Our Discussion Today!

- 360 Degrees of Ethics
- Ethical Foundation
- Ethics Culture “Firm”
- Ethics Practice
- Do Little Things Really Matter?
- What Can You Do To Make An Ethical Difference
Baja SAE Kansas—Pittsburg State University—over 100 colleges from USA and 5 to 7 foreign countries
360 Degrees of Ethics

Ethics in Practice
- Behavioral Standards
- Professional Standards

Ethics Culture “Firm”
- Interaction in Firm
- Regard for Quality Controls

Ethics Foundation
- Personal Ethics
- Ethical Decision Making
Who is Scot Loyd?

• Married to Jenny “Vogts” Loyd, Married 7/28/84—Almost 33 years.
• Son is Ethan Loyd, Junior @ Oklahoma Christian University—Majoring in Mechanical Engineering and Played one year of College Baseball
• Physical birth 3/8/61, Sedan, Kansas—1,200 population
• Grad Sedan HS May 1979
• Grad Tabor College 1983
• Athlete Football, Basketball, Baseball in HS...Basketball & Baseball in College

• Enjoy exercising, Lifting weights & basketball
• Church & FCA
• Sing at Weddings & Funerals
• Certified Public Accountant-CPA
• Certified Government Financial Manager-CGFM
• Certified Fraud Examiner-CFE
• Certified Global Management Accountant-CGMA
• Partner in Swindoll, Janzen, Hawk & Loyd
• Over 110 Ethics is Ethics Presentations
Ethical Peanut!

Mom said, TAKE IT BACK AND APOLOGIZE!
We Definitely CHANGE!

Offensive Player
Of the Week

Scott Loyd

The Sedan Times-Star.

Sedan' Scot Loyd tries pick-off.

Photo by Randy Cox
Marshall University Football FCA Team Chapel @ KSU-2005
Hutchinson Office Staff—Open House June 2016
Change is life

“Change is the new, constant reality of any workplace. And if it’s not, it ought to be, because the riskiest thing any businesses can do in the new, uncertain world order, is to not change.”
What is Ethics?

- Ethics is what is **ABSOLUTE**.
- It refers to a **SET OF STANDARDS** around which we organize our lives and from which we define our duties and obligations.
- It results in a set of imperatives that establishes behavior patterns that are acceptable.
- It is what people **OUGHT TO DO**!

Per Dr. James Eckman President and Professor of Theology, Ethics, and History at Grace University
Who Sets Those Standards

- As children, the standards are established by authority figures, including parents, teachers, and ministers.
- As adults, the standards are generally established by the predominant beliefs of the society in which we live.
- As employees, the standards are established by the employer.
- As professionals, the standards are established by regulatory authorities and professional organizations to which we are subject or belong.
What’s Your Brand?

- Kent Noble, Bill Daniels Chair of Business Ethics, University of Wyoming
- Daniels Fund, Ethics Initiative
- Kent presented at the 22nd Annual Biennial Forum of Government Auditors
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<th>Creative</th>
<th>Open</th>
<th>Confident</th>
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<td>Passionate</td>
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<td>Grit</td>
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What’s Your Brand?

- Positive Attitude
- Integrity
- Grit
RU Fresh
or
RU on Empty?
Does being on Empty impact your Ethical Choices?

- Graduated from Tabor college May 1983
- Became partner January 1, 1990, age 28, total 11 people
- 1991—worked almost 3,200 hours, avg 62, 52 weeks
- 1992—almost 3,000 hours, avg 58, 52 weeks
- 1993—had 275 tax clients and a full audit schedule
- 1994—Got totally out of tax, except for my own return!
LEADING ON EMPTY
REFILLING YOUR TANK AND RENEWING YOUR PASSION
Courageous Leadership

Field-Tested Strategy for the 360° Leader

Bill Hybels
Hours During Busy Season for All SJHL

52
RU Staying ETHICALLY Fit??

➢ To Stay in Good Physical Shape can you?
  ➢ Workout once a month...a year?
  ➢ Workout for only one minute?
  ➢ Not worry about consistency?
  ➢ Forget about challenging yourself?

