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Intersection of Ethics, Culture, and Risk

Augusta, ME – September 2025



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Learning Objectives

At the end of this session, you will be able to:

- Identify key steps in becoming the best ethical version of yourself
- Recognize the distinction between ethical intentions and ethical behaviors
- Describe how behavioral ethics considerations apply to real-world examples
- Identify how culture impacts your financial/operational results and is critical to your overall success
- Review ways to cultivate a culture that enhances performance and results





Ethics in the News



Guess Who??

This NFL franchise is out over \$22 million as a result of an employee fraud scheme that went on for more than 4 years and centered around its virtual credit card program.



Guess Who??

This publicly traded aviation company is under fire for struggling with the tricky balance between safety and financial performance. In the midst of their most significant safety crisis in years, this company is accused of putting too much emphasis on increasing profits and enriching shareholders, and not enough on investing in engineering, quality, and safety.



Governments Too!

IRS Fraud: In June, the IRS announced charges in several fraud schemes, including a massive COVID tax credit scheme and a kickback scheme involving a former high-ranking New York state government employee.

Louisiana: In August, New Orleans Mayor Latoya Cantrell and a former police officer were indicted on federal charges of fraud and obstruction of justice.

California: In April, a federal law enforcement officer was arrested for allegedly fraudulently obtaining a COVID-19 relief loan.

We all know about unemployment, Medicaid, and other related fraud that we face as well within governments.



Becoming the Best Ethical Version of Yourself

1 Moral awareness

2 Moral decision-making

3 Moral intent

4 Moral action

5 Moral reflection

Source: Some of these ideas originally stemmed from a theoretical model of ethical decision-making developed by Professor James Rest (University of Minnesota, 1994)





Incrementalism



Building good moral habits.....



Being ethical is admirable and something we should all strive for, but perfection is not sustainable



Tendency is to want rapid success, but sometimes we fail to see that small habits and little choices are transforming us every day...for the good or the bad



The trick is not to strive for perfection, but rather to strive for continuous improvement and to get back on track when we veer off course



Build “Atomic Habits” to create an ethical lifestyle



Source: “Atomic Habits: Tiny Changes, Remarkable Results” by James Clear



What Is Incrementalism?

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.



Incrementalism – Study Findings



People are more likely to justify small ethical indiscretions than major ones.



Over time, as they justify more and more, they can be led to justify even big indiscretions.



When faced with abrupt and large dilemmas (rather than those that gradually increase), they are less likely to be unethical.

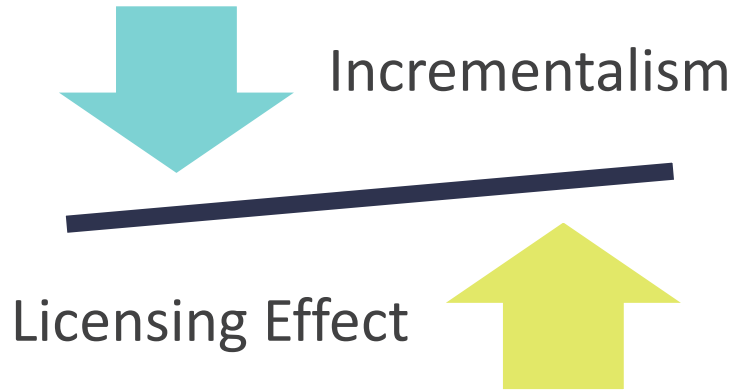


But they are more likely to make unethical choices if they are faced with indiscretions gradually over time.

