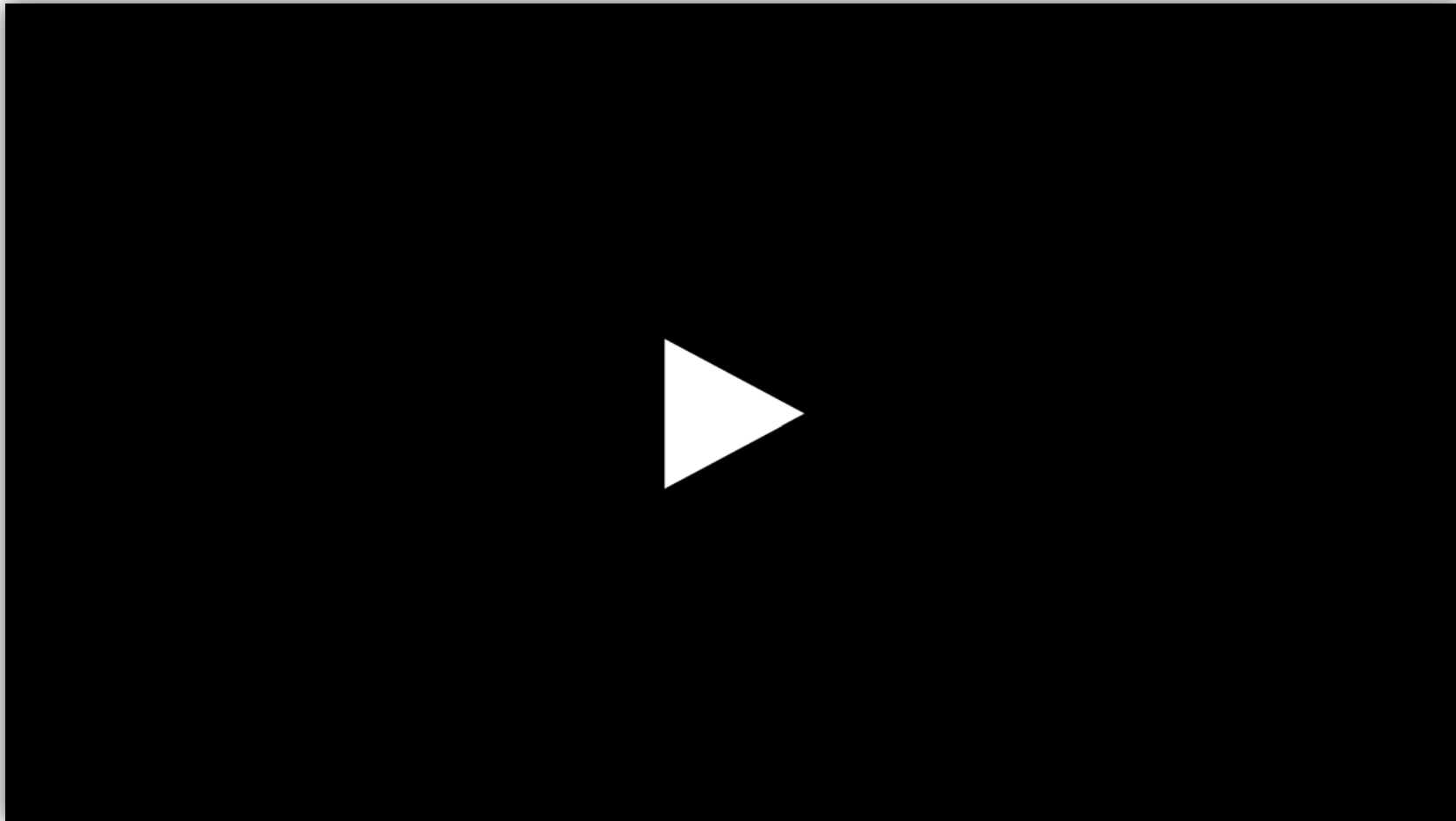
Case Study

CASE CONCLUSION

- In September 2021, Lee Price III pleaded guilty to two counts of wire fraud and three counts of money laundering.
- In November 2021, a judge sentenced Price to 110 months, or nine years and two months, in federal prison.



