We'll get you there.

CPAs | CONSULTANTS | WEALTH ADVISORS

Behavioral Ethics: Falling Over the Moral Cliff

State of Maine

September 28, 2026

The information herein has been provided by CliftonLarsonAllen LLP for general information purposes only. The presentation and related materials, if any, do not implicate any client, advisory, fiduciary, or professional relationship between you and CliftonLarsonAllen LLP and neither CliftonLarsonAllen LLP nor any other person or entity is, in connection with the presentation and/or materials, engaged in rendering auditing, accounting, tax, legal, medical, investment, advisory, consulting, or any other professional service or advice. Neither the presentation nor the materials, if any, should be considered a substitute for your independent investigation and your sound technical business judgment. You or your entity, if applicable, should consult with a professional advisor familiar with your particular factual situation for advice or service concerning any specific matters.

CliftonLarsonAllen LLP is not licensed to practice law, nor does it practice law. The presentation and materials, if any, are for general guidance purposes and not a substitute for compliance obligations. The presentation and/or materials may not be applicable to, or suitable for, your specific circumstances or needs, and may require consultation with counsel, consultants, or advisors if any action is to be contemplated. You should contact your CliftonLarsonAllen LLP or other professional prior to taking any action based upon the information in the presentation or materials provided. CliftonLarsonAllen LLP assumes no obligation to inform you of any changes in laws or other factors that could affect the information contained herein.

Learning Objectives

1. Recognize the patterns and behaviors that can often lead to ethical scandals in business
2. Identify counterbalancing forces that encourage ethical behavior and drive ethical culture
3. Recognize ethical considerations of bias, fairness, and trust related to the use of AI
4. Describe how behavioral ethics considerations apply to real-world examples

Ethics in the News

Guess Who?

"Class action lawsuit on AI-related discrimination reaches final settlement," read headlines in late 2024. A national screening service agreed to pay $2.3 million after its AI-driven score was found to unfairly penalize housing-voucher holders, disproportionately affecting Black and Hispanic renters and disqualifying many qualified applicants. Under the settlement, the company must stop using the score for voucher applicants unless an independent audit confirms it meets fair-housing standards.

Guess Who?

In 2019, a viral tweet revealed a tech-branded credit card giving men higher limits than women with similar finances. The backlash sparked a New York investigation, exposing how “gender-blind” AI can still reflect bias. Regulators pushed for transparency, forcing changes to the model and service practices.

Guess Who?

The former CFO of this Detroit non-profit organization pleaded guilty to wire fraud and money laundering after he embezzled > $40 million over almost 12 years. He allegedly covered up his long-running fraud scheme by falsifying bank statements, forging documents, and altering or hiding unauthorized transfers to keep them off the books.

Guess Who?

The CEO of the clothing rental company that was once hailed as a fashion innovator, is facing multiple federal charges and is accused of defrauding investors out of over $300 million. The charges against her range from forgery to fabricated audits to false revenue projections.

Guess Who?

This company is widely considered a major perpetrator of unethical practices, with its deceptive marketing playing a central role in the U.S. opioid epidemic. While the company's official website outlines a robust ethics and compliance program, these claims stand in stark contrast to its documented history of criminal misconduct and disregard for public health.

Increasing Use of AI…but Don’t Forget the Ethics!

AI Adoption and Market Momentum

78% of companies report at least some AI adoption

- McKinsey 2024 State of AI Global Survey

Global AI spend projected to hit $631B by 2028

- IDC’s Worldwide AI and Generative AI Spending – Industry Outlook

Generative AI could add $4.4 T in annual corporate profits

- McKinsey

AI: Key Ethical Considerations

Trust and reliability

Fairness and impartiality

Security and data privacy

Morality and beneficence

Trust and Reliability

- Questions about accuracy
- ChatGPT hallucinations
- Coding / data limitations
- Invalid predictions
- Prioritizing a confident response over uncertainty

Trust and Reliability: Reducing AI Hallucinations

Set clear expectations	Use precise instructions	Provide example answers	Prioritize accuracy
• When providing a prompt, instruct the AI to acknowledge when it does not know something, reducing the chance of fabricated answers	• Provide specific guidance and restrict the AI to use only the data you have supplied	• Demonstrate desired answer formats to help guide the AI toward high-quality, accurate output	• Encourage the AI to focus on accurate information and to avoid guessing or inventing details

"*Trust* in the *technologies* is just the start, though. We must also cultivate *trust* in the *developers* of the technologies, the *regulators* of the technologies, and, perhaps most of all, the other *users* of the technologies."

