

Accounting Ethics (ACC 271)
Graduate School of Management
University of California at Davis
Michael Ueltzen, CPA/CFF, CFE
Fall 2023

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Office Hours: Thursdays from 10:00 am to 11:00 am via Zoom or on request.

Overview

You are incredibly fortunate to be a part of the UCD Graduate School of Management. I envy you! The school attracts some of the best and brightest students. The school and I have high expectations of you and your educational process. I will state that this is not an undergraduate program but a graduate one. Looking around at your fellow students, you will not see 150 or more of you in a lecture class. It will be impossible to hide in any MPAC classes; they are too small. You are expected to come into class ***prepared*** and to ***participate***.

Course Background

I am not an academic. I have not authored any published academic papers. I am not even a trained educator. I have been practicing as a CPA for over 40 years, and I am a forensic accountant who has been working with CPA firms for over 30 years as they deal with tough, ethical issues. What I bring to your classroom is a variety of real-life experiences. You will be assigned reading in advance of the class sessions. You will be expected to participate in team exercises, make weekly presentations in response to questions I may ask you during class, take a bunch of quizzes (unannounced for the most part), write several relatively short papers, and participate in team presentations.

The really good news is that you will not have to listen only to me – we will have several guest lecturers, including attorneys who have defended CPA firms, white-collar defense lawyers, at least one and probably more FBI agents (several of whom are CPAs) who have prosecuted white collar crimes, a lawyer who became a cooperating witness in a Ponzi scheme prosecution and was wired for several weeks by the FBI, a forensic technology geek who is a former FBI agent, and CPAs who have performed fraud examinations. Why all of the speakers? First, and most importantly, you will begin to understand why good people do unethical things, and you will develop that understanding by listening and dialoguing with those that have seen the “dark side.” Second, I even get tired of listening to myself. Third, it makes the class more interesting!

Remain Flexible

According to one recent study, one of the most sought-after skills for a successful career is the willingness to be flexible, agile, and adaptable to change.

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As I prepare this Course Syllabus, I have yet to confirm dates with my speakers; I will provide you with a more current Course Syllabus before the commencement of this course.

Please remain flexible and forgiving as we proceed through our educational process.

A Short Note about Interviews this Quarter

This class will be an integral part of your learning process, but I also recognize that you will be involved in interviewing during the first Quarter. I am not recommending that you do not attend class (just the opposite), but if you want to participate in an interview with a firm, Mondays might be a good choice. As you will see below, there is flexibility built into my class. Please do not contact me if you have an interview; go! You are a graduate student; I don't take roll.

The Journey Begins!

This is a state-mandated class for those who elect to pursue the CPA certificate. You will or have already faced ethical dilemmas. My goal is to provide you with the ability to recognize an ethical dilemma (they are not always so self-evident and creep up on you), understand the tools you can use, and appreciate your biases when confronted with those sometimes really ugly decisions. You will spend time with those fuzzy things in accounting and business – conflicts of interest, professional judgment, professional skepticism, and due professional care, among others. This is not a class that is based upon debits and credits; this is a class that will make you aware of mistakes that good, solid professionals have made and those instances where professionals have also made the hard decision to do the right thing. This class is based on the ambiguities you will face in your work and, for that matter, in your day-to-day life.

We will spend time during class learning about the profession's ethical principles and rules, and yes, they are somewhat dense, but they serve as the foundation for your professional career. On one level, the rules are complex, but the principles are fairly self-evident. We will examine cases where professionals have knowingly and unknowingly encountered ethical issues and what the implications have been for them and their careers. Their ethical lapses change their entire lives and careers.

A forensic accountant is frequently found in cases and ethical dilemmas where negligence and misconduct are claimed. I know because I was involved in significant accounting malpractice claims and cases. You can search for the term "forensic accountant"; it is never that clear when you find one. I like a definition I have used in the past – it is the intersection of law and accounting.

