Ethics: Keeping the Good from Breaking Bad

Daniel Porter CFE
TCMA - Knoxville
April 5, 2019
Thank You

Relax

Go

Answer

Ask
My Opinions

This presentation represents the opinions of the presenter only.

The materials presented herein do not necessarily reflect the opinions of the State of Tennessee or any part thereof.
My Background
Your Backgrounds

- Municipal Clerks/City Recorders
- Auditors
- Accountants/Bookkeepers
- Finance Directors/Managers
- Lawyers
- Others
Course Objectives

• Define Ethics
• Discuss Transformation
• Analyze Breaking Bad TV Show
• Review Breaking Bad Examples
What Are Ethics?

- Rules
- Beliefs
- Principals
- Values
- Morals
Similar, but not the same

Δ Rules: regulations governing conduct

◊ Beliefs: a state of mind in which trust is placed in some person or thing

○ Principles: a comprehensive and fundamental law
Ethics
A professional group’s written standards of right or wrong

Values
An individual’s standards of right or wrong

Morals
Society’s standards of right or wrong
Professional Ethics

“A professional ethic is a code which consists of a set of rules and standards governing the conduct of members of a professional group”

Anthony Hartle, Moral Issues in Military Decision Making
ASE Code of Ethics

• I will strive to produce nothing but first-class workmanship.

• I will take advantage of every opportunity to increase my knowledge and skills concerning the work I am doing. I will dedicate myself to lifelong learning.

• I will practice Service Integrity, which means that to the best of my ability, I will always work for the best interest of the customer, my employer and myself.
CFE Code of Ethics

I. A Certified Fraud Examiner shall at all times demonstrate a commitment to professionalism and diligence in the performance of his or her duties.

II. A Certified Fraud Examiner shall not engage in any illegal or unethical conduct, or any activity which would constitute a conflict of interest.

III. A Certified Fraud Examiner shall, at all times, exhibit the highest level of integrity in the performance of all professional assignments,

VIII. A Certified Fraud Examiner shall continually strive to increase the competence and effectiveness of professional services performed under his or her direction.
AGA Code of Ethics

• Strive to perform the duties of your position and supervise the work of your subordinates with the highest degree of professional care.
• Continually seek to increase your professional knowledge and skills to improve your service to employers, associates and fellow members.
• Render opinions, observations or conclusions for official purposes only after appropriate consideration of the pertinent facts and after assuring yourself that you have the appropriate expertise and are free from real or perceived conflicts of interest.
ICMA Code of Ethics

• Members should conduct themselves so as to maintain public confidence in their position and profession, the integrity of their local government, and in their responsibility to uphold the public trust.

• Serve the best interests of the people

• Public office is a public trust. A member shall not leverage his or her position for personal gain or benefit.

• Each member should commit at least 40 hours per year to professional development activities.
Similarities?

- Quality
- Integrity
- Competence
- Increase skills & knowledge
- Independence
- Objectivity
Ethics

• A professional group’s written standards of right and wrong
Right or Wrong
Good vs. Evil
Right or Wrong
Good vs. Evil

Internal Struggle
Is It Black or White?

Wrong

Right
Is there a *Gray Area*?

How BIG is your Gray Area?

Wrong  Right
Wrong

- Murder
  - Intentional killing of another person
- Cannibalism
  - Eating human flesh
- Stealing
  - Taking money without permission
- Fraud
  - Charging for a service not performed
Is Murder Ever Okay?

Murder:

- A runaway streetcar is about to run over 5 people walking on the tracks. A man is sleeping on a side track. A railroad worker switches it to the side track, killing one person. 1 dead – 5 saved
- Five critically injured people are rushed to a hospital, each needs an organ to survive. No time to get organs from outside the hospital. The surgeon kills a healthy man in the waiting room and takes his organs. 1 dead – 5 saved

Take 15 seconds to take this Self-Test
Is Murder Ever Okay?

**Murder**

- A runaway streetcar is about to run over 5 people walking on the tracks. A railroad worker switches it onto a side track, killing one person. 1 dead – 5 saved
- Five critically injured people are rushed to a hospital, each requiring an organ to survive. There’s no time to get organs from outside the hospital. The surgeon kills a healthy man in the waiting room and takes his organs. 1 dead – 5 saved

**Right**

- □

**Wrong**

- □
## Is Cannibalism Ever Okay?

