

Current Issues in Business Ethics – 2025

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Learning Objectives

- Recognize attitudes related to ethical issues
- Identify laws and rules which apply to CPAs and the consequences for violating those laws and rules
- Identify and learn from current ethical violations
- Identify principles of ethical leadership

Introduction to ethical dilemmas

Recognize attitudes related to ethical issues

Which profession does the public vote as the most honest/ethical? Gallup poll taken every December

- Nurses were added to the rankings in 1999 and rated the highest every year except one
- Which year was the exception?
Which profession won?



Advertising Practitioners Auto Mechanics Bankers Business Executives Car Salespeople

Clergy Day Care Providers Funeral Directors Grade School Teachers

Judges Lawyers Lobbyists Local Officeholders Medical Doctors

Members of Congress Military Officers Newspaper Reporters Nurses

Nursing Home Operators Pharmacists Police Officers State Officeholders TV Reporters

Poll #1: Which profession will rank #2 behind Nurses?

- A. Clergy
- B. Doctors
- C. Day care providers
- D. Teachers

Nurses are #1 – who is #2?

Auto mechanics								Local officeholders
Bankers								Medical doctors
Clergy								Military officers
Day care providers								Newspaper reporters
Funeral directors								Nursing home operators
Grade-school teachers								Pharmacists
Judges								Police officers
Lawyers								State officeholders

Gallup Poll (Dec 2024) – rate honesty and ethical standards “high” or “very high”

Nurses	76		Nursing home operators	21
Grade-school teachers	61		Local officeholders	20
Military officers	59		Lawyers	17
Pharmacists	57		Newspaper reporters	17
Medical doctors	53		State officeholders	14
Police officers	44		TV reporters	13
Day care providers	42		Business executives	12
Funeral directors	37		Advertising practitioners	8
Auto mechanics	33		Members of Congress	8
Clergy	30		Car salespeople	7
Judges	28		Lobbyists	4
Bankers	23			

Ethical Perspectives

What are ethics?

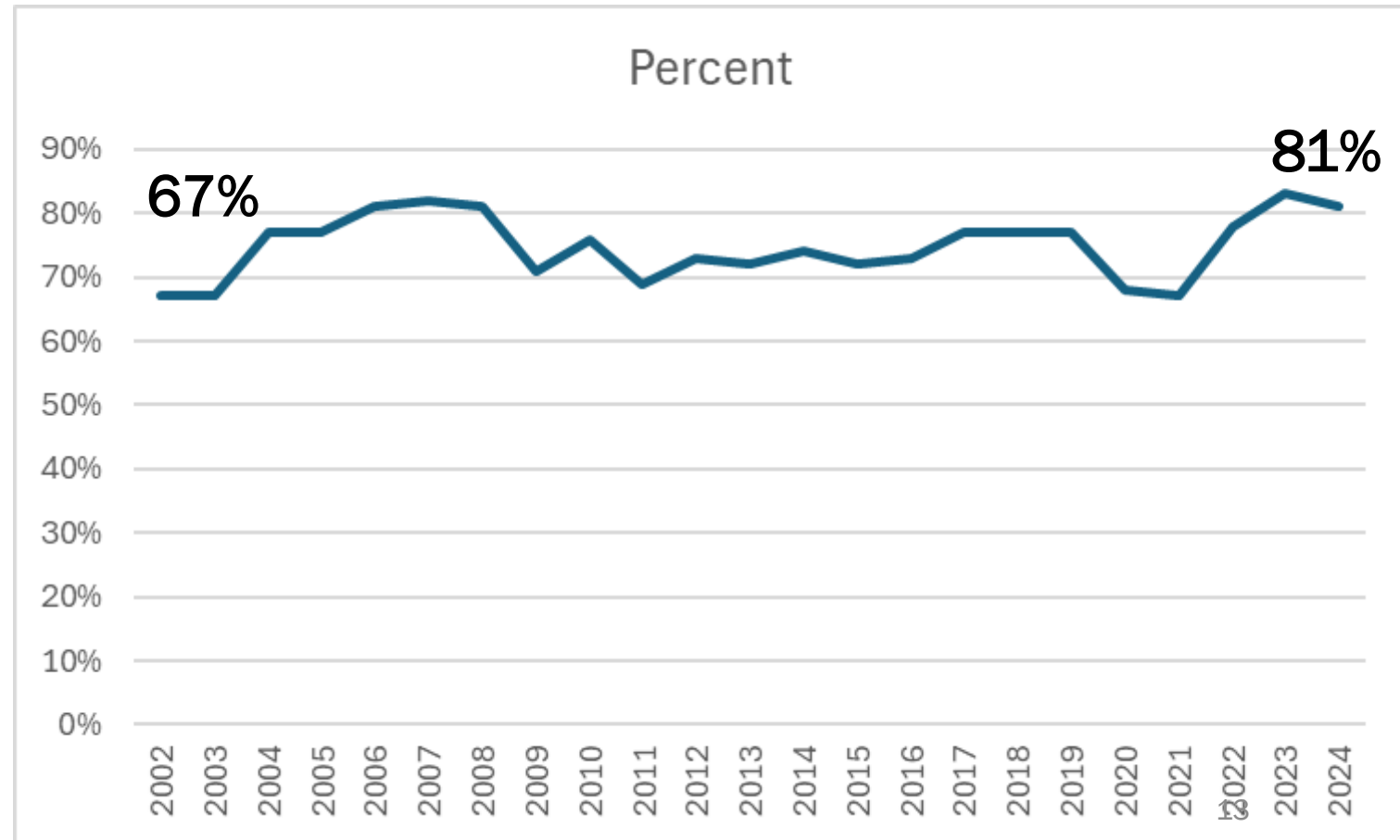
- Moral principles
- Rules of conduct followed by an individual or group
- What you do when nobody is watching