➢ Is it any different for us trying to stay in Good ETHICAL Shape?
Ethics Culture “Firm”
BUSINESS ETHICS
Jim Collins author of “Built to Last” and “Good to Great”

**Importance of Ethics** in any successful company:

✓ “Our research points to one essential element in any successful company. Those that are best have built a set of core values and lived by them.”
Ethics

is

Ethics
There's No Such Thing as "Business Ethics"

There's Only ONE RULE for Making Decisions

Includes In-Depth Discussion Questions

Approximately 2.5 hours Unabridged

READ BY THE AUTHOR
Integrity (Ethical) Guideline for ANY situation

• How Would I Like to Be Treated In This Situation?

• Referred to as the "GOLDEN RULE"
Quote by Zig Ziglar

“There’s no traffic jam on the EXTRA MILE.”
What’s Your “FIRMS” Brand?

- Does your personal brand play into the Firm’s Brand?
- What opportunities do you have as an individual for strengthening the Firm’s Brand?
- Does the Firm/Company Brand Really matter?
Is Your “FIRMS” Brand Important?
What’s Your “FIRMS” Brand?
What’s Your “FIRMS” Brand?
What’s Your “FIRMS” Brand?
What’s Your “FIRMS” Brand?

Sometimes a company doesn’t change until an event of significant magnitude forces it to, as was the case with **Tyco International** after a scandal in which the former chief executive and other corporate leaders were convicted of stealing more than $150 million from the company.

Tasked with rebuilding the company and its reputation, **within six months Mr. Breen convinced the entire board of directors to resign**. He replaced them with those he felt would add credibility to the company’s efforts and reinforce his agenda of change, he said in an interview.

“I am a big believer that change starts at the top. **The board is the top of the company, and if we were really going to set a new ethical tone with the right values it starts there.** I was one key component as chairman and CEO, but the board members were just as important,” said Mr. Breen, now Tyco’s non-executive chairman of the board. **“I thought it was a very important statement that this was not the same company any more, and if you looked right at the top you could see it.”**
Looking forward for TYCO, Mr. Tanzer said data security and data privacy are issues Tyco and other companies are going to have to spend more time on as countries enact more laws to guard against cybercriminals. Failure to construct and enforce a strong compliance program will become very costly to a company. “It’s not just the fines, it’s the time, energy, management attention, reputation, shareholder and derivative lawsuits that come out of it,” Mr. Breen said. “If you don’t focus here it can cost you more than money.”
What's Your "FIRMS" Brand?
Ethics is Ethics

Ethics doesn’t change!
Ethics in Practice
Audit Conduct strives to be the most complete source for information on auditor independence, professional ethics and related topics.

Our ever-expanding library of blog posts is a comprehensive source of information on auditor independence and ethics. If you cannot find the information you need in our archives, please contact Catherine Allen at (631) 849-2392 or via email by clicking here.

Receive news as it happens Cathy’s quarterly newsletter addresses topics important to the accounting professional.

Very practical articles that could keep you in compliance with the AICPA Codes and others

https://www.auditconduct.com/articles
Professional Ethics Division at AICPA

- Establish independence and ethics standards for the profession
- Enforcement - investigate potential violations of the Code
- Educate members on ethics standards
Professional Ethics Division at AICPA

➢ Toolkits: Nonattest Services and Conceptual Frameworks
  ✓ Understanding and flowcharts
  ✓ Fillable checklists and worksheet

➢ FAQs
  ✓ General topics, nonattest services, network firms, confidential client information, affiliates of employee benefit plans

➢ Plain English Guide

➢ Basis For conclusion Documents
Professional Ethics Division at AICPA

Online platform
- Basic and advanced search capability
- Pop ups
- Bookmarks
- Record notes
- Hyperlinking

New Revised and Pending [0.600]

Revision History Table
Recent Changes
Transfer of Files and Return of Client Records in Sale, Transfer or Discontinuance

- Requires members who discontinues, sells or transfers their practice to return client records in accordance with the Record Requests interpretation
- Obtain client consent prior to transferring client files to successor firm
  - If no response from client within 90 days, may presume client consent to transfer files (unless prohibited by law)
  - Any files not transferred or returned must be retained in a confidential manner and in accordance with
- Requires members who acquires a practice be satisfied that client has consented to transfer of client files and provision of professional services.