### Cannibalism

- New Guinea islanders ate enemies
- Jeffrey Dahlmer ate murder victims
- Plane crash survivors ate crash victims

### Take 15 seconds to take this Self-Test
Is Cannibalism Ever Okay?

Cannibalism

- New Guinea islanders ate enemies
- Jeffrey Dahlmer ate murder victims
- Crash survivors ate crash victims

Right  Wrong
Is Stealing Ever Okay?

Taking $ w/out Permission

• Teacher takes field trip money to a bachelor party in Vegas
  
• Teacher takes field trip money to repair bus

• Teacher takes field trip money to feed hungry student

• Teacher takes field trip money to feed his daughter

Right

Wrong

Take 15 seconds to take this Self-Test
## Is Stealing Ever Okay?

<table>
<thead>
<tr>
<th>Taking $ w/out Permission</th>
<th>Right</th>
<th>Wrong</th>
</tr>
</thead>
<tbody>
<tr>
<td>Teacher takes field trip money to a bachelor party in Vegas</td>
<td>☐</td>
<td>☐</td>
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<tr>
<td>Teacher takes field trip money to repair bus</td>
<td>☐</td>
<td>☐</td>
</tr>
<tr>
<td>Teacher takes field trip money to feed hungry student</td>
<td>☐</td>
<td>☐</td>
</tr>
<tr>
<td>Teacher takes field trip money to feed his daughter</td>
<td>☐</td>
<td>☐</td>
</tr>
</tbody>
</table>
## Is Fraud Ever Okay?

### Charge for Services Not Performed

<table>
<thead>
<tr>
<th></th>
<th>Right</th>
<th>Wrong</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pay mechanic to fix oil leak; it still leaks; he charges to fix it again.</td>
<td></td>
<td>☐</td>
</tr>
<tr>
<td>Pay plumber to fix water leak; it still leaks; he charges to fix it again.</td>
<td>☐</td>
<td></td>
</tr>
<tr>
<td>Pay doctor to fix sore throat; it still hurts; he charges to fix it again.</td>
<td></td>
<td>☐</td>
</tr>
<tr>
<td>Pay attorney to defend; you go to prison; he charges for appeal.</td>
<td>☐</td>
<td></td>
</tr>
</tbody>
</table>

---

**Take 30 seconds to take this Self-Test**
Is Fraud Ever Okay?

- Pay mechanic to fix oil leak; it still leaks; he charges to fix it again.
- Pay plumber to fix water leak; it still leaks; he charges to fix it again.
- Pay doctor to fix sore throat; it still hurts; he charges to fix it again.
- Pay attorney to defend; you go to prison; he charges to file appeal.

**Right**
- ![Checkmark]

**Wrong**
- ![Checkmark]
Situational Ethics

No universal standard

Right or Wrong is determined by the situation
Relative Ethics

No universal standard

Right or Wrong is relative

• Each person’s opinion is correct
• Nothing that anyone does is wrong
Utilitarian Ethics

No universal standard

The right thing is the one that does the most good or does the least harm

• Assigns values to potential good or harmful results to determine action to take
• We can rationalize anything
Legalism

The right thing is defined by what is in accordance with the rules or the law

- If not illegal must be Ethical.
- Only have to do bare minimum required by law (or rules) to be Ethical.

Rules don’t say they can’t charge you again and again and...
Legalism

The right thing is defined by what is in accordance with the rules or the law

• If not illegal must be ethical.
• Only have to do the bare minimum required by law (or rules) to be ethical.
Gray Area

Wrong

Right
Gray Area

Wrong

Right
Ethics Policies

• Apply general right or wrong concepts to the unique situations of a profession.

• They ask what is right or wrong behavior in business

• Provide rules as GUIDANCE in business situations.
We Decide

STAY GOOD

or

BREAK BAD
Break Bad

- To defy authority
- To divert from being good
For five seasons the TV show Breaking Bad followed the life of high school chemistry teacher Walter White as he transformed into a murdering drug dealer.