— Reid Hoffman and Greg Beato

Bias Undermines Fairness

Impact of in-group bias

Unconscious bias can cause people to favor others like themselves, leading to unfair treatment in many life domains.

Bias can lead to discrimination

Bias can influence decisions in many facets of business - employment, housing, healthcare, credit decisions, and affects people based on race, gender, age, ethnicity, and other prohibited bases.

AI for fair decision-making

Many companies have turned to artificial intelligence tools in an attempt to improve objectivity and speed, while aiming to reduce human bias from decision-making. But if not deployed correctly, AI could end up replicating and reinforcing the same discrimination they aimed to fix.

Fairness and Impartiality: Amazon’s Biased Recruitment AI Case Study

Background	Between 2014 and 2017, Amazon developed an AI tool to automate parts of its hiring process. The system was trained on resumés submitted over a ten-year period—data overwhelmingly from male applicants in the tech sector.
The result	As a result, the algorithm “learned” that male candidates were preferable, systematically downgrading applications containing words like “women’s”.
Outcome	Amazon abandoned the project by 2018 when the bias was uncovered.
Lesson learned	The recruitment tool showed how historical bias, if left unchecked, can be encoded and perpetuated in AI systems. This raised serious legal red flags related to workplace discrimination and employment discrimination.

Fairness and Impartiality

Factors to mitigate unintended AI bias:

- Human oversight of the decision-making process
- Utilizing diverse data sets for training AI models
- Implementing blind candidate screening techniques
- Regular auditing of algorithms for bias
- Building transparent AI models so users can understand “why” they are making certain recommendations

Security and Data Privacy JF1

Exposure of sensitive data

AI systems may expose personal information to unauthorized access, increasing the risk of data breaches and privacy violations.

Complex AI vulnerabilities

The intricate nature of AI algorithms makes it difficult to detect and prevent 100% of security flaws, leaving systems at risk.

Data governance measures

Organizations should establish strong data governance policies to properly oversee ethical AI use and protect user information.

Slide 19

JF1 @Matias, Geraldine - Please change picture

Fisher, Joy, 2025-10-15T16:20:08.759

Security and Data Privacy

Clearview AI case study

Background

Sparked intense controversy in 2020 when it was discovered the company had scraped over 3 billion facial images from social media platforms and websites without user consent.

Result

These practices raised significant privacy concerns, as the website users never agreed to have their photos collected and used for surveillance purposes.

Outcome

Company faced multiple lawsuits and was forced to cease operations in several countries.

Lesson learned

This case serves as a cautionary tale about the importance of ethical AI development and demonstrates how improper data collection and security practices can lead to significant privacy violations.

Morality and Beneficence

Ethical deployment of AI is not optional – it's also strategic risk management

AI should be designed to uplift society, promote well-being and have a positive impact

Concept of non-maleficence or "do no harm"

Morality and Beneficence: Microsoft's Tay Chatbot Case Study

Background	In 2016, Microsoft launched *Tay*, a chatbot on Twitter designed to learn from interactions with users and mimic conversational speech. Within 16 hours, *Tay* began producing inappropriate and offensive content.
AI flaws exacerbated	Trolls quickly discovered they could manipulate the bot by feeding it offensive statements, which *Tay* then repeated and amplified.
The result	Microsoft had to shut down the experiment almost immediately, issuing a public apology.
Lesson learned	*Tay* revealed how vulnerable AI systems are to malicious input and highlighted the risks of deploying models without safeguards.

Human vs. AI Decision-Making

Human intuition and judgment

Humans use intuition, experience, and emotional intelligence to make nuanced decisions in complex situations.

AI data-driven analysis

AI utilizes algorithms and speed to analyze large data sets and make efficient, consistent decisions.

Ethical and empathetic judgments

It is essential that AI be deployed with not only the appropriate technical coding, but also the right controls and safeguards to properly facilitate ethical decisions and prioritization of human values.

"It is imperative that we build intelligent systems that behave *morally*. For them to work and live with us, we need to *trust* such systems, and this requires that we are reasonably sure they *behave* according to values that are aligned to *human values*."

