

CPT Co-sponsors Ensuring Integrity: Fourth Annual Audit Conference

The Center for the Public Trust (CPT), along with the Robert Zicklin Center for Corporate Integrity of Baruch College, continued their collaboration and co-sponsored “Ensuring Integrity: the Fourth Annual Audit Conference” in New York City on December 11, 2009. By bringing together top speakers from the Public Company Accounting Oversight Board (PCAOB), the Securities and Exchange Commission (SEC) and the American Institute of CPAs (AICPA), the conference provided a lively forum for interaction between business, public accounting, academics and policy setters. Current best practices of ethics and independence within the auditing profession were highlighted throughout the day.

“When doing an audit, how much should I think about liability and how much about doing my job?”

Keynote speaker Robert J. Keuppers, Deputy CEO of Deloitte & Touche, LLP, noted that the landscape is constantly evolving, and trust in the accounting profession has been challenged time after time. Although there have been breakdowns in the thoroughness and integrity of the audit process, there are no systematic problems. The accounting profession must meet evolving market needs while keeping true to its fundamentals. Professional skepticism, ethics and integrity have always been cornerstones of the profession.

Martin Bauman, Chief Auditor of the PCAOB, reported that the Standing Advisory Group (SAG) is working on standards to assist in improving risk-assessment. They are also collaborating closely with other organizations in order to create a comparison between these standards and other organizations’ standards.

Stimulating panel sessions also marked the conference. During the “Auditing Fair Value” panel discussion, it was noted that anything can be valued under fair value, but one needs to determine the appropriate approach and rely on guidelines. Al Paulus, Partner at Ernst & Young, LLP, and Director of Professional Practice -Auditing, recommended taking a cue from Missourians and by saying, “Show me.” Moderator, Brian Richson, a PricewaterhouseCoopers LLP partner, noted that the landscape of the credit market has changed and “substantial doubt” is not understood by audit users. During the discussion entitled “What Every Auditor Should Know” discussion a participant asked, “When doing an audit, how much should I think about liability and how much about doing my job?” Michael Young recommended that auditors do what they are trained to do: Do what makes sense and try to keep the objective of transparency in the forefront of thinking. The crux of litigation is the auditor was not transparent, which can dampen candor.

Plans are underway for the 2010 Conference next December. ☆

Good News

Helping Haiti

A seven-year-old boy from Fulham, West London, has raised more than \$10,500 to help survivors of the Haitian earthquake. On his *JustGiving* page, Charlie Simpson said: “I want to do a sponsored bike ride for Haiti because there was a big earthquake and loads of people have lost their lives. I want to make some money to buy food, water and tents for everyone in Haiti.”

Col. Colt Nominated

Secretary of Defense Robert M. Gates announced that the President of the United States has nominated Army Col. Jeffrey N. Colt for appointment to the rank of brigadier general. Colt is currently serving as commander, Joint Unmanned Aircraft Systems Center of Excellence, Indian Springs Airfield, Creech Air Force Base, NV. Col. Colt spent two days last year traveling from his home in Nevada to Easton, CT, to participate in the CPT’s Being a Difference Award ceremony which honored Susan Spivack, Carol Weinschel and Michael Weinschel. During his moving presentation Col. Colt emphasized that it was his honor to be a part of the event. He described the Weinschels and Spivack as “remarkably generous” and “selfless volunteers.”

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Vice President's Voice

Just Do It Right

We're proud of this year's *Being a Difference* Awardees. Once again, our Awards Subcommittee did an outstanding job of selecting winners who truly embody the spirit of the award—people and organizations that are truly being a difference.

Milton Brown, the CPT Board's first past chair is heading the Advancement Committee and has kicked off the "Be One" Campaign. I urge you to join Milton and the others listed by being one to donate \$1,000.

Our Good News column is full this issue of deeds of extraordinary people. People who live their lives to a higher standard and are truly role models – so unlike some of the celebrities we've been reading about. Lying and cheating are, simply put, wrong. So I've been really surprised when I've read opinions that celebrities and sports stars shouldn't be held to a higher standard because they're not role models. Well it's not a higher standard; it's just the basic rules. And, companies like Nike don't pay just anyone millions of dollars to endorse their products; they select people the rest of us look up to. Really, who doesn't want to putt like Tiger Woods? (I'd like to putt like Woods just once.) The Nike motto *Just Do It* may need to be updated to *Just Do it Right*.

Lisa Axisa

Ethics and the Middle Manager: Creating "Tone in the Middle"

By Kirk O. Hanson

Creating a culture of ethics is often frustrated by a lack of attention and commitment by middle managers.