Similar to Walter White, most fraudsters start out doing right. They do not apply for and accept a position as treasurer or clerk with the intent to commit fraud. Something happens in their life, a catalyst. They have a decision to make: stay good or break bad. Their decisions have consequences.
Breaking Bad Season 1

Who is Walter White?
Walter White the Man

• He is a good person.
• He has always played by the rules.
• He loves his family.
• He wants to take care of his family.
Walter White’s Financials

- $43,700 per year teacher salary
- $107,000 mortgage
- $30,000 home equity line
- Limited savings
- Limited investments
- Limited life insurance
Walter White Talks About Change
Walter White’s Catalyst

Precipitating Event
Walter White’s Catalyst
Precipitating Event
Walter White’s Options

Stay Good
A. Die and leave family broke?
B. Ask wealthy friends for $?
DEA Ride-along

• Brother-in-law Agent
• Former student Jessie
• Money in cooking meth
• Cooking meth is chemistry
• I’m a chemist
Walter White’s Options

Stay Good
A. Die and leave family broke
B. Ask wealthy friends for $

Break Bad
Z. Become a drug dealer

Other Options?
Walter White’s Options

Stay Good

A. Die and leave family broke
B. Ask wealthy friends for $ break

Break Bad

Z. Become a drug dealer
Broke Bad
Transformed
Consequences

- Almost killed
- 2 Murders
- Family strife
Why Break Bad?

• Family
• Family

Rationale
Situational Ethics

No universal standard

Right or Wrong is determined by the situation
Breaking Bad Season 2

- $737,000 his “number”
- Cooking Meth
- 1 Murder
- Planes crashed
- Partnership
- Misses birth
Breaking Bad Season 2

- $960,000
- In remission
- Fixing his house
- Bored
Breaking Bad Season 2

Daddy did that for you
Breaking Bad Season 2

Who Did Daddy Do It for?

EGO

Stay out of my territory
Breaking Bad Season 3

• Cooking Meth
• Murder
• $3M Partnership
• Divorce threat
Breaking Bad Season 4

- Cooking Meth
- Murder
- Family Strife
Breaking Bad Season 5

- Cooking Meth
- $80M
- Murder
- Death
I did it for me...
I did it for me...

• Skyler White: If I have to hear one more time that you did this for the family...

• Walter White: I did it for me. I liked it. I was good at it. And... I was really... I was alive.
Cops Breaking Bad

TN Law Enforcement Training Officers Association – NFP

• All cops
• Train Cops
• Grant $$$$$$$
Lt. Robert Hall

- Sparta PD 40 yrs.
- TLETOA treasurer 20+ years
Maj. Gary Bradley

- Washington Co.
  SO 20 yrs.
- TLETOA grant coordinator
The Board

- Never requested or saw a bank statement
- Never required an audit, but it was required in their by-laws
- Accepted an annual verbal financial report from treasurer
How Discovered?

• Treasurer was having surgery
• Appointed assistant treasurer
• Found unauthorized checks to treasurer and grant coordinator
Grantee
Federal > State > TLETOA

• Reimbursement grant
• Paid for room, manuals, & trainers
• Submitted invoices each month for reimbursement from State
• Paid Bradley & Hall $1,000 per month from indirect costs to manage the grant
• Paid themselves with the “Leftover” $$$
Became a Vendor
Sole Source

• Set a fee for each class
• Fees based upon 2-3 trainers
• Usually used 1 trainer
• The “Leftover” grew (TLETOA made a profit)
• They kept the “Leftover” $$$$$$
“leaving us $8,585”
Broke Bad

The “Leftover” ($80,000 each)
Not a Mistake
Concealment = Intent

### Income/Expense Report

<table>
<thead>
<tr>
<th>Date Paid</th>
<th>Check #</th>
<th>Payee Name</th>
<th>Debit</th>
<th>Credit</th>
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<td>5/7/2012</td>
<td>1700</td>
<td>Kevin</td>
<td>1,950.00</td>
<td></td>
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<tr>
<td>7/10/2012</td>
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<td>1707</td>
<td>Larry</td>
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<td>8/15/2012</td>
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<td>Larry</td>
<td>3,900.00</td>
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<td>3/19/2012</td>
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<td>LEID Manuals</td>
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<td>10/4/2012</td>
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<td>Office Max</td>
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<tr>
<td>11/9/2011</td>
<td>1674</td>
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<td>2,000.00</td>
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<tr>
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<td>Professional Fees2</td>
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</tbody>
</table>
Consequences

- Felony theft over $10K
- 15 years probation
- $93,000 restitution
Why Break Bad?