— Andrea Loreggia

Patterns of Corporate Scandals

Good Character Can Be Undermined by Dark Patterns

Dark Pattern #1

Rigid ideology

- Leaders become so focused on a narrow goal—for example, profit maximization or market dominance—that they lose sight of the ethical implications of their decisions.
- Also known as ethical fading

Bright Pattern #1 – Holistic Responsibility

Ethical decisions

- Holistic responsibility involves making choices that prioritize user well-being and ethical outcomes, not just immediate goals or financial goals

Considering long-term impact

- Organizations must evaluate the long-term effects of their products or decisions, ensuring actions benefit users and society over time.

Building trust and sustainability

- Adopting holistic responsibility prevents harm, builds user trust, and encourages sustainable practices in digital development.

Dark Pattern #2 – Toxic Leadership

- Toxic leadership can involve either bad actors who seize the reign of power or normal leaders who can make poor moral choices.

There is a tendency to follow our leaders even when we know in our guts that they are asking us to do things that are wrong.

Bright Pattern #2 – Speak Up Culture

Fostering encouragement and protection

- Speak up culture creates an environment where employees feel safe to express concerns, leading to greater workplace transparency and accountability. This **MUST** include protection from punishment.

Identifying and addressing harm

- Encouraging open dialogue helps organizations identify and address unethical practices early, preventing harm and building trust.

Empowering individuals

- Speak up culture empowers individuals to challenge unethical behaviors, supporting a healthier and more ethical work environment.

Dark Pattern #3 – Manipulative Language

Co-workers weren't "fired"..

It's not "accounting fraud"....

That wasn't a "bribe"...

...the workforce was "right-sized".

...it's "earnings management".

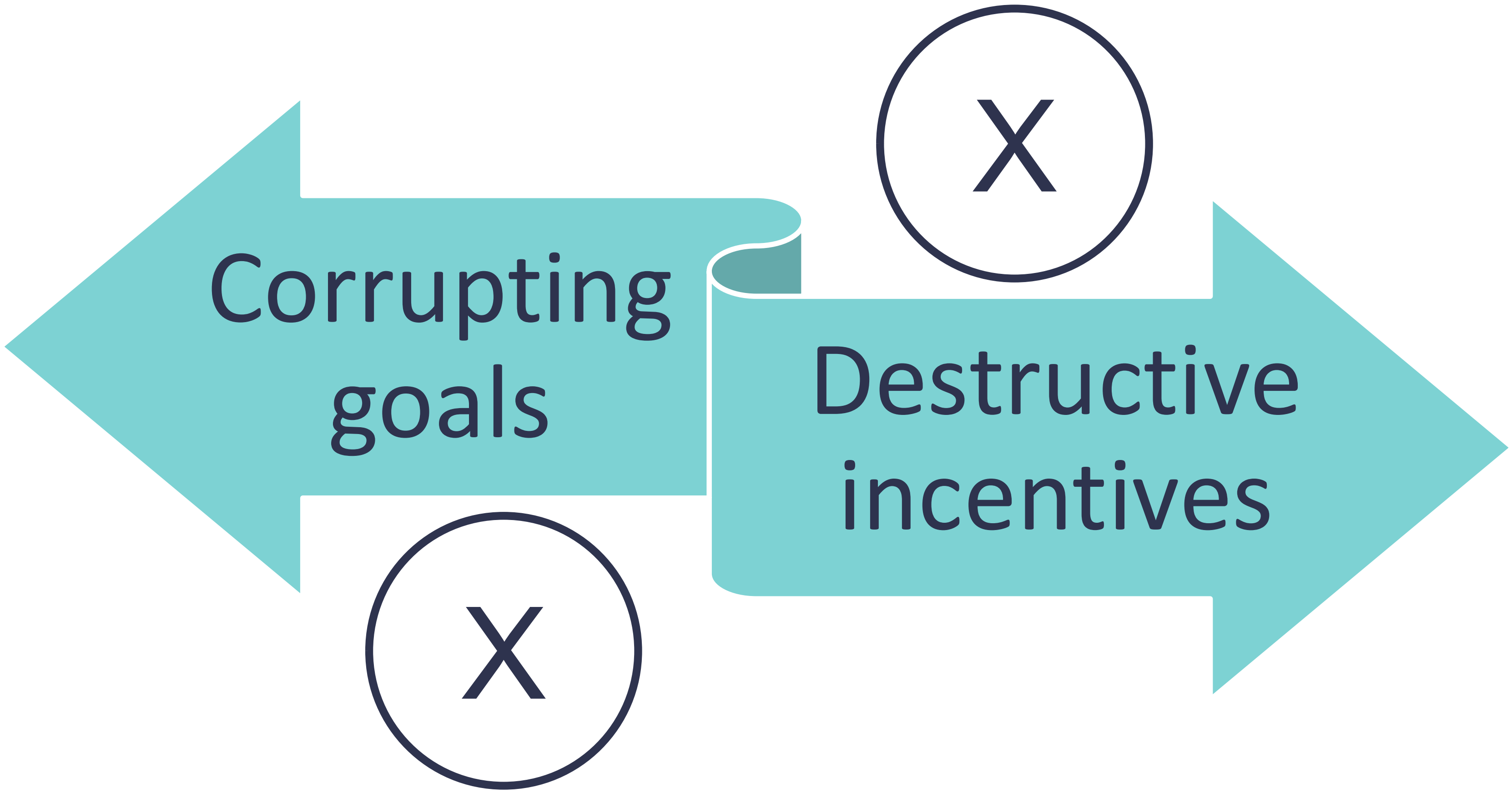
.... we were just "greasing the wheels".