FRAUD TRIANGLE CASE STUDY - CLOSING COMMENTS



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PLUS Model

Case Study

PLUS Model

Case Study

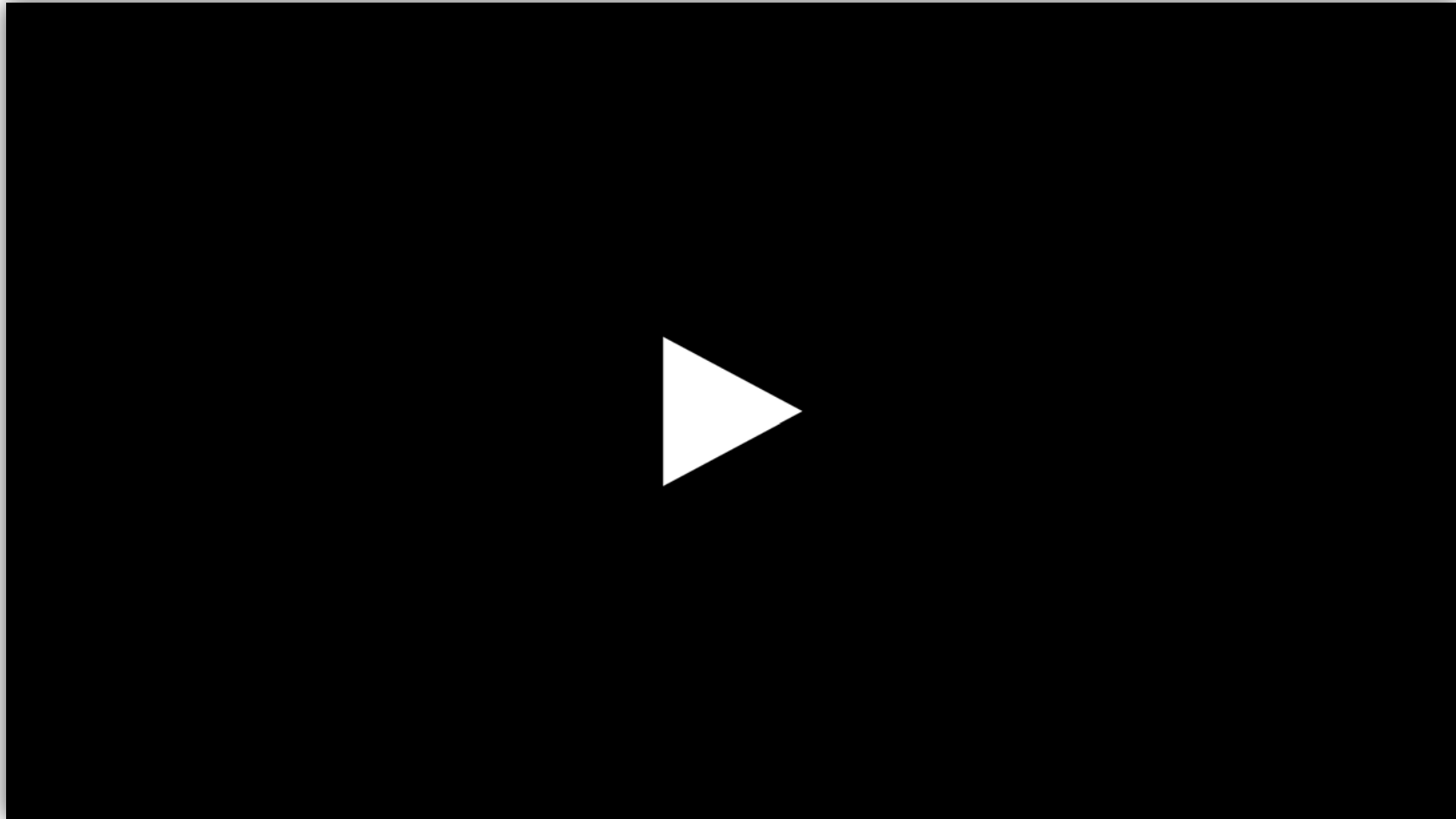
CASE SUMMARY

❖ Case details can be found on page 16 of the course handout.

Maryland tax return preparers, Lenore Worthy, Anita Fortune, and Veronica Fortune, used varying business names to provide tax preparation services. They fraudulently inflated their clients' refunds by fabricating and exaggerating Schedule A itemized deductions and by engineering Schedule C business losses.

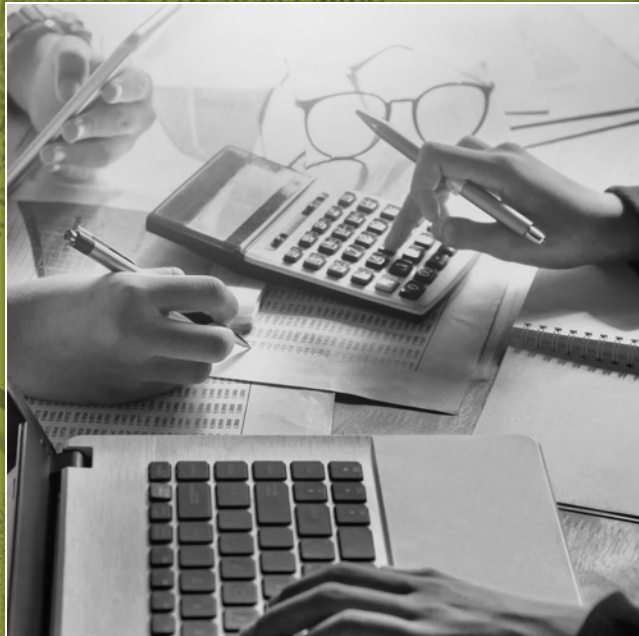


PLUS MODEL CASE STUDY - INTRODUCTION



PLUS Model

Case Study



THE PLUS MODEL

The Ethics & Compliance Initiative (ECI) is a best-practice community of organizations committed to creating and sustaining high quality ethics and compliance programs. ECI offers a filter that can be used with ethical decision making.