• Mother-in-law & adult children
• “Our money”

EGO
“Leftover” = Legalism

The right thing is defined by what is in accordance with the law

• If not illegal must be Ethical.
• Only have to do bare minimum required by law (or rules) to be Ethical.

Rules didn’t say they couldn’t keep the leftover
Internal Controls

• Mandatory vacations / position turn over
• Separation of Duties
• Board Oversight
  – Review bank statements
  – Review check images
Internal Controls Simplified

TRUST NO ONE
City Recorder

- Michelle Bennett
- 32 yrs old
- 14 yr old daughter & 10 yr old son
City Aldermen

• Never requested or saw a bank statement
• Did not adequately review support attached to checks
  – credit card statements
• No oversight
How Discovered? TIP

• City Recorder lived “high on the hog”
• She always had packages delivered to city hall
• Wives disliked her
• Paid herself sick leave
Do you see something on these checks?

First check:
- Pay to the order of: Michelle R. Bennett
- Pay Period: 01/01/2007 - 01/14/2007
- Payroll Account: [Signature]
- Amount: $1,527.70

Second check:
- Pay to the order of: Michelle R. Bennett
- Pay Period: 01/01/2007 - 01/14/2007
- Payroll Account: [Signature]
- Amount: $1,426.16
Accounts Payable

DATE: 3/10/04

NAME OF PERSON / COMPANY: Platinum Plus for Business

ADDRESS: 

CITY, STATE & ZIP: 413-863-7631

DESCRIPTION: Fire Dept $00000, Gen. Fund $00000

ACCOUNT #: 

AMOUNT PAID: $1,176.99

CHECK #: / or see payment record attached.

AUTHORIZED BY: Ronnie Hill

Nolan S. Barham, Sr., Mayor

Michelle Bennett

SEE INVOICE FOR PAYMENT
February 2006 Statement

Your total finance charge paid for 2005 was $128.68.

<table>
<thead>
<tr>
<th>Account Number</th>
<th>Credit Line</th>
<th>Credit Available</th>
<th>Cash Available</th>
<th>Days in Cycle</th>
<th>Closing Date</th>
<th>Total Minimum Payment Due</th>
<th>Payment Due Date</th>
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<td>$1,043.46</td>
<td>$1,043.46</td>
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<td>02/07/06</td>
<td>$29.00</td>
<td>03/04/06</td>
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**PAYMENTS AND CREDITS**

<table>
<thead>
<tr>
<th>Date</th>
<th>Transaction Date</th>
<th>Reference Number</th>
<th>Category</th>
<th>Transactions</th>
<th>Charges</th>
<th>Credits (CR)</th>
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<tr>
<td>01/06</td>
<td>01/25</td>
<td>9310</td>
<td>6969</td>
<td>HSN&quot;COM 289115980 1OF3 800-933-2887 FL</td>
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<tr>
<td>01/26</td>
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<td>9468</td>
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<td>01/30</td>
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<td>6989</td>
<td>PAYMENT RECEIVED -- THANK YOU</td>
<td>436.78 CR</td>
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**PURCHASES AND DEBITS**

<table>
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<th>Charges</th>
<th>Credits (CR)</th>
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<tr>
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<td>FITZ &amp; FLOYD LEWISVILLE TX</td>
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<tr>
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<td>8186</td>
<td>9402</td>
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<td>01/23</td>
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<td>5999</td>
<td>ACE INC / FLAGS 434-3851654 VA</td>
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<tr>
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<td>PURCHASE &quot;FINANCE CHARGE&quot;</td>
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**TOTAL FOR BILLING CYCLE FROM 01/09/06 TO 02/07/06**