Creating a culture of ethics requires all levels of employees believe that the organization wants to act ethically in all it does. Emphasis since 2001 on "tone at the top," one of the legacies of the misbehavior by top management in the Enron, WorldCom, Tyco and other scandals, has helped many top executives realize they must create this tone by their own behavior. Too often, however, the behavior of middle managers remains unchanged, and undermines ethical messages and the creation of an ethical culture which is a corporate priority. If middle managers are not committed to the values and ethics, this is immediately apparent to the lower level employees. The implementation of ethics in an organization is only as strong as its weakest link as it flows down into the organization.

An organization's "tone at the top" must be translated into a "tone at the middle" before it can reach the rest of the organization.

“Creating a culture of ethics requires all levels of employees believe that the organization wants to act ethically in all it does.”

What is needed in every organization is an understanding by the top management and by the ethics/compliance professionals that they are seeking to influence specific behaviors of middle managers, just as they have focused in recent years on specific behaviors by top executives. The problem of motivating middle managers, however, is in many ways more difficult. Middle managers are given explicit and often unyielding financial, sales, and cost control goals to achieve. At times, they may perceive that top management is actually giving them the message to focus on the quantifiable business goals and not on the "softer" ethical goals, that the ethical messages were "for the record" and not real. At other times, they may perceive that top management simply does not realize they cannot meet the stretch performance goals without "stretching" the ethical standards of the organizations. In these cases, many middle managers decide for themselves to take the expedient path. [continues on page 5](#)

BEING A DIFFERENCE *Award*

2009-10 Being A Difference Recipients

The *Being a Difference Awards*, honor individuals and organizations for their unique contributions to social responsibility and ethical leadership. These award recipients do not simply aspire to make a difference -- they are being a difference in their circumstances by embodying the very best in principled behavior. Past recipients range from Fortune 500 executives, Olympic athletes and Big Four audit firms, to individuals who have worked courageously but quietly in support of the public trust.

We are very pleased to announce this year's winners:

Bryan "Bill" William

A CPA and also the CEO of Mt. Olive Pickle Company, located in Mount Olive, North Carolina.

Leads organization using integrity, a sense of fairness and a deep commitment to family, company and community.

Promotes community service among employees.

Very strong in corporate social responsibility.

Spartanburg Water

A publicly owned utility company located in Spartanburg, South Carolina. They believe that their employees are their most valuable assets, and they ask those employees to make a commitment to ethical standards and make integrity a priority.

Their guiding principles:

Safety

The safety of our employees, customers and the environment is imperative to our mission

Excellence

We pursue excellence in services and products through teamwork and collaborative problem solving both within the organization and with external stakeholders.

Commitment to Customer Service

We strive to treat our customers with fairness and to provide responsive and courteous service.

Diversity

We continuously improve our services and products by appreciating and embracing the diversity of both our workforce and our community.

Integrity and Respect

We establish and maintain trust with co-workers, suppliers, customers and other stakeholders through relationships based upon integrity and respect.

Innovation and Creativity

We value innovation and creativity as means to respond to the changing and increasing challenges faced by our organization and community.

Accountability

We are accountable for achieving our mission and the responsible use of the resources available to us in a cost effective manner.

Stability of Purpose

We ensure the stability of our organization by clearly defining and communicating our vision and purpose in collaboration with our stakeholders.

Constructing A Strong Base Of Support

“Ethics is the most important thing in one’s personal and business life.” This response was given by long-time supporter of the NASBA Center for the Public Trust, Milton Brown, when asked why he personally supports the CPT. Donors give for a variety of reasons, but the resounding thought was echoed by each person surveyed – the CPT is a much needed organization in today’s society.

Additionally, one gentleman said that he values the concept of the Student Center for the Public Trust (SCPT) and would like for his grandson to have the opportunity to participate at his college.

Another donor stressed that “It appears that many of our leaders have misplaced their moral compass. . . .The Center promotes the development of ethical leadership. It is good that an organization recognizes those individuals and businesses that follow high standards.”

The reasons for CPT support vary, but CPT donors are passionate and unanimous in their belief in the need for this organization as expressed in the following quote: “Since the time of its inception, I have been committed to the values and mission of the Center for the Public Trust. As a supporter and donor of the CPT, that commitment has been rewarded time and again. The many conferences the CPT hosts, the awards and recognition it provides and initiatives it sponsors all speak to the great value business ethics and integrity impart in our society and economy. I am aware of no other organization so totally dedicated to raising awareness of the importance of public trust. This is a work that must be continued, advanced and built upon.”

The CPT values and appreciates its donors who make it possible to create an awareness of the need for integrity and trust in our society. The NASBA Center for the Public Trust is most appreciative of the generosity of all its contributors. We are grateful to this year’s Trust Society member, Pinnacle Bank, for its generous contribution of \$50,000.

TRUST SOCIETY

Pillar of Trust - \$50,000

Pinnacle Bank

PUBLIC TRUST COUNCIL

Ethics Leader - \$10,000 or more

Allen & Pinnix
Milton Brown

PUBLIC TRUST COUNCIL

Ethics Partner - \$5,000-\$9,999

Dell, Inc.