Effective June 30, 2017
ET 1.400.205
Disclosure of Commissions and Referral Fees

- Aligns disclosure requirements with many state boards
- Requires disclosure of permitted commissions and referral fees be done in writing.
- Effective for arrangements entered into after January 31, 2017
Nonattest Services: Cybersecurity

- Examples of cybersecurity services that do not impair independence
  - General training or informational sessions on cybersecurity issues
  - Best practice review of cybersecurity practices
  - Evaluate cybersecurity program and provide advice and recommendations on how to improve policies, procedures, and internal control relating to cybersecurity threats and practices

- Design, develop or implement policies and procedures for cybersecurity threats and practices will impair independence. Attack and penetration testing may impair independence.
Hosting Services

- Hosting services impair independence because you are maintaining internal control.

- Hosting service means that you accept responsibility to
  - Be the sole host of attest client’s financial or nonfinancial system
  - Custody or storage of attest client’s data or records
  - Electronic security or back-up services for attest client’s data or records
Examples of Hosting Services

- Housing the attest client’s website or other non-financial information system

- Keeping the attest client’s data or records on the attest client’s behalf.
  - General ledger information
  - Supporting schedules (such as, depreciation or amortization schedules)
  - Lease agreements or other legal documents

- Being the attest client’s business continuity or disaster recovery provider
Examples of Services That Are NOT Hosting

- Copy of a work product or of data or records as documentation to support a service provided.
- Having the same general ledger software on the member’s server that the attest client has on its server to facilitate delivery of bookkeeping services.
- Retaining data collected by the member related to a work product that the member prepared (e.g., survey).
- Electronically exchanging data or records using a portal. To avoid providing hosting services, terminate access to portal.
Examples of Services That Are NOT Hosting

- Licensing software where client inputs its data and receives an output that the attest client is responsible for maintaining.
  - Activity that the software performs must not impair independence

- Having possession of a depreciation schedule that the member prepared, provided the schedule and calculation is given to the attest client so its records are complete.

- Retaining original data or records to facilitate the delivery of a service provided returned at the end of the engagement.
  - Tax records to prepare a tax return
WORK IN PROGRESS
CHECK BACK SOON!
The Professional Ethics Executive Committee (PEEC) is responsible for promulgating new ethics interpretations and rulings, and for monitoring those standards and making revisions as needed.

The PEEC utilizes a process that includes deliberation in meetings open to the public, public exposure of proposed standards, and a formal vote.

Exposure Drafts are issued by the AICPA to invite public comment before a final pronouncement is issued.

The public exposure time varies depending on the complexity of the issue and the circumstances surrounding the need for a new standard.

Once adopted, the standard becomes effective the last day of the month in which the standard is published in the Journal of Accountancy, unless stated otherwise.
Professional Ethics Division at AICPA

Where to find the Exposure Drafts?

https://www.aicpa.org/interestareas/professionalethics/community/exposuredrafts.html

Select the title on the link above to view the exposure drafts or related documents.

For exposure drafts not presented, please contact Ellen Goria at egoria@aicpa.org or visit http://www.olemiss.edu/depts/general_library/dac/files/exdrafts.html
Professional Ethics Division at AICPA

Title: March 15, 2018 - Exposure Draft: Information System Services (formerly Information, Systems Design, Implementation, or Integration, ET sec. 1.295.145)

Summary: Click Link Above

Comment Letters: Comment Letters

Final Guidance: None Currently

Basis and Related Documents
Title: October 20, 2017 - Exposure Draft: Leases Interpretation (ET sec. 1.260.040)

Summary: Click Link Above

Comment Letters: Comment Letters

Final Guidance:

Basis and Related Documents:
Title: July 14, 2017 - Long Association of Senior Personnel With an Attest Client

Summary: Click Link Above

Comment Letters: Comment Letters

Final Guidance: None Currently

Basis and Related Documents
Professional Ethics Division at AICPA

- Title: July 7, 2017 Exposure Draft - State and Local Government Entities
- Summary: Click Link Above
- Comment Letters: Comment Letters
- Final Guidance:
- Basis and Related Documents:
Professional Ethics Division at AICPA

Title: March 10, 2017 Exposure Draft - Responding to Non-Compliance with Laws and Regulations

Summary: Click Link Above

Comment Letters: Comment Letters

Final Guidance:

Basis and Related Documents:
Leases Task Force

**Status:** The Task Force continued to work on comments received on the proposed leases interpretation and sought the PEEC’s feedback on its deliberations and suggested direction.