$1,267.95 $590.66 CR

**SUMMARY OF TRANSACTIONS**

<table>
<thead>
<tr>
<th>Previous Balance</th>
<th>(-) Payments and Credits</th>
<th>(+) Cash Advances</th>
<th>(--) Purchases and Debits</th>
<th>(++) Periodic Rate Finance Charges</th>
<th>(++) New Balance Total</th>
<th>Past Due Amount</th>
<th>Current Payment</th>
<th>Total Minimum Payment Due</th>
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</thead>
<tbody>
<tr>
<td>$779.25</td>
<td>$590.66</td>
<td>$0.00</td>
<td>$1,246.95</td>
<td>$21.00</td>
<td>$1,456.54</td>
<td>$0.00</td>
<td>$29.00</td>
<td>$29.00</td>
</tr>
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</table>

**FINANCE CHARGE SUMMARY**

For Your Satisfaction

- To speak to a Customer Satisfaction Specialist, or for up-to-the-minute automated account information, including balances and minimum payments, contact us at 1-800-800-0000.
City of Eagleville

Dr. Nolan S. Barham, Sr.
Mayor

Accounts Payable

DATE: 4-26-05

NAME OF PERSON / COMPANY: Platinum Plus for Business

ADDRESS:

CITY, STATE & ZIP:

DESCRIPTION: Repairs $539.94

ACCOUNT #: 570 $85.00

Misc $50.07 1,135.38 Free

AMOUNT PAID: $1,888.32

CHECK #: / or see payment record attached.

AUTHORIZED BY: Ronnie Hill

Nolan S. Barham, Sr., Mayor

Michelle Bennett

SEE INVOICE FOR PAYMENT
April 2006 Statement

YOUR ACCOUNT IS OVERLIMIT. TO AVOID AN OVERLIMIT FEE ON YOUR NEXT STATEMENT, WE MUST RECEIVE A PAYMENT, THAT BRINGS AND KEEPS YOUR ACCOUNT BALANCE BELOW THE CREDIT LINE, WITHIN 20 DAYS OF THE ABOVE STATEMENT CLOSING DATE, AND NOT GO OVERLIMIT AGAIN.

<table>
<thead>
<tr>
<th>Account Number</th>
<th>Credit Line</th>
<th>Credit Available</th>
<th>Cash Available</th>
<th>Days in Cycle</th>
<th>Closing Date</th>
<th>Total Minimum Payment Due</th>
<th>Payment Due Date</th>
</tr>
</thead>
<tbody>
<tr>
<td>5474 9795 0017 4876</td>
<td>$2,500</td>
<td>$0.00</td>
<td>$0.00</td>
<td>31</td>
<td>04/07/06</td>
<td>$52.00</td>
<td>05/02/06</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Posting Date</th>
<th>Transaction Date</th>
<th>Reference Number</th>
<th>Category</th>
<th>Transactions</th>
<th>Charges</th>
<th>Credits (CR)</th>
</tr>
</thead>
<tbody>
<tr>
<td>03/27</td>
<td>03/24</td>
<td>7537</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>PAYMENTS AND CREDITS</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>03/27</td>
<td>03/24</td>
<td>7537</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>PURCHASES AND DEBITS</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>03/09</td>
<td>03/07</td>
<td>4484</td>
<td></td>
<td>LOWE'S #659 MURFREESBORO TN</td>
<td></td>
<td></td>
</tr>
<tr>
<td>03/13</td>
<td>03/09</td>
<td>6108</td>
<td></td>
<td>OENTRAL TRADING CO 800-2280475 NE</td>
<td></td>
<td></td>
</tr>
<tr>
<td>03/16</td>
<td>03/14</td>
<td>2554</td>
<td></td>
<td>TOOT S RESTAURANT SMYRNA TN</td>
<td></td>
<td></td>
</tr>
<tr>
<td>03/22</td>
<td>03/22</td>
<td>4820</td>
<td></td>
<td>OVER CREDIT LINE FEE</td>
<td></td>
<td></td>
</tr>
<tr>
<td>03/22</td>
<td>03/20</td>
<td>9462</td>
<td></td>
<td>BP OIL 38328043 MURFREESBORO TN</td>
<td></td>
<td></td>
</tr>
<tr>
<td>03/22</td>
<td>03/21</td>
<td>3432</td>
<td></td>
<td>HSN*HSN 290003557 4OF4 800-284-3800 FL</td>
<td></td>
<td></td>
</tr>
<tr>
<td>03/23</td>
<td>03/21</td>
<td>9930</td>
<td></td>
<td>VERIZON WIRELESS 08620 ALPHARETTA GA</td>
<td></td>
<td></td>
</tr>
<tr>
<td>03/29</td>
<td>03/28</td>
<td>9685</td>
<td></td>
<td>HENRY AND AL'S FOODSIO EAGLEVILLE TN</td>
<td></td>
<td></td>
</tr>
<tr>
<td>03/30</td>
<td>03/29</td>
<td>7088</td>
<td></td>
<td>VSN*VENUS 800-366-7946 FL Helme</td>
<td></td>
<td></td>
</tr>
<tr>
<td>04/04</td>
<td>04/03</td>
<td>3464</td>
<td></td>
<td>STEWARTS SPECIAL EVENT MURFREESBORO TN</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