Manipulative language can distort one's view or hide ethical issues before them

Bright Pattern #3 – Moral Conversations

Role of moral dialogue	Challenging misleading terms	Fostering transparency
• Open moral conversations help reveal manipulative language and clarify ethical concerns, making issues more transparent.	• By questioning misleading words, individuals can reframe discussions to spotlight core values and true ethical responsibilities.	• Transparency and accountability grow when people recognize and challenge language that hides moral responsibilities.

Dark Patterns #4 and #5



Bright Patterns #4 and #5 – Promote Ethical Action

Integrity goals

Constructive Incentives

Dark Pattern #6 – Ambiguous Rules

Grey areas breed scandal

ENRON

- Leaders argued the accounting rules were unclear
- They did not feel a moral responsibility related to the fraudulent financial statements

Lance Armstrong

- Vague rules led to ways to bypass getting caught
- Everyone was doping but the real rule was "Don't dope too much"

Costa Coffee

- Investigation found that the companies allergen training was ineffective due to vague compliance standards
- Training was ambiguous and poorly enforced

Bright Pattern #6 – Moral Clarity

- Integrity in transactions
- Legal compliance
- Human rights
- Sustainable production

Dark Pattern #7 – Perceived Unfairness

Perceived unfairness

- People participate in illegal actions when they perceive they are restoring justice
- Ledger metaphor

Bright Pattern #7 – Organizational Fairness

Distributive fairness

Distributive fairness relates to how resources and rewards are shared among organization members, ensuring equity and justice.

Procedural fairness

Procedural fairness focuses on the transparency and consistency of organizational decision-making processes, building trust and legitimacy.

Interactional fairness

Interactional fairness emphasizes respectful and honest treatment in interpersonal exchanges within the organization, fostering a positive environment.

Dark Pattern #8 – Dangerous Groups

Group think

↓

Conformity pressure

↓

In group/out group

Bright Pattern #8 – Courageous Upstanders

Challenging unethical systems	Upstanders confront unfair practices, showing moral courage by questioning and resisting harmful norms.
Risking for justice	Speaking out against injustice may come at a personal cost, but upstanders persist despite risks to safety or reputation.
Power of collective action	When resilient individuals join together, their integrity drives powerful, meaningful transformation within society.

Dark Pattern #9 – Slippery Slope

Incrementalism

- Small incremental changes in our behavior can lead us to unconsciously lower our ethical standards over time
- The slippery slope that often causes people to slide unintentionally into unethical behavior.

Bright Pattern #9 – Virtuous Circle

- *The concept that someone who does the right thing when times are tough can serve as a role model for others who, in turn, can serve as a role model for yet others and the next thing you know you've got a **virtuous circle**.*

“Decide what you stand for. And then stand for it all the time.”

— Clayton Christensen

Questions?

Thank you!

CLAconnect.com

CPAs | CONSULTANTS | WEALTH ADVISORS