We will explore the world of forensic accounting from the academic side and review case studies. We will gain an understanding of the methodologies employed in the prevention and detection of fraud, interviewing techniques, forensic technology, and fraud schemes. Please do not look at our fraud scheme discussions as a "how to" class, as I will have failed in teaching you accounting ethics.

I have embedded forensic accounting into the Accounting Ethics class; in some respects, we will take the journey with an expanded curriculum.

Materials

1. The following books are available online through Amazon, and you should purchase them in advance of class:¹
 - Ethics 101 by John Maxwell, ISBN 0-446-57809-6
 - The Wisdom of the Bull Frog by William H. McRaven, ISBN 9781538707944

2. You will have a choice during the Quarter to either (a) complete a Certificate in Forensic Accounting or (b) read one of the books in Appendix A. I have carefully selected the books in the Appendix as I have found them to provide incredible insight into Ethical conduct by professionals. We will talk about your choice between the Certificate or reading a book you select during the first session of our class.

Note – you will prepare a report on the book you select in the first half of the class. Nothing precludes you from selecting and reading one of the books before starting this class; you will appreciate the head start. If you have any questions about this reading assignment before our first class, you are welcome to email me with your question(s).

3. You will be assigned several YouTube presentations that are available online:
 - The (Honest) Truth about Dishonesty by Dan Ariely.
 - All the Queen's Horses – Netflix
 - American Greed – Deepal Wannakuwatte
 - American Greed – Petters
 - Leaders Eat Last – Ted Talk by Simon Sinek
 - Others?
4. I will give you directions to take an online test to assess your "Ethical Lens Inventory," which will cost you less than \$30 – more on that subject later in our class.
5. I will make various other papers, case studies, and readings available during the quarter through the UCD Canvas.

Course Notes

I will provide you with a copy of the PowerPoint slides I present in class at the conclusion of each class. If you are like me, I will scan a PowerPoint presentation if it is given to me in advance and then tune out of the presentation. Painful as it may seem, I want you to focus on the presentation and what is happening in the class. Although I have not been trained as a lawyer, I have always been intrigued by the demands

¹ There is no requirement that you purchase a hardcover copy of any of these books.

of a law class and the use of the Socratic Method – *there is no place to hide in my class as I intend to challenge you and your thought processes.*

Relationship of Text Materials, Readings, and Lecture Notes

As is suitable for a graduate-level class, you must learn the assigned material ***before class***. You will regret the day you come to class unprepared. I will cover some, but not all, of the material in the books and materials. I am your guide, not your source of knowledge. You do the work; I lead you through the journey.

We will take more time than allotted during class on specific topics. The best way for me to keep us on track is to clarify the assignments for the following week at the conclusion of a class day and then publish it on the UCD Canvas. I will be flexible; I ask you to do the same.

Grading

- | | |
|---------------------------------|-----|
| • Four quizzes (take 6, drop 2) | 40% |
| • Four short papers | 40% |
| • Presentation | 10% |
| • Class participation | 10% |

My intent with the quizzes is that they will be based on the materials previously discussed and the current class assignment; they are not intended to be complicated or tricky. Generally, the quizzes will be true/false and multiple choice. The papers will be assigned well in advance of their due dates. The Presentations will be a team effort, and your presentation will be towards the end of the Quarter, so they do not conflict with other course Finals.

There are no provisions for extra credit in the class other than one that I will identify during our first class.

A Word about the Code of Academic Conduct

Need I tell you that you must comply with the Code of Academic Conduct (“the Code”) if you are taking an Accounting Ethics class? I have been advised to remind you that you and I will abide by the Code. Not that you need a refresher, but I have attached a copy of the Code for our collective reference as Appendix B.

Course Schedule – subject to change!