PAYMENT RECEIVED -- THANK YOU

| TOTAL FOR BILLING CYCLE FROM 03/07/06 TO 04/07/06 | $1,135.38 | $343.89 CR |

SUMMARY OF TRANSACTIONS

<table>
<thead>
<tr>
<th>Previous Balance</th>
<th>(-) Payments and Credits</th>
<th>(+) Cash Advances</th>
<th>(+) Purchases and Debits</th>
<th>(+) Periodic Rate Finance Charges</th>
<th>(=) New Balance Total</th>
<th>Past Due Amount</th>
<th>Current Payment</th>
<th>Total Minimum Payment Due</th>
</tr>
</thead>
<tbody>
<tr>
<td>$1,800.43</td>
<td>$343.89</td>
<td>$0.00</td>
<td>$1,097.42</td>
<td>$37.96</td>
<td>$2,581.82</td>
<td>$0.00</td>
<td>$52.00</td>
<td>$52.00</td>
</tr>
</tbody>
</table>
City of Eagleville

• Identifies 47 separate violations of sales tax laws including:

- Grill S $799.00
- Trampoline S $388.84

Subtotal $1,187.84

Check Status is Approved

ID # TN077442596

Check Tend $1,187.84
Change Due $0.00
Consequences

Indictment Total:
• Credit Card $21,492
• Wal-Mart 5,430
• Duplicate Payroll 3,523
• Sick Leave payoff 2,315
• Total: $32,760

• Double the crime reported for 3 years
Why Break Bad?

• Clothes
• Trips
• Cars
• House
• In-laws paid it back
Breaking Bad in Whitwell
City Recorder

• Robin Nipper
• Mother
• Local
Police Chief

- Ronnie Davis
- Father
- Local
- Rumors
- Daniel take the new guy
City Aldermen

• Did not adequately review bank statements
• Did not adequately review support attached to checks
• Did not adequately review credit card statements
Training the New Guy
Training the New Guy

![Bank Statements]

### Checks and Withdrawals

<table>
<thead>
<tr>
<th>Date</th>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>6/10</td>
<td>ELEC REMIT AMERICAN EXPRESS 0005000008</td>
<td>1,562.03</td>
</tr>
</tbody>
</table>
Training the New Guy
## Broke Bad

### Due in Full Activity for ROBIN NIPPER

<table>
<thead>
<tr>
<th>Date</th>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>11/19/09</td>
<td>USPS-NCMS 100389KANSAS CITY 800-7826724</td>
<td>59.66</td>
</tr>
<tr>
<td>11/22/09</td>
<td>FINISH-LINE #0267 008887773949 FINISH LINE PURCHASE</td>
<td>114.66</td>
</tr>
<tr>
<td>11/22/09</td>
<td>AEROPOSTALE #470 674CHATTANOOGA 973-872-5668</td>
<td>163.47</td>
</tr>
<tr>
<td>11/22/09</td>
<td>HOT TOPIC 0507 00000CHATTANOOGA 8003701934</td>
<td>49.12</td>
</tr>
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</table>

### Due in Full Activity for RONNIE DAVIS JR

<table>
<thead>
<tr>
<th>Date</th>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>05/09/10</td>
<td>MICROSOFT *ONLINE 3800-386-5550 800-386-5550 COMPUTER DATA</td>
<td>21.95</td>
</tr>
<tr>
<td>05/15/10</td>
<td>MICROSOFT *ONLINE 3800-385-5550 800-386-5550 COMPUTER DATA</td>
<td>10.92</td>
</tr>
<tr>
<td>05/17/10</td>
<td>SEQUACHEE VALLEY ELESOUTH PITTSBURG 423-837-8605</td>
<td>144.18</td>
</tr>
<tr>
<td>05/20/10</td>
<td>JAY'S 422032232882 METTER 912-685-2187 26 Quantity</td>
<td>77.00</td>
</tr>
</tbody>
</table>

