

How to Cheat Your Way to the Highest Levels of PROFESSIONAL ETHICS

Presented by Greg Kyte, CPA



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Hip replacement surgery



The Ultimatum Game

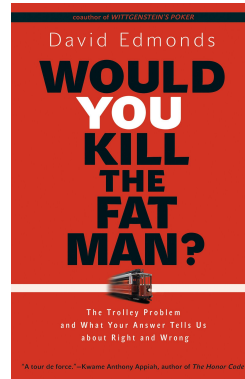
PLAYER ONE RECEIVES SOME MONEY BUT HAS TO SPLIT IT
PLAYER TWO EITHER ACCEPTS OR REJECTS THE SPLIT
IF THE SPLIT IS REJECTED, THEN BOTH PLAYERS GET \$0



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The Ultimatum Game: TRANSPARENCY

“In an experiment in which the proposers were offered complete anonymity, many more people made greedy offers, suggesting that what seems to motivate people is not altruism, but reputation.”



Would You Kill the Fat Man

David Edmonds

Self-imposed
transparency
is weird
but worth it.

Nathan Mueller: Episodes 4 & 28



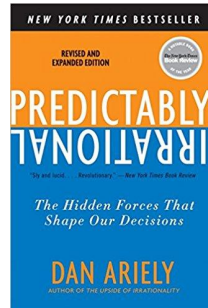
Moral Codes



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Dan Ariely Explains ...

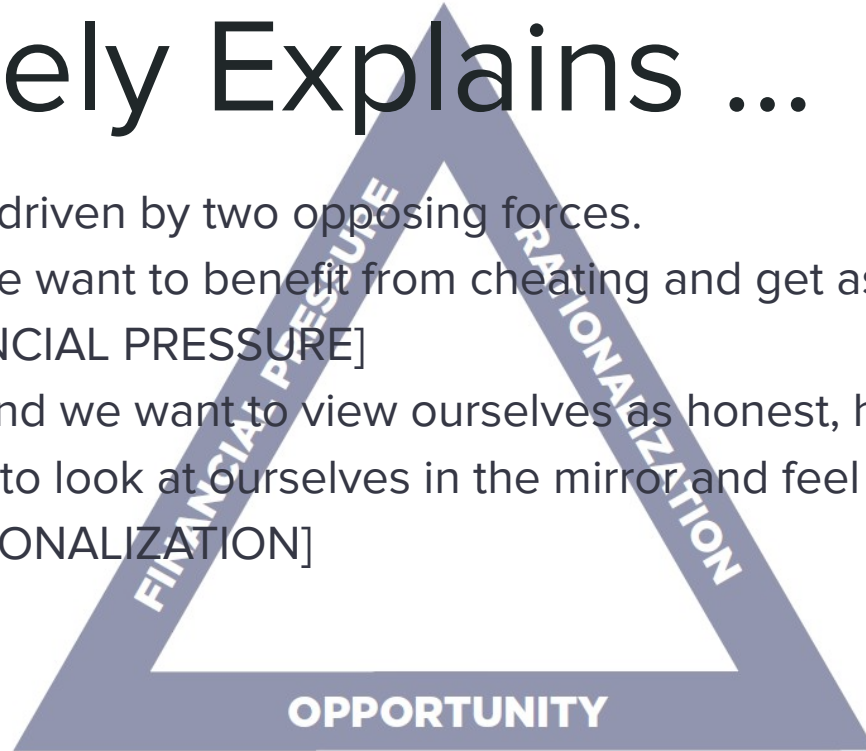
- Our behavior is driven by two opposing forces.
- On one hand, we want to benefit from cheating and get as much money as possible.
- On the other hand we want to view ourselves as honest, honorable people. We want to be able to look at ourselves in the mirror and feel good about ourselves.



Predictably Irrational
Dan Ariely

Dan Ariely Explains ...

- Our behavior is driven by two opposing forces.
- On one hand, we want to benefit from cheating and get as much money as possible. [FINANCIAL PRESSURE]
- On the other hand we want to view ourselves as honest, honorable people. We want to be able to look at ourselves in the mirror and feel good about ourselves. [RATIONALIZATION]



THE FRAUD TRIANGLE



How do you test ethical behavior?