PUBLIC TRUST COUNCIL

Ethics Associate - \$1,001-\$4,999

National Society of Accountants
David Kassouf

PUBLIC TRUST COUNCIL

Ethics Friend - Less than \$1,000

Congregation Rodeph Sholom
ECS Group
Quinton Booker
Steven Downing
Andrew Duboff
Yordanos Dumez
John Fields
Marilyn Fritz

Nathan Garrett
Phillip Gleason
Bill Golden
Gaylen Hansen
Harold Hein
Anita Holt
Asa Hord
Carlos Johnson

Edwin Jolicoeur
John Katzenmeyer
Jim McGee
Bruce Malott
Robert Mann
Kenneth Odom
Jim Rigos
John Rogers

Tom Sadler
Frances Spivack
Edith Steele
Charles Story
William Treacy

“BE ONE” CAMPAIGN

\$1,000

Billy Atkinson

Lisa Axisa

Barton Baldwin

Ed and Nancy Barnicott

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Michael Bryant

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Michael Weatherwax

Michael Weinschel

Ethics and the Middle Manager: Creating "Tone in the Middle"

By Kirk O. Hanson

There are specific behaviors which middle managers must demonstrate in order for lower level employees to understand that the organization is serious about ethics.

It is possible to specify the middle management behaviors that will help the creation of an ethical culture. These are similar to that of the top management but include some unique actions. The key behaviors are:

1. Talk frequently about the ethical values and ethical commitment of the organization
2. Anticipate ethical dilemmas which typically arise in his or her area of responsibility
3. Talk about how the ethical values and commitments apply to the work of the specific group
4. Talk about how the ethical values and commitments apply to specific decisions the middle manager makes or participates in
5. Recognize ethical issues when they do arise
6. Ask questions when the ethical action is unclear
7. Make ethical decisions consistent with organizational values and ethics
8. Report concerns about ethical and unethical actions to top managers

There are specific techniques which help the top to communicate the organization's real ethical commitment to the middle managers in ways that convince them the organization is serious. Motivating middle managers to reinforce the ethical culture of the organization by their own actions requires several specific actions by top executives. Among them are:

1. Top executives must themselves exhibit all the "tone at the top" behaviors, including acting ethically, talking frequently about the organization's values and ethics, and supporting the organization's and individual employee's adherence to the values
2. Top executives must explicitly ask middle managers what dilemmas arise in implementing the ethical commitments of the organization in the work of that group
3. Top executives must give general guidance about how values apply to those specific dilemmas
4. Top executives must explicitly delegate resolution of those dilemmas to the middle managers
5. Top executives must make it clear to middle managers that their ethical performance is being watched as closely as their financial performance
6. Top executives must make ethical competence and commitment of middle managers a part of their performance evaluation
7. The organization must provide opportunities for middle managers to work with peers on resolving the hard cases.
8. Top executives must be available to the middle managers to discuss/coach/resolve the hardest cases

Selected Resources:

"Ethics Professionals Should Train Middle Management" (BNA)

"Who Wants To Be A Middle Manager?" (*USA Today*, August 12, 2007)

Kirk Hanson is executive director of the Markkula Center for Applied Ethics and University Professor of Organizations and Society. He prepared this briefing for the Business and Organizational Ethics Partnership.
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Good News

Dynamic Entrepreneur

Grace Williams, CPA, a Latina business woman residing in Atlanta, GA, has used her corporate success to make a difference in her community. While recovering from breast cancer, she founded Dia de la Mujer Latina, a non-profit organization dedicated to promoting health awareness and education in the Atlanta Latino community. She is also the president and founder of the board of directors of the Atlanta Chapter of the National Society of Hispanic MBAs.

Lipscomb Dean One of Business Ethics Most Influential

Lipscomb University College of Business Dean Turney Stevens was recently named as one of 2009's 100 Most Influential People in Business Ethics by the Ethisphere Institute, a leading international think-tank dedicated to the advancement of best practices in business ethics. Dean Stevens was the leading force in implementing the first Student Center for the Public Trust, which launched on the Lipscomb campus in the fall of 2009.



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A Message from Milton Brown, CPT Advancement Chair

In November 2009, the CPT kicked off the “Be One” Campaign. Our quest was to identify 100 individuals to give \$1,000. I am pleased to announce that we have raised \$40,000 so far. During these hard economic times, I want to stress how important it is for the CPT to attain our mission which is to engender and foster confidence and trust in American corporations and institutions and the professions that serve them. If you are reading this issue of *Ethics Matters*, you must certainly agree with me. I challenge you to join us and make a \$1,000 contribution. Your gift is entirely tax-deductible. You may choose to have the CPT invoice you in monthly installments to make your giving as easy as possible. Please mail your check today or contact **Kathy Phillips** in the CPT office at **(615) 312-3841** or kphillips@nasba.org.