Week 1

1. Overview of the Class Discussion
 - Overview of the Class and the Journey
 - Professional Standards
 - Environmental Factors
 - Forensic Accounting
 - Case Studies
 - Core – Professional Standards
 - Current Examples of Ethical Lapses
 - Ethical Overview and Tests
 - Old Accounting History
 - Current Accounting History
 - Regulation of the Profession
 - Professional Standards
 - Role of Governance and the Accountant
 - Core – Environmental Factors
 - Leadership and Culture (“Tone at the Top”)
 - Cognitive Dissonance
 - Cognitive Biases
 - Honest Truth About Dishonesty
 - Seven Signs of Ethical Collapse
 - Evidence and Levels of Evidence
 - Forensic Accounting
 - Interviewing
 - Fraud – Overview
 - Fraud – Cash Receipts
 - Fraud – Cash Disbursements
 - Fraud – Financial Statements
 - Case Studies
 - Wannakuwatte
 - DC Solar
 - City of Dixon
 - Petters

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- Berger/Burrill
 - CBA and SEC Case Studies
 - Other Current Cases??
- Regulation of the Profession
- An introduction to the Structure of the Professional Standards
- Discussion regarding the ChatGPT team assignment
- ELI Assignment
- 2. Reading Assignment
 - Ethics 101 (it is a short book and is to be read before class)
- 3. Guest Lecturer – None Planned
- 4. No paper planned – Extra Credit Assignment identified during class.

Week 2

1. Overview of the Class Discussion
 - ELI Results discussion
 - ChatGPT Team Presentations
 - AICPA Code of Professional Conduct
 - Principles
 - Rules
 - Interpretations
 - AICPA Professional Standards
 - Audit
 - Tax
 - Consulting Services
 - Forensic and Valuation Services
 - Other Services
 - Applications of Professional Standards
 - Public Accounting
 - Private Industry
 - Circular 230
2. Guest Lecturer – Jim Simon
3. Reading Assignment
 - Atwood Case Materials
 - AICPA Code of Professional Conduct – selected sections
 - Energy Leadership Index (“ELI”) assessment
4. No paper planned

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Week 3

1. Overview of the Class Discussion
 - Discussion of the City of Dixon case
 - Professional Standards (cont.)
 - Leadership
2. Reading Assignment
 - City of Dixon Materials
 - Movie – All the Queen’s Horses (Netflix)
 - Interview Notes – to be provided
3. Guest Lecturers
 - John Moyle, CPA (City of Dixon) and
 - Duncan Will, CPA/CFF/ABV, CFE – Loss Prevention with Camico

Week 4

1. Overview of the Class Discussion
 - Professional Standards (cont.)
 - Financial Statement Fraud
 - Behavior Factors
 - The Operating Environment (“Tone at the Top”)
 - The Abilene Paradox
 - Columbia Disaster
 - Honest Truth About Dishonesty
 - Evidence and Levels of Evidence
2. Reading Assignment
 - Abilene Paradox materials
 - Columbia Disaster materials
 - Ted Talk – Dan Ariely – Honest Truth about Dishonesty
 - Interviewing Materials – to be provided
3. Guest Lecturer – None Planned
4. Paper Due – ELI Paper

Week 5

1. Overview of the Class Discussion
 - Professional Standards (cont.)
 - Interviewing
 - Fraud Overview
2. Reading Assignment

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- Wisdom of the Bull Frog
- 3. Guest Lecturer – Kevin Baker – Retired FBI Supervising Special Agent
- 4. Paper Due – To Be Discussed during class on Leadership and Ethics

Week 6

1. Overview of the Class Discussion
 - Professional Judgment and Skepticism
 - Review and discussion of the “fuzzy stuff”
 - Independence
 - Integrity and Objectivity
 - Conflicts of Interest
 - Professional Judgment
 - Due Professional Care
 - Professional Skepticism
 - Reasonable Assurance
 - Persuasive v. Convincing Evidence and other forms of evidence
2. Reading Assignment
 - CAQ Publication - Professional Judgment
 - PCAOB – Maintaining and Applying Professional Skepticism in Audits
 - Focus on Professional Skepticism
 - PCAOB Staff Alert – Professional Skepticism
3. Guest Lecturer – Ron Klein – Observations from a Claims Manager
4. Paper – None Planned