Gallup Survey Each May: How would you rate the overall state of moral values in this country today?

<https://news.gallup.com/poll/1681/moral-issues.aspx>

Year	Excellent / Good	Only fair	Poor
2003			
2011			
2024			

Right now, do you think the state of moral values in the country as a whole is getting better or getting worse?



AICPA and CIMA Survey

- Polled about 1,800 people in the US and UK in December 2022
- Report released in June 2023
- Categorized people into 3 groups. We will focus on these two:
- Business leaders
 - Age 28+, decision making responsibility, larger company size, high-level management
- Future talent
 - Age 20-30, working less than 10 years

Poll #2: Is it more important for companies to have ethical business practices today than it was 5 years ago?

- A. Much less important
- B. Somewhat less important
- C. Just as important
- D. Somewhat more important
- E. Much more important

Is it more important for companies to have ethical business practices today than it was 5 years ago?

	Business Leaders	Future Talent
• Much less important	<input type="text"/>	<input type="text"/>
• Somewhat less important	<input type="text"/>	<input type="text"/>
• Just as important	<input type="text"/>	<input type="text"/>
• Somewhat more important	<input type="text"/>	<input type="text"/>
• Much more important	<input type="text"/>	<input type="text"/>

Why be ethical?

- Compliance with rules, regulations, codes
- Personal pride
- Stakeholder/peer confidence, trust and loyalty

Qualities in a new hire most commonly rated as “Very important” by business leaders

- Ability to communicate effectively
- Ability to lead
- Ethical
- Job specific technical skills
- Networking outside company
- Problem-solving skills
- Team player
- Trustworthy
- Willingness to learn/ask questions
- Trustworthy – 81%
- Ethical – 73%
- Ability to communicate effectively – 73%
- Problem-solving skills – 71%
- Willingness to learn/ask questions – 70%
- Team player – 67%
- Job specific technical skills – 61%
- Ability to lead – 49%
- Networking outside company – 41%

Percent that feel prepared to handle ethical dilemmas

	Business Leaders	Future Talent
• Very prepared	<input type="text"/>	<input type="text"/>
• Somewhat prepared	<input type="text"/>	<input type="text"/>
• Not very (or at all) prepared	<input type="text"/>	<input type="text"/>

In general, would you rate yourself being:

Business Leaders

Future Talent

- Very ethical
- Somewhat ethical
- Somewhat unethical or very unethical

Essential Traits to being an ethical person

- Accountability
 - Charitable
 - Honesty
 - Humility
 - Kindness
 - Nurturing
 - Respectable
 - Trustworthy
- Trustworthy – 81%
 - Honesty – 81%
 - Accountability – 62%
 - Respectable – 54%
 - Kindness – 53%
 - Humility – 45%
 - Charitable – 31%
 - Nurturing – 23%

Most important actions a company should take to foster more ethical behavior?