Normal testing protocol Average score: 7

Cheating possible protocol Average score: 12

The super-cheater variant

The questioner variant

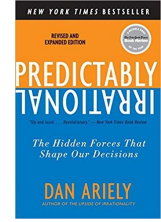
The rival school variant

Ten commandments quiz

Atheists & Bibles variant

MIT code of conduct variant

Dan Ariely Explains ...



"Across all of our experiments we've tested thousands of people, and from time to time, we did see aggressive cheaters who take as much money as possible. We have never seen anyone claim to solve eighteen or nineteen out of the twenty [problems]. But once in awhile, a participant claimed to have solved all twenty [problems] correctly. Fortunately, we didn't encounter many of those folks ... At the same time, we had thousands and thousands of participants who cheated by 'just' a few [problems] ... we lost thousands and thousands of dollars to them - much, much more than we lost to the aggressive cheaters."

How do you test ethical behavior?

Normal testing protocol	Average score: 7
Cheating possible protocol	Average score: 12
The super-cheater variant	Average score: 15
The questioner variant	Average score: 10
The rival school variant	Average score: 9
Ten commandments quiz	Average score: 7
Atheists & Bibles variant	Average score: 7
MIT code of conduct variant	Average score: 7

The AICPA Code of Professional Conduct says ...

CPAs are to

"perform professional duties with the highest sense of integrity."

The opposite
of reflecting
on a moral
code.

Toby Curtsinger: Episode 8



Fugazzi!



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The effect of fake (sort of) sunglasses on ethical behavior

Authentic backstory	30% cheated
Control group (no backstory)	42% cheated
Knockoff backstory	73% cheated

CPE Fraud

CPA friend would earn 80 hours in the week between Christmas and New Year's

Attend live CPE while taking self-study CPE

CPA who earned 40 CPE credits* in 24 hours

Big 4 partner calling CPA spouse about ethics CPE

NUAGA guy

I earned one CPE hour in 9 minutes ... for research

*40 CPE hours = 33 hours & 20 minutes

A man with limited self-awareness explains ...

“I have no problem using 9 minutes to pass a 50 minute CPE. Heck, I do this for sexual harassment and IT security training and tests at work. I still score 90%+ correct. There are no new topics in ethics. You can answer every question by following one very simple rule: don't do stupid things. Everything that can go wrong is a result of negligence, indifference, hubris, arrogance, and / or greed. With this train of thinking, listen to the first CPE and you will have the answer for all subsequent ethics CPE tests.”

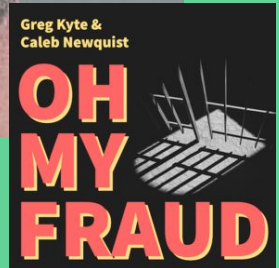


goingconcern

WHEN ACCOUNTING GOES UNACCOUNTED FOR

Polygamy.
Welfare fraud.
FAFSA fraud.
Tax fraud.

Jacob Kingston: Episode 40



Ego Depletion



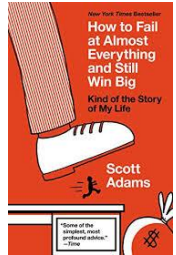
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Ego Depletion Explained ...

"Science has demonstrated that humans have a limited supply of willpower."

How to Fail at Almost Everything and Still Win Big.