**Total of Due in Full Activity for RONNIE DAVIS JR**: 254.05
### Due in Full continued

<table>
<thead>
<tr>
<th>Date</th>
<th>Vendor Details</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>09/27/09</td>
<td>WAL-MART 1089 KIMBALL TN GENERAL MERCHANDISE</td>
<td>75.16</td>
</tr>
<tr>
<td>09/28/09</td>
<td>ORIENTAL TRADING CO 800-2280475</td>
<td>42.93</td>
</tr>
<tr>
<td>10/04/09</td>
<td>DISH NETWORK-ONE TIM800-333-3474</td>
<td>106.00</td>
</tr>
</tbody>
</table>

### Due in Full Activity for RONNIE DAVIS JR

<table>
<thead>
<tr>
<th>Date</th>
<th>Vendor Details</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>07/11/08</td>
<td>RAH CONDO RENTALS PANAMA CITY FL</td>
<td>-200.00</td>
</tr>
<tr>
<td></td>
<td>Arrival Date</td>
<td>07/11/08</td>
</tr>
<tr>
<td></td>
<td>Departure Date</td>
<td>07/11/08</td>
</tr>
<tr>
<td>07/08/08</td>
<td>RAH CONDO RENTALS PANAMA CITY FL</td>
<td>435.00</td>
</tr>
<tr>
<td></td>
<td>Arrival Date</td>
<td>07/08/08</td>
</tr>
<tr>
<td></td>
<td>Departure Date</td>
<td>07/11/08</td>
</tr>
<tr>
<td>07/09/08</td>
<td>MICROSOFT MSN 000800-385-5550 WA</td>
<td>21.95</td>
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<tr>
<td></td>
<td>OFFICE SUPPLY STORE</td>
<td></td>
</tr>
<tr>
<td></td>
<td>COMPUTER DATA</td>
<td></td>
</tr>
<tr>
<td>07/14/08</td>
<td>WAL-MART 1089 KIMBALL TN GENERAL MERCHANDISE</td>
<td>65.54</td>
</tr>
</tbody>
</table>

**Total of Due in Full Activity for RONNIE DAVIS JR**

322.49
Consequences

Former Whitwell police chief, city recorder charged with theft
By Staff Report
Thursday, August 11, 2011

In this file photo, former Whitwell Police Chief Ronnie Davis. Davis has been arrested on theft charges over use of city credit cards for personal purchases.
Why Break Bad?

• Prior record
Why Break Bad?

- Sick child
- Cable TV
- Video games
- Clothes
Internal Controls

• Management Oversight
  – Review bank statements
  – Review check images
  – Review supporting documentation for checks
  – Review credit card statements
## Prologue

<table>
<thead>
<tr>
<th>Year</th>
<th>Gov’t Fund Net Assets</th>
</tr>
</thead>
<tbody>
<tr>
<td>2011</td>
<td>$(106,766)</td>
</tr>
<tr>
<td>2016</td>
<td>$1,366,000</td>
</tr>
</tbody>
</table>

- Not us
- New City Recorder, CMFO
- Tough Decisions (public report)
New Guy

Almost ruined him
• That was easy
• I can do this
• I’ll take the next one
Breaking Bad in Winchester
City Recorder

• Faye Morrow
• City recorder 20+ years
• Grandmother
• Sweet
• Casseroles
Type & Size of Collections

ADMISSIONS

Our Daily Admission cost is $4.00 for everyone (Swimmers and Non-Swimmers).

Ages 2 and under are free.

A Group discount costs $3.00 each with a minimum of 20 people.

A 30 visit pass is $75.00.

An Annual family pass is $200.00 up to 4 family member in the same household, additional $25.00.

An Annual Individual Pass is $125.00.

An Annual Senior Citizen (55) pass is $75.00.