**Next steps:** The Task Force will continue to deliberate and report back to the PEEC in August.
Leases: Evaluate the Significance of Threats

- If minimum safeguards are met, evaluate significance of threats and apply safeguards as necessary. Factors to consider when evaluating the significance of threats:
  - If on the attest engagement team, their role
  - The position of the covered member within the firm, if in a position to influence the attest engagement.
  - Materiality of the lease to the covered member
  - If multiple leases, aggregate materiality
  - The extent to which the lease will be subject to attest procedures
  - The extent to which the covered member and attest client are involved in managing the leased property or negotiating, executing, or enforcing the lease
Non-Compliance with Laws and Regulations (NOCLAR) Task Force

**Status:** The Task Force Chair reported that his group has met monthly since the last PEEC meeting to review and discuss the comment letters to the NOCLAR proposal. He noted that of the 17 comment letters received, six were supportive (with recommendations) and 11 were not, and among those 11, some comments were in conflict. He added that the Joint AICPA/NASBA (National Association of State Boards of Accounting) Uniform Accountancy Act (UAA) Committee is also addressing NOCLAR on its agenda and that his Task Force and the UAA Committee have invited each other’s chairs to attend their meetings.

**Next Steps:** The Task Force plans to meet with UAA representatives and AICPA staff and continue its review of the comment letters and analysis/comparisons of the AICPA proposal to other professional standards.
Voluntary Tax Practice Reviews

Status: The PEEC agreed to issue for comment a proposed interpretation under the Confidential Client Information Rule for voluntary tax practice monitoring reviews performed under the monitoring requirements of the member’s tax practice quality control document.

Next Steps: Staff will issue the Exposure Draft subject to a sixty-day comment period.
Staff Augmentation Task Force

Status: The Task Force Chair updated the PEEC on her group’s discussions about the independence implications of a firm's performance of a nonattest service in which the firm lends staff to an attest client to work under the supervision of the client’s management.

The Chair indicated that the Task Force was seeking feedback on application of the general requirements for performing nonattest services (1.295.040), i.e.,

- whether the member should evaluate client management’s skills, knowledge and experience; client supervision as a key safeguard;
- whether engagements should be short-term and nonrecurring;
- whether the staff would appear to be employees of the client; and
- appropriate safeguards (e.g., avoid using the nonattest staff on the client’s attest engagement and in annual nonattest engagements, have different staff perform the services each year).

Next Steps: The Task Force will continue its deliberations and report back to the PEEC in August.
State and Local Government Affiliates

**Status:** The Task Force reported to the PEEC its progress in reviewing comments received on the proposed interpretation on state and local government affiliates and asked for feedback.

**Next Steps:** The Task Force will continue its deliberations and report back to the PEEC at future meetings.
Consolidated presentation
Single opinion
Control or significant influence & materiality for inclusion

Columnar presentation
Multiple opinion units
Financial accountability criteria for inclusion

State and Local Government Sector vs. Commercial Sector
A CPA assumes an obligation of self-discipline above and beyond the requirements of laws and regulations.

The principles of the Code call for an unswerving commitment to honorable behavior, even at the sacrifice of personal advantage.
Frequent Violations

- Audits of Employee Benefit Plans, Not-For Profit Entities and Government Entities
  - Auditor’s Reporting
  - Audit Procedures
  - Financial Statement Deficiencies

- Employee Benefit Plans
  - Firm Management

- Not-For Profit Entities and Government Entities
  - Single Audit Issues

Reports And More Available At aicpa.org/enforcement
Yellow Book
Revising the Yellow Book

- Final Version should be out later this year (2018)
- Along with changes to its format and structure, the draft contains updates on the following topics:
  - Independence
  - Competence and Continuing Professional Education
  - Quality Control and Peer Review
  - Financial Audits
  - Attestation Engagements and Reviews of Financial Statements
  - Performance Audits
Public Companies and International
Public Companies and International Exposure Drafts