- P = Policies
- L= Legal
- U = Universal
- S= Self

PLUS Model

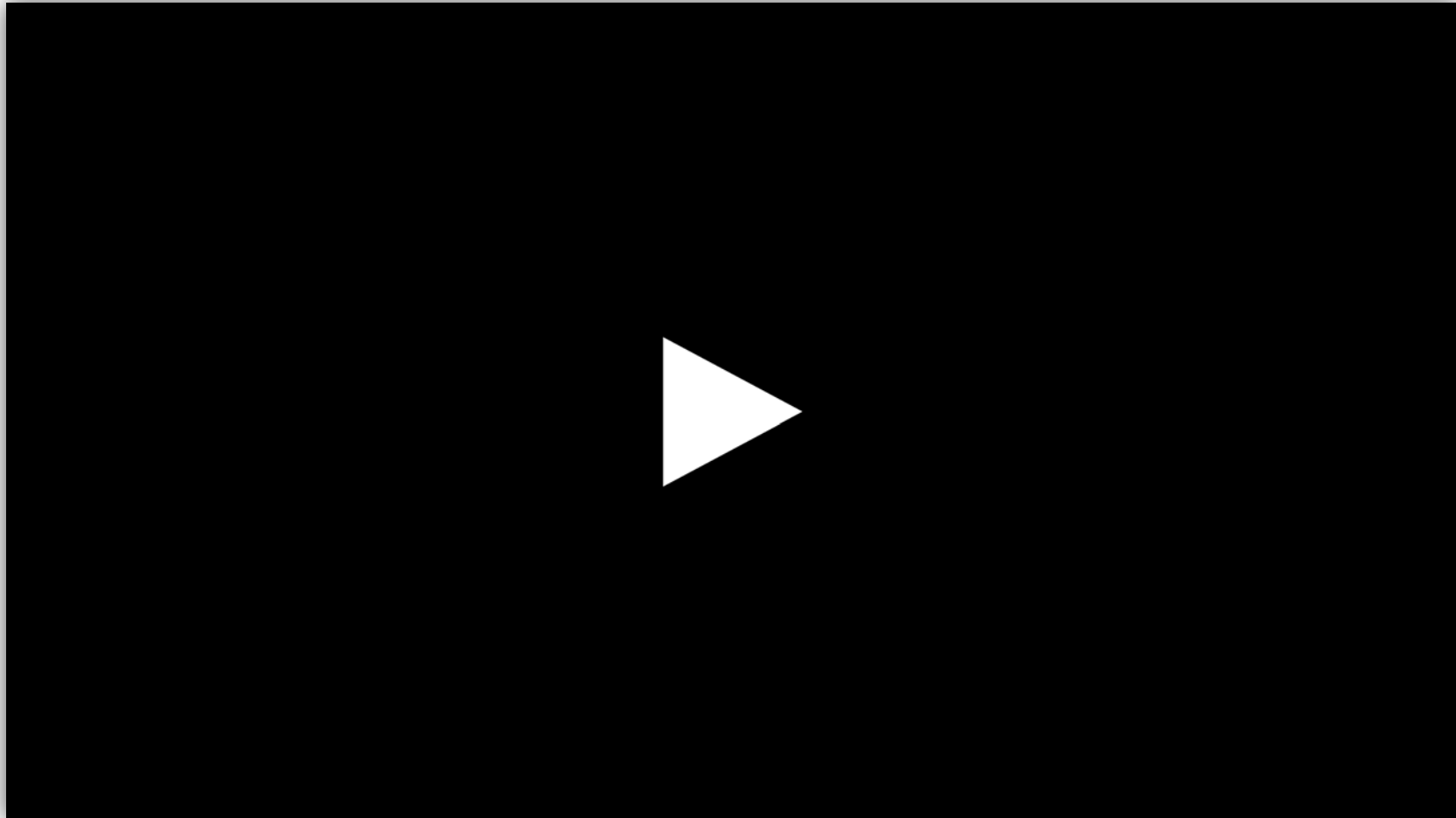
Case Study



CASE CONCLUSION

- Lenore Worthy was sentenced to six months in prison, three years of supervised release, and \$189,748 in restitution to the United States.
- Veronica Fortune was sentenced to twelve months and one day in prison, three years of supervised release, and \$86,590 in restitution.
- Anita Fortune was sentenced to thirty months in prison.

PLUS MODEL CASE STUDY - CLOSING COMMENTS



Course Evaluation

SHARE YOUR THOUGHTS

Complete the course evaluation by scanning the QR code below with your smartphone or by navigating to <https://www.surveymonkey.com/r/TOC2022VSCPA>.