Aerobic Classes are $3.00 each visit. Or A 20 visit Aerobic pass is $30.00.
Type & Size of Collections

$1

$3

$2
<table>
<thead>
<tr>
<th>CHECKS</th>
</tr>
</thead>
<tbody>
<tr>
<td>F. Williams</td>
</tr>
<tr>
<td>M. Speargren</td>
</tr>
<tr>
<td>D. Cruttig</td>
</tr>
<tr>
<td>B. Dinsel</td>
</tr>
<tr>
<td>M. Pickney</td>
</tr>
<tr>
<td>S. Drake</td>
</tr>
<tr>
<td>T. Dagie</td>
</tr>
<tr>
<td>D. Sude</td>
</tr>
<tr>
<td>X. Johnson</td>
</tr>
<tr>
<td>R. Evans</td>
</tr>
</tbody>
</table>

**Total Cash:**

- **$4.00**
- **$3.00**
- **$75.00**
- **$200.00**
- **$250.00**
- **$125.00**
- **$75.00**
- **$30.00**

What’s wrong with this?
Consequences

**Former Winchester Official Guilty Of Stealing $150,000**

*FRANKLIN COUNTY, Tenn.*- A former city official has admitted to helping herself to court fees and other public funds, totaling more than $150,000 in stolen cash.

Faye Morrow entered a guilty plea Thursday morning in Winchester.

An inquiry by the Tennessee Bureau of Investigation found that she deposited court fines and fees into her own account while she was an employee of the City of Winchester. During her six and a half years working for the city, Morrow, who retired in December 2010, stole more than $133,000 in checks from court fines and fees.
Why Break Bad?

- Family had $
- Married to banker
- He offered to reimburse all
Appearances
Appearances

What looks like a duck to one person may look like a rabbit to another

What looks ethical to one person may not look ethical to another
After the SEC opened investigation:

- AA Partner Michael Odom urged everyone to comply with the firm's document retention policy.

*If it's destroyed in the course of the normal policy and litigation is filed the next day, that's great. . . We've followed our own policy, and whatever there was that might have been of interest to somebody is gone and irretrievable.*

- Translation?
- What did it get them?
UNITED STATES DISTRICT COURT  
SOUTHERN DISTRICT OF TEXAS

UNITED STATES OF AMERICA,  

-against-  

ARTHUR ANDERSEN, LLP,  

Defendant.

THE GRAND JURY CHARGES:

I. ANDERSEN AND ENRON  

THE CHARGE: OBSTRUCTION OF JUSTICE

13. On or about and between October 10, 2001, and November 9, 2001, within the Southern District of Texas and elsewhere, including Chicago, Illinois, Portland, Oregon, and London, England, ANDERSEN, through its partners and others, did knowingly, intentionally and corruptly persuade and attempt to persuade other persons, to wit: ANDERSEN employees, with intent to cause and induce such persons to (a) withhold records, documents and other objects from official proceedings, namely: regulatory and criminal proceedings and investigations, and (b) alter, destroy, mutilate and conceal objects with intent to impair the objects' integrity and availability for use in such official proceedings.

(Title 18, United States Code, Sections 1512(b)(2) and 3551 et seq.)

A TRUE BILL

[Signature]

FOREPERSON
Welcome

Arthur Andersen LLP

headquarters
33 W. Monroe
Chicago, IL 60603
USA
Tel: 1 312 580 0000
Fax: 1 312 507 6748

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...the jury instructions here were flawed...
The judgment of the Court of Appeals is reversed, and the case is remanded for further proceedings consistent with this opinion.
How do I know if I’m about to Break Bad?

• Test it
Legal Test

- Is it Legal?
  - Standards
  - Rules
  - Codes of conduct
Everybody Test

• Can everybody do it?
• Can every citizen do it?
• Can my subordinates do it?
Would I mind if it was on CNN?
Golden Rule Test

• Would I mind if someone did it to me?
Vent Test

• Ask someone what they think
Turkey Test

• Would I mind telling my family about this at Thanksgiving dinner?
Quotes

A man should be upright; not be kept upright.

Marcus Aurelius

What is wrong is wrong, even if everyone is doing it.
Right is still right, even if no one else is doing it.

William Penn
Summary

• Ethics Policies provide guidance
• We decide to break bad
• Decisions have consequences
• Make good decisions
Questions?

Thank You!

daniel.porter@cot.tn.gov