1. Be accountable for its actions
2. Operate with transparency
3. Follow all laws and regulations
4. Have a code of conduct
5. Respond immediately to violation of code of ethics

Business leader's assessment of effectiveness of ethical training

- Very effective: 48%
- Somewhat effective: 46%
- Not very effective: 5%
- Not at all effective: 1%

Conflicts of Interest

Discussion

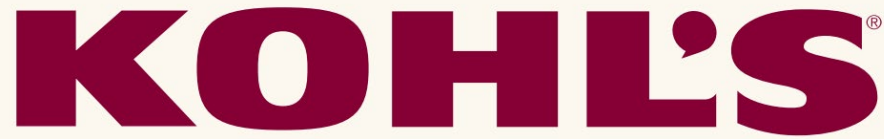
- You are a person of significant influence at your company
- Your company needs a product/service and you feel that those offered by a friend would be a good fit
- What actions might be okay and not okay to take?

Poll #3: According to the AICPA, the goal with threats due to conflicts of interest is to:

- a. Eliminate them completely
- b. Maximize them for gain
- c. Reduce them to an acceptable level

Conflicts of Interest - Three steps as prescribed by the AICPA's Code of Conduct:

- Identify a conflict of interest
- Evaluate a conflict of interest
 - Significance of threat/safeguards. If not at acceptable level, must apply more safeguards
 - Restructuring or segregating certain responsibilities and duties
 - Obtaining appropriate oversight
 - Withdrawing from the decision making process related to the matter giving rise to the conflict of interest
 - Consulting with third parties, such as a professional body, legal counsel, or another professional accountant
 - If can't get to acceptable level, decline services or withdraw from the relationship
- Disclose a conflict of interest (if at acceptable level)
 - To relevant parties – threat and safeguards



CODE OF ETHICS

- Kohl's expects you to make business decisions in the best interest of the Company. Our actions must be based on sound business judgment, not motivated by personal interest or gain. We have to avoid any situation that creates a conflict of interest or that could even appear to create a conflict of interest
- You must avoid activities or relationships that would interfere with your job or make it difficult for you to fulfill your responsibilities at Kohl's. You must disclose any potential conflict of interest immediately to your manager, pyramid head, Chief People Officer, Chief Risk & Compliance Officer or the Chief Legal Officer. If you have any questions or concerns, please report it immediately.



CODE OF ETHICS

- While we can't list every circumstance, it's important to know and avoid the common situations that could create a conflict or the perception of a conflict:
- Personal, family or financial relationships with suppliers, potential suppliers, or potential acquisition candidates

Timeline

- 2015: Ashley Buchanan and Chandra Holt meet at Walmart; both rise through executive ranks.
- 2017–2019: Buchanan becomes Holt's boss at Sam's Club
 - Their personal relationship reportedly begins during this period.
- 2020: Buchanan becomes CEO of Michaels
 - Files for divorce shortly after moving to Texas.
 - Holt separates from her husband; later finalizes divorce in 2024.



Timeline

- 2022: Holt launches coffee startup Incredibrew.
 - Incredibrew begins selling products in Michaels stores—Buchanan does not disclose relationship.
- January 2025: Buchanan officially becomes CEO of Kohl's.



Timeline

- Early 2025: Kohl's prepares to stock Incredibrew products.
 - Buchanan allegedly dictates terms (which were “unusual” and favorable to the vendor) of the deal without disclosing ties to Holt.
- Buchanan also facilitates a multi-million dollar consulting deal with Boston Consulting Group, where Holt is an advisor.