Week 7

1. Overview of the Class Discussion
 - Fraud – Cash Receipts
 - Fraud – Cash Disbursements
 - Wannakuwatte
2. Reading Assignment
 - Wannakuwatte Materials
 - American Greed - Wannakuwatte
3. Guest Lecturers – Crystal Coleman – former COO of Wannakuwatte Operations
Paul Artley, CPA, CFE, CAMLS – Retired FBI Special Agent
Ian Craig – Attorney/Informant
4. Paper/Project - Wannakuwatte

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Week 8

1. Overview of the Class Discussion
 - DC Solar
2. Reading Assignment
 - DC Solar Materials
3. Guest Lecturer – None Planned
4. Class/Team Presentations

Week 9

1. Overview of the Class Discussion
 - Petters Case Discussion
 - Selected Case Discussions
2. Reading Assignment
 - Petters Case materials
 - When Good People do Bad Things
3. Guest Lecturer – Don Vilfer – FBI Retired Supervising Special Agent – Digital Forensics
4. Paper – Petters Paper

Week 10

1. Overview of the Class Discussion
 - SEC Case Discussions
 - CBA Case Discussions
 - Other Unfinished Business
2. Reading Assignment - None
3. Guest Lecturers – Annette Stalker and Craig Enos

Planned or Potential Guest Lecturers

1. Defense Lawyer – Accounting Malpractice Actions
2. Leading Forensic Accountant
3. Leading Trial Lawyer
4. Insurance Claims Manager – Accounting Malpractice Actions
5. CPA who handles the claims before they occur
6. Forensic Technology Expert
7. Former FBI and IRS Criminal Agents
8. Attorney who was a wired witness in an FBI investigation
9. Former controller at a Ponzi scheme corporation

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10. Victim of a Ponzi scheme in person or a witness statement
11. An Assistant US Attorney – White Collar Crime Unit??
12. And???

READING LIST

Book Options

Seven Signs of Ethical Collapse by Marianne Jennings

Blind Spots by Max Bazerman

The Confidence Game by Maria Konnikova

Why They Do It by Eugene Soltes

Talking to Strangers by Malcolm Gladwell

The Reckoning – Financial Accountability and the Rise and Fall of Nations by Jacob Saul

AICPA Option (in lieu of a Book Report)

Certificate in Forensic Accounting

UC DAVIS CODE OF ACADEMIC CONDUCT: HONESTY, FAIRNESS & INTEGRITY

This Code of Academic Conduct exists to support high standards of behavior and to ensure fair evaluation of student learning. Students who violate the Code of Academic Conduct are subject to disciplinary sanctions that include censure, probation, deferred separation, suspension, or dismissal from the University of California. Unless specifically authorized by the instructor in writing, misconduct includes, but is not limited to the following:

► **Academic misconduct on exams or other coursework**

- Copying or attempting to copy from another student, allowing another student to copy, or collaborating on an exam
- Displaying or using any unauthorized material such as notes, cheat-sheets, or electronic devices
- Looking at another student's exam
- Not following an instructor's directions
- Talking, texting, or communicating during an exam
- Altering assignments or exams for re-grading purposes
- Bringing pre-written answers to an exam
- Having another person take an exam for you, or taking an exam for another student
- Theft of academic work
- Unexcused exit and re-entry during an exam period

► **Plagiarism**

- Taking credit for any work created by another person; work includes, but is not limited to books, articles, experimental methodology or results, compositions, images, lectures, computer programs, internet postings
- Copying any work belonging to another person without indicating that the information is copied and properly citing the source of the work
- Using another person's presentation of ideas without putting such work in your own words or form and/or failing to provide proper citation
- Creating false citations that do not correspond to the information you have used

- Representing your previous work as if it is new work

► **Unauthorized collaboration**

- Working together on evaluated coursework without permission of the instructor
- Working with another student beyond the limits set by the instructor
- Providing or obtaining unauthorized assistance on graded coursework

► **Misuse of an instructor's course materials or the materials of others**

- Posting, purchasing, obtaining, sharing, or copying any course materials of an instructor without the explicit written permission of that instructor
- Unauthorized use of another student's work