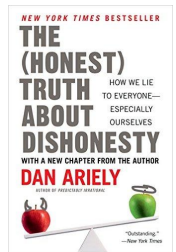
Scott Adams



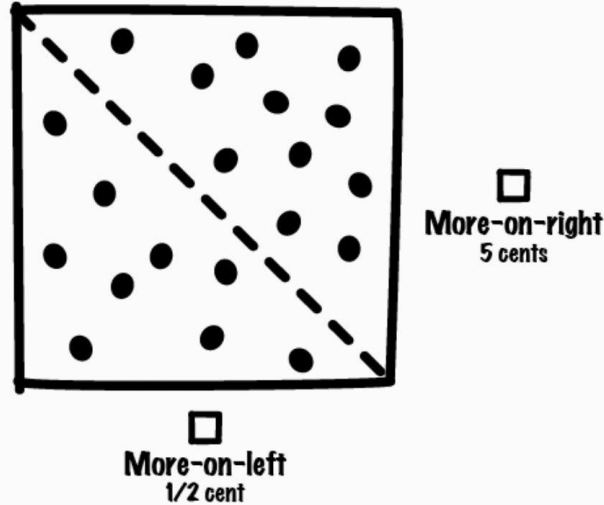
"If you wear down your willpower, you will have considerably more trouble regulating your desires, and that difficulty can wear down your honesty as well. ... We are continually tempted throughout the day and our ability to fight this temptation weakens with time and accumulated resistance."

The Honest Truth About Dishonesty

Dan Ariely



Ego Depletion experiment



Un-depleting the Ego

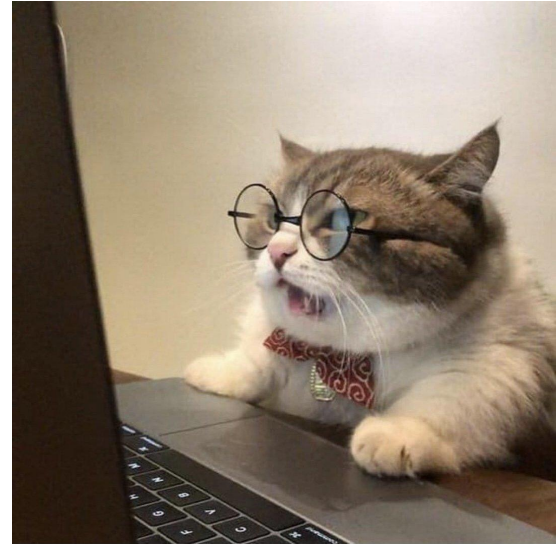
Recovery period

Glucose

Comedy video

Surprise gift

Be in the military



... or don't let it get depleted

Don't require 60 billable hours per week

Convert to Taoism

“The more prohibitions you have, the less virtuous people will be.” *(Tao Te Ching, Lao Tzu)*



33 years.
No internal
controls.

Claudia Viles: Episode 46



Greg Kyte &
Caleb Newquist

**OH
MY
FRAUD**

A graphic of a broken calculator with its screen and buttons visible, positioned to the right of the text 'OH MY FRAUD'.

The Power of Stories



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How to create an ethical culture.

Make ethical behavior a core value.

Not all values are core values.

- Core values

- Permission-to-play values

- Aspirational values

Culture is created with stories.

- Fire a questionable client.

- Fire a closely related vendor.

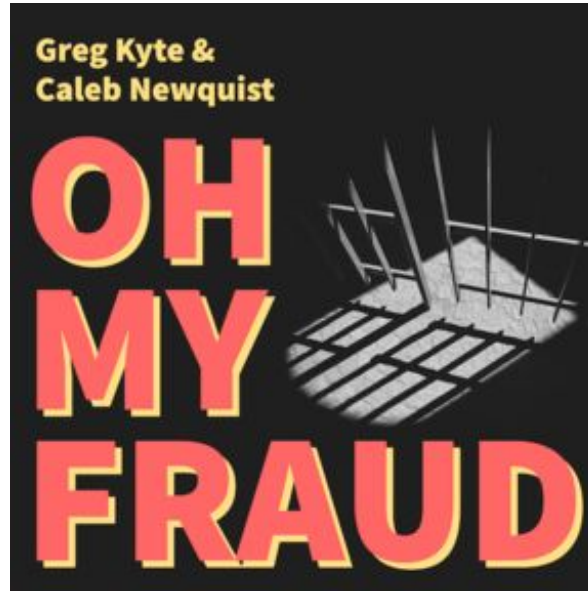
- Don't require 60 billable hours per week.

- Tell the story.

- Tell it again.



THANK YOU!



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