The unraveling

- April 30, 2025: Kohl's board and legal counsel confront Buchanan; he admits to the relationship.
- May 1, 2025:
 - Buchanan is fired for cause.
 - Chairman Michael Bender steps in as interim CEO.
 - BCG terminates Holt's consulting contract.
- How did it unravel?
- As part of the normal process of vetting a new vendor, a Kohl's employee raised concerns

Relief Fraud

Feeding our Future: Background

- US Dept of Agriculture established the Federal Child Nutrition Program
- USDA distributes funds to state governments
 - In MN, the MN Dept of Education (MDE) administers/oversees the program
- Sponsoring organizations submit applications for a site, and the site will provide the meals
 - Sponsoring organizations in charge of monitoring and seeking reimbursement
- USDA provides funds to MDE on a per meal basis
- MDE gives funds to sponsoring organization which keeps 10-15% as an administrative fee and then reimburses the sites

Aimee Bock

- Founder and executive director of Feeding our Future, a nonprofit sponsoring organization
- Feeding our Future employees recruited individuals/entities to open sites (about 250 sites)



Initial Allegations

- Sites fraudulently claimed to be serving meals
- Dozens of shell companies formed to serve as sites or to launder money
- False documentation created/submitted
- 125 million false meal claims
- Alleged fraud was about \$250M
 - Went from \$3M of federal funds in 2019 to nearly \$200M in 2021

Trial for first 7 defendants

- Hadith Ahmed (self-described “right-hand man” of Aimee Bock)
 - Cooperated in hopes of getting a lighter sentence than expected 4-5 years
 - Testified he ran a fake food site and took kickbacks
- Feeding our Future wasn’t checking if sites were serving meals
 - “Anybody could submit whatever they wanted.”
- Oversaw site supervisors
 - “We were not doing anything. We were not going to sites. Not visiting, inspecting.”
- “Everybody” at Feeding our Future took kickbacks
- “I think the best way to put it is that Feeding Our Future was a bank: You come and you get money. You submit claims, you get paid.”

Verdict in June 2024

- 5 of 7 defendants were convicted
- In total, there were 64 total charges and 43 returned as guilty

Poll #4: Why were 2 jurors removed in the first Feeding our Future trials?

- a. They fell asleep during the trial
- b. They had participated in the scheme
- c. They lied during *voir dire* (juror examination)
- d. They were offered bribes



Google Reviews

- “Defrauded taxpayers out of \$250 million. Money that was supposed to be used to feed children. Gross”
- “Jail isn’t good enough for creeps who steal \$ meant for children. Hope it’s a LONG TIME.”
- “Thieves who steal from the needy. The worst scum.”
- “This company thought they had it all figured out, posting fake 5 star reviews and attempting to bribe a juror for 120,000\$. Your greediness got you at the end, should have put up a mili lol jk Now someone’s gonna get time. This win is for the starving people y’all screwed over. Get ready for what’s coming. 👊”
- “The people involved in this organization should go into politics. They have what it takes to go far!”

What questions would you like to ask?

WHERE WAS THE
OVERSIGHT?????

Role of the auditors

- Feeding our Future's 2019 and 2020 financial statements, and the 2021 financial statements of several related entities, were audited by CPA Global Portfolio Consulting
 - Sole CPA was Charles Amevo
- Opined that financials complied with GAAP, whereas they did not
- An audit requires “obtaining audit evidence through inquiry, physical inspection, observation, third party confirmations, examination, analytical procedures, and other procedures.”
 - “Respondents did not undertake these processes.”
- “Amevo admitted that Global essentially rubber-stamped Feeding Our Future's financial statements.”
- Firm permit and CPA certificate were revoked. \$20,000 of civil penalties

MN's Office of the Legislative Auditor was asked to conduct a Special Review of MDE's Oversight of Feeding our Future

Report: Minnesota Department of Education's 'inadequate oversight' of Feeding Our Future opened door to fraud

A much-anticipated special review of the Minnesota Department of Education's oversight of Feeding Our Future found that the state agency "failed to act on warning signs."

OLA Findings

- Federal regulations required MDE to