Slippery Slope

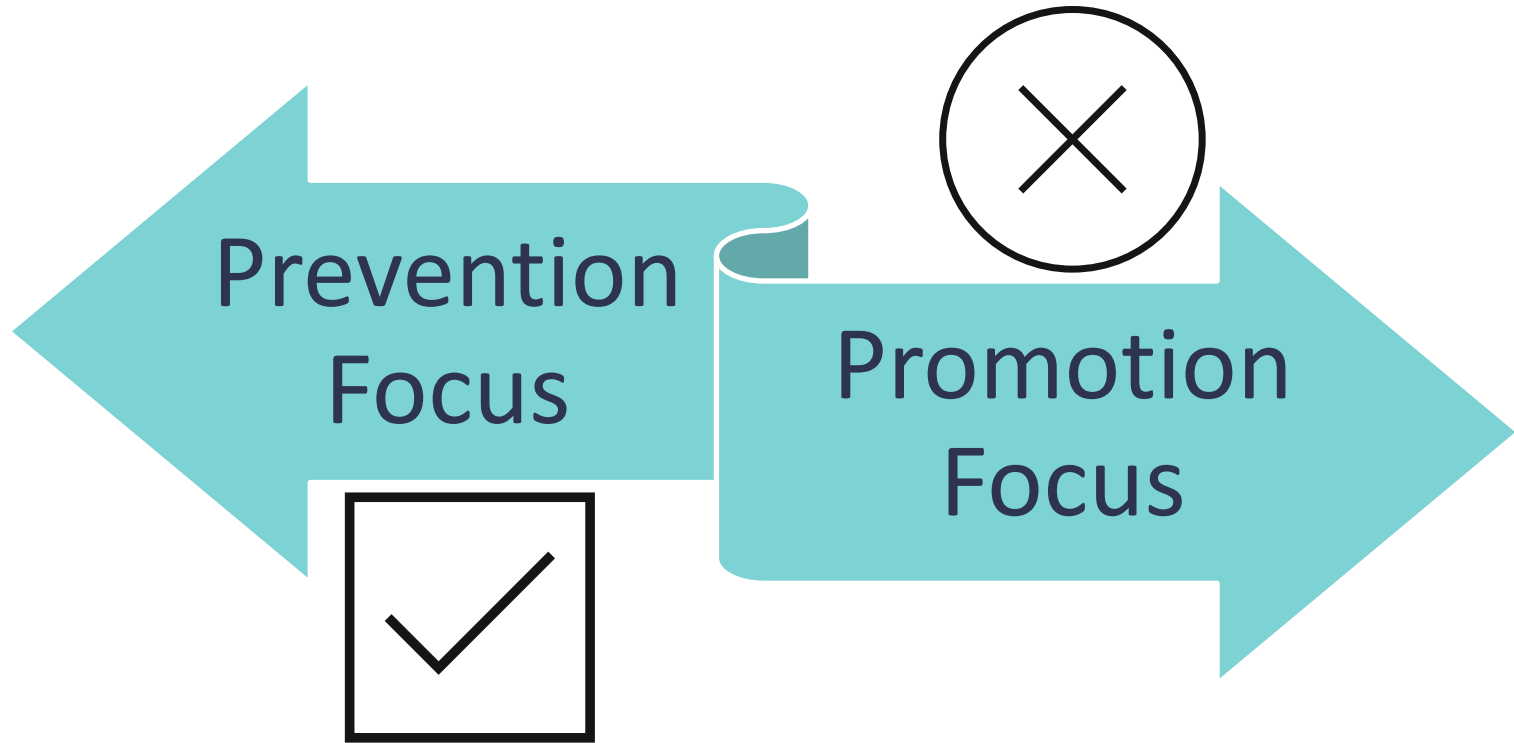


Licensing Effect – Counter Theory



An initial unethical act can create an internal incentive to end or curtail subsequent unethical behavior; bad behavior is limited in how much individuals can license and still preserve their reputation or moral identity

What Can Leaders Do?





Overconfidence Bias



Overconfidence Bias



Overconfidence Bias



Irrational overconfidence tends to apply to the ethical correctness of our acts and judgments as well



Most of us assume we are good people and therefore we will make sound ethical decisions



This overconfidence in one's own moral compass can lead us to make decisions without any serious ethical reflection

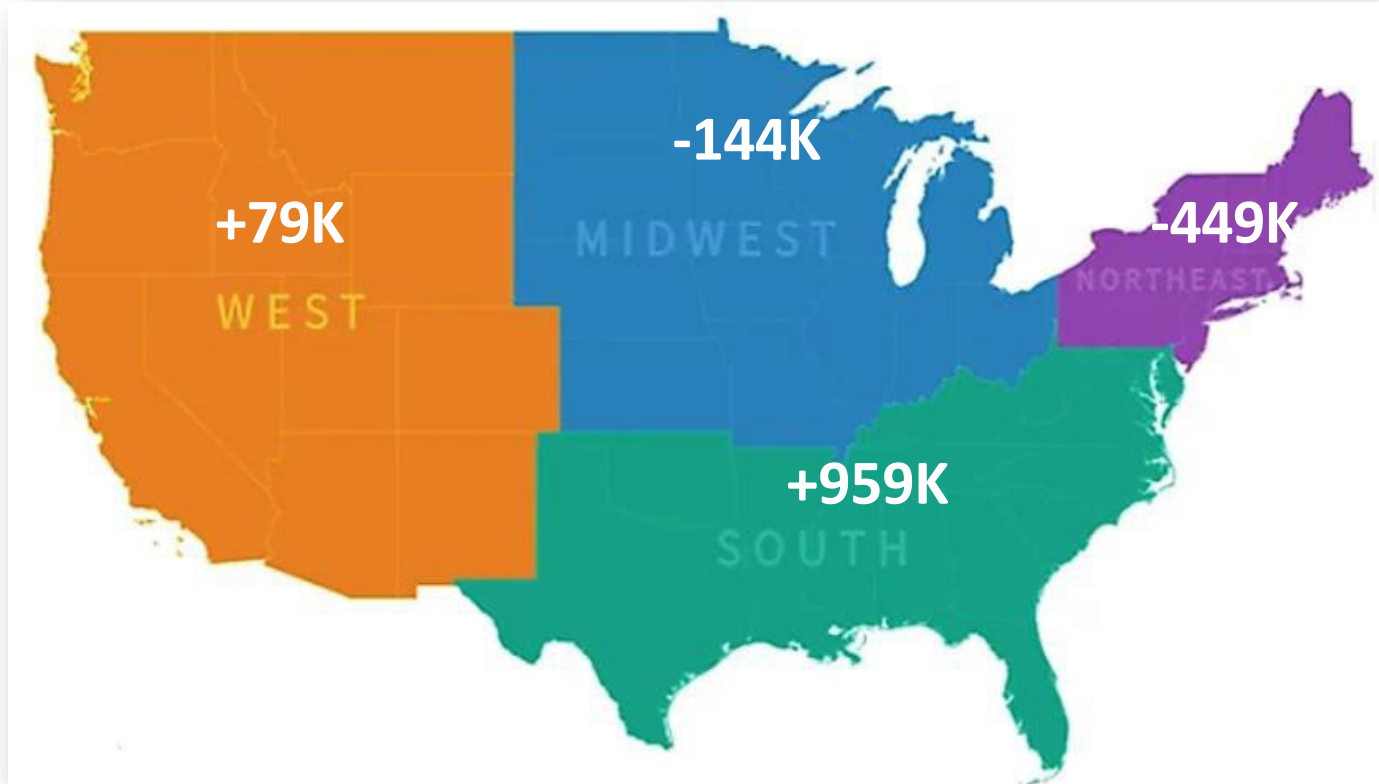


Risks & Impacts



Cumulative Population Change by Region

April 1, 2021 – July 1, 2023





15%
of employees worldwide
are engaged in their job.

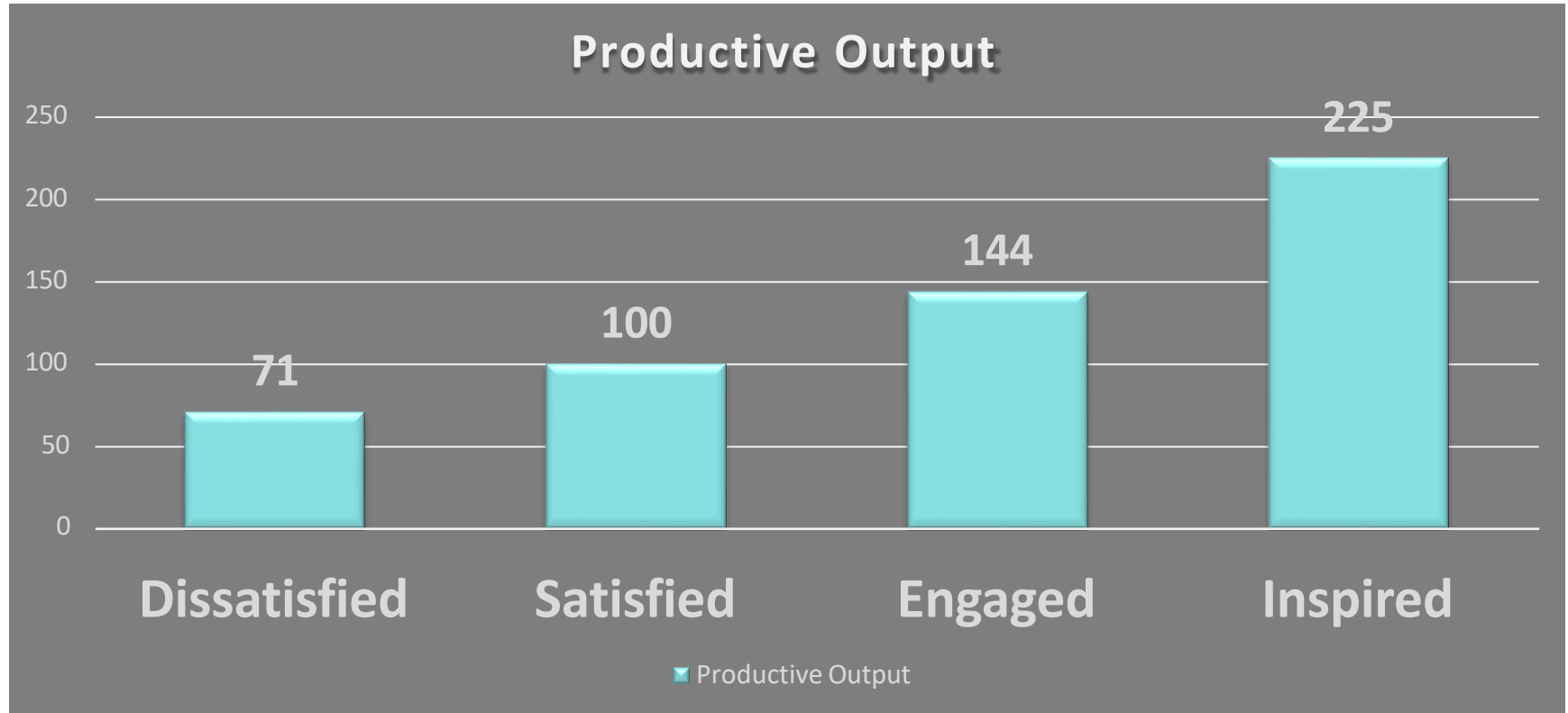
Source: State of Global Workplace – Gallup Report





Why Does It Matter?

Productivity



Source: BAIN & COMPANY AND EIU RESEARCH, 2015 – HBR.ORG



Downside? (It can get worse!)

Disinterest/Negativity leads to motivation and justification on the “fraud triangle” ... or abuse can arise.

Red flags

- Missing or edited journal entries
- Changes in work habits or behaviors
- Refusal to take vacation
- Employee makes unexpected, large purchases
- Missing inventory, equipment or money
- Employee claims larger than normal travel expenses





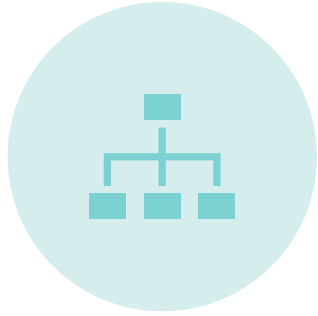
Leadership & Culture



Chicken or Egg: Culture, Leadership, Ethics?



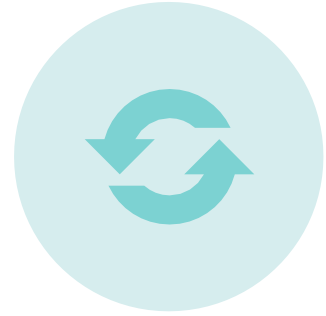
Intersection of Culture and Risk



SUCCESSION



CONSISTENCY



FEEDBACK LOOP

Know Your Team

- How often do you assess and define team skills, capabilities, and strengths? (hint - once a year at performance review time is not appropriate)
- Have you developed a capabilities/experience matrix?
- Do you discuss and communicate strengths with your team members (and weaknesses)? Do you have a plan/focus to “play to their strengths?”
- Are roles clearly defined? Do we rely on job descriptions from 1990-something as the clarification?



Three Types of Team Members



CONTENT



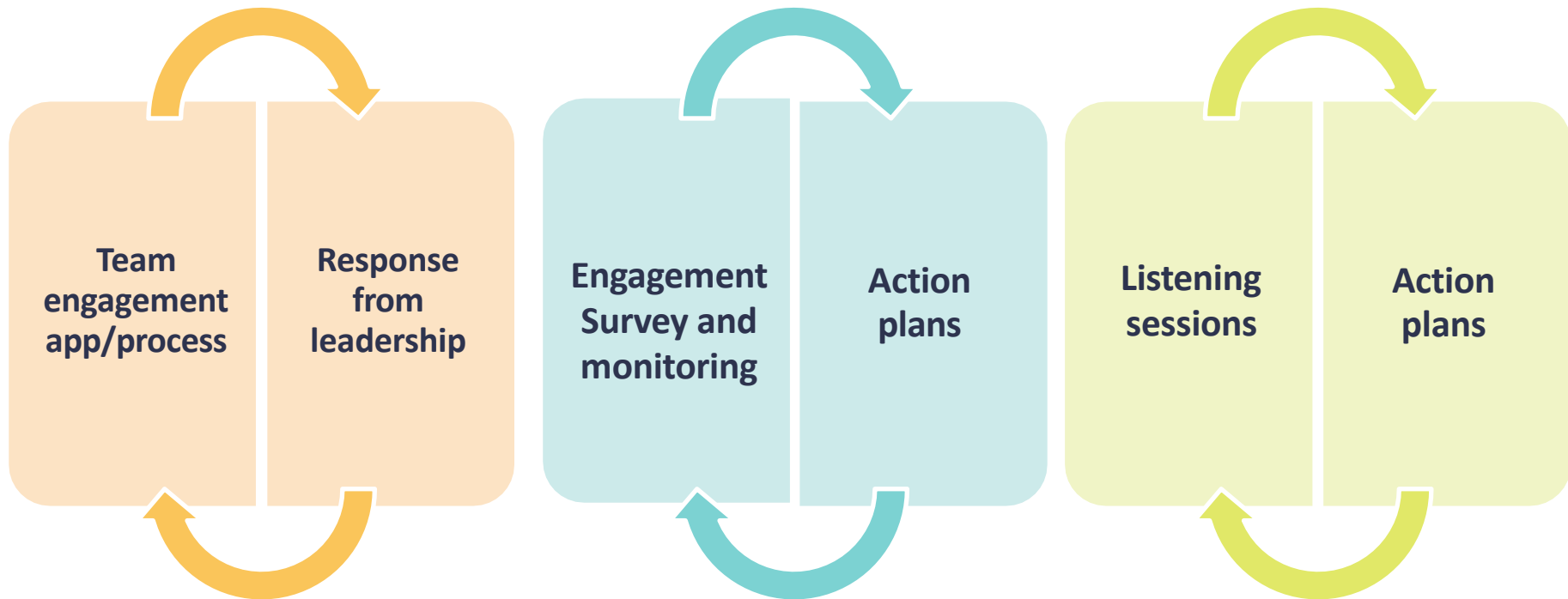
CLIMBERS



CHALLENGERS

“Most of us are ordinary people doing ordinary things in *an exceptional way*.”

Feedback Loop: We Listen and *Take Action*



Traits - Leadership

- No 100% clear right answer
- Traits of Leadership:
 1. Listening and communication
 2. Accountability
 3. Experience and technical knowledge
 4. Decisive (Not afraid to fail)
 5. Inclusive (engaging)
 6. Strategic
- Listening – listed by many studies as a top trait... any ideas why?



Be mindful of all voices

All generations

All backgrounds



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Create Opportunities

Accountable

Doing what you said you were going to do...to the best of your ability, on time, **without needing to be reminded!**

Accountability requires preparedness, and the ability to listen and it will enhance trust...**it starts with the Leaders!**





Independence, Integrity & Objectivity



AICPA Code of Conduct

Requires members to “act with integrity, objectivity, due care, competence, fully disclose any conflicts of interest (and obtain client consent if a conflict exists), maintain client confidentiality, disclose to the client any commission or referral fees, and serve the public interest when providing financial services.”

Source: www.AICPA.org



Independence, Integrity, and Objectivity

Independence is the state of mind that permits a member to perform an attest service without being affected by influences that compromise professional judgment, thereby allowing an individual to act with integrity and exercise objectivity and professional skepticism

AICPA – What is Independence?

Independence in appearance is the avoidance of circumstances that would cause a reasonable and informed third party, who has knowledge of all relevant information, including safeguards applied, to reasonably conclude that the integrity, objectivity, or professional skepticism of a firm or member of the attest engagement team is compromised



Source: www.AICPA.org



AICPA Principles of Professional Conduct

Independence, Integrity, and Objectivity

0.300.050 Objectivity and Independence

.01 ***Objectivity and independence principle.*** A *member* should maintain objectivity and be free of conflicts of interest in discharging professional responsibilities. A *member* in public practice should be independent in fact and appearance when providing auditing and other attestation services.

.02 Objectivity is a state of mind, a quality that lends value to a *member's* services. It is a distinguishing feature of the profession. The principle of objectivity imposes the obligation to be impartial, intellectually honest, and free of conflicts of interest. *Independence* precludes relationships that may appear to *impair* a *member's* objectivity in rendering attestation services.



AICPA Principles of Professional Conduct

Independence, Integrity, and Objectivity

0.300.050 Objectivity and Independence

.03 *Members* often serve multiple interests in many different capacities and must demonstrate their objectivity in varying circumstances. *Members* in public practice render attest, tax, and management advisory services. Other *members* prepare *financial statements* in the employment of others, perform internal auditing services, and serve in financial and management capacities in industry, education, and government. They also educate and train those who aspire to admission into the profession. Regardless of service or capacity, *members* should protect the integrity of their work, maintain objectivity, and avoid any subordination of their judgment.

Source: www.AICPA.org



Questions?



Thank you!!

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