- IAESB's June 2017 Exposure Draft, "Proposed International Education Standard 7, Continuing Professional Development (Revised)"

- PCAOB's June 1, 2017 Release No. 2017-003, "Proposed Amendments to Auditing Standards for Auditor's Use of the Work of Specialists"


- IESBA's January 2017 Exposure Draft, "Proposed Revisions Pertaining to Safeguards in the Code--Phase 2 and Related Conforming Amendments"
The proposed changes to the Securities and Exchange Commission's (SEC's) loan rule were published in the Federal Register May 8, 2018.

The comment period ends on July 9th.

This follows the May 2nd announcement by the SEC that it was proposing several revisions to the loan rule under Regulation S-X, Rule 2-01, Qualifications of Accountants, which provides the boundaries for independence that CPA firms should observe in performing audits of public companies and other SEC registrants.
New IESBA Code is Official!

Following years of hard work and forethought about enhancing the international Code, the International Ethics Standards Board for Accountants (IESBA) has released a completely restructured, strengthened and clarified Code, now titled *International Code of Ethics for Professional Accountants (including International Independence Standards)*.

Enhancements include:

- A design that facilitates navigation, use and enforcement
- Requirements that are distinguished from the application materials
- More focus on the fundamental principles underlying the Code
- Better integration of the conceptual framework with the rest of the code
- Stronger safeguards embedded in the conceptual framework
Highlights from the American Institute of Certified Public Accountants (AICPA) Professional Ethics Executive Committee (PEEC) held on May 9, 2018

- **International Ethics Standards Board for Accountants (IESBA) Update**

- AICPA staff updated the PEEC on recent activities of the International Ethics Standards Board for Accountants (IESBA), which included:
  - Consultation paper on application of professional skepticism to all services performed by professional accountants due later this month
  - Briefing paper on nonassurance services due later this month
  - Upcoming roundtable discussion to discuss the above papers (June 11 in Washington, DC and later dates in Paris, France and Tokyo, Japan)
  - IESBA’s future strategy and work plan
  - Inducements standard, which is in the process of being finalized
Do Little Things Really Matter?
Dayton Moore’s 7 Things He Lives By as General Manager of the KC Royals

- Organizational harmony
- Care more than anyone else
- Give more than expected by others (Above & Beyond)
- Stand up for people
- Share the glory with others in your organization
- CALM in the Eye of the Storm
- ONE on ONE Communication
What was the CAUSE of many of these failures...Nothing more than:

PRIDE!
PAY ATTENTION to the RED FLAGS!!!
What Can You Do To Make An Ethical Difference?
Are you READY!

It's **GO** TIME!
What’s Your Brand?

➤ Positive Attitude
➤ Integrity
➤ Grit
What’s Your “FIRMS” Brand?

- Does your personal brand play into the Firm’s Brand?
- What opportunities do you have as an individual for strengthening the Firm’s Brand?
- Does the Firm/Company Brand Really matter?
HOWEVER: Ethics Is Bigger Than You

- Assess Yourself Honestly
- Don’t Take Success Too Seriously
- Celebrate the Significance of Others
- Don’t Demand You Own Parking Place
- Never Announce Your Success Before It Occurs
- Speak Humbly
- Practice the “Golden Rule”—ALWAYS!
  - Do unto others as you would have them do unto you!
What Do You Reflect to the People Around You?
Each DAY is a NEW DAY!
- There is **no magic formula** that will avoid all problems
- **Making ethics a priority** and incorporating into every day’s business is vital
- **Just when you think** your organization or client has arrived - **you will be humbled**
- **Don’t ever be surprised** by an employee’s behavior
The WALK
by Steven Curtis Chapman

You can run with the big dogs
You can fly with the eagles
You can jump through all the hoops
And climb the ladder to the top

But when it all comes down
You know it all comes down to THE WALK!
What Really Matters?

“If you haven’t defined your values, I encourage you to do so... then live them out every day!!! Then work hard to keep the UNIMPORTANT from becoming IMPORTANT, and the IMPORTANT from becoming UNIMPORTANT.”

John Maxwell
Questions?

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