► **Lying or fraud**

- Giving false excuses to obtain exceptions for deadlines, to postpone an exam, or for other reasons
- Forging signatures or submitting documents containing false information
- Making false statements regarding attendance at class sessions, requests for late drops, incomplete grades, or other reasons

► **Intimidation or disruption**

- Pressuring an instructor or teaching assistant to regrade work, change a final grade, or obtain an exception such as changing the date of an exam, extending a deadline, or granting an incomplete grade
- Refusing to leave an office when directed to do so
- Physically or verbally intimidating or threatening an instructor, teaching assistant or staff person, including invading personal space, or engaging in any form of harassment
- Repeatedly contacting or following an instructor, teaching assistant or staff person when directed not to do so
- Misusing a classroom electronic forum by posting material unrelated to the course
- Interfering with an instructor's or teaching assistant's ability to teach a class, or interfering with other students' participation in a class

► **Misuse of University properties or resources**

- Purchasing or selling (or attempting to) one's registration in a class

Upholding the UC Davis Code of Academic Conduct

Students, faculty, and University administration all have a role in maintaining an honest and secure learning environment at UC Davis.

► **Students**

The success of our Code of Academic Conduct depends largely on the degree that it is willingly supported by students. Students:

- Are responsible to know what constitutes cheating. Ignorance is not an excuse.
- Are required to do their own work unless otherwise allowed by the instructor.
- Are encouraged to help prevent cheating by reminding others about this Code and holding each other accountable by reporting any form of suspected cheating to the University.
- Shall respect the copyright privileges of works produced by faculty, the University, and other copyright holders.
- Shall not threaten, intimidate or pressure instructors or teaching assistants, or interfere with grading any coursework.
- Shall not disrupt classes or interfere with the teaching or learning environment.

► **Faculty**

Faculty members and instructors are responsible for teaching courses and evaluating student work and are governed by University of California and UC Davis policies and regulations. Regulation 550 of the Davis Division of the Academic Senate addresses academic misconduct. Faculty and instructors:

- Will provide students with a course outline containing information about the content of the course, amount and kind of work expected, examination and grading procedures, and notice of the Code of Academic Conduct.
- Should monitor examinations to help prevent academic misconduct.
- Shall report all suspected cases of cheating and other misconduct to the Office of Student Support and Judicial Affairs (<http://ossja.ucdavis.edu/>).

► **University Administration**

The University has delegated authority and responsibility to the Office of Student Support and Judicial Affairs (OSSJA) for the adjudication and resolution of academic misconduct cases. OSSJA maintains records of academic misconduct. The University:

- Shall educate faculty and students about the Code of Academic Conduct.
- Shall provide physical settings such as classrooms and labs for examinations that minimize opportunities for academic misconduct.
- Shall assist and train faculty and teaching assistants about how to prevent and address academic misconduct.

► **Submitting Reports and Judicial Procedures**

- The Code of Academic Conduct governs academic conduct at UC Davis.
- Faculty have sole authority, as granted by the Academic Senate, to evaluate a student's academic performance and assign grades. If academic misconduct is admitted or is determined by adjudication to have occurred, instructors may assign a grade penalty no greater than "F" for the course in question. If a report is pending at the end of an academic term, instructors should assign a temporary grade of "Y" for the course until the report is resolved.
- Instructors should submit all reports to the Office of Student Support and Judicial Affairs (<http://ossja.ucdavis.edu>). If an instructor has submitted a report of suspected cheating, a course grade of "Y" should be assigned until the report is resolved.
- A faculty/student panel, convened by OSSJA, shall conduct formal hearings to adjudicate contested cases of academic misconduct, unless the right to a formal hearing has been withdrawn. The right to a formal hearing may be withdrawn because of a prior finding of misconduct.
- Instructors and teaching assistants may direct a student to leave a class immediately if the student's behavior is disruptive.
- Instructors, teaching assistants and staff persons should contact police (752-1230 or 911) if they feel physically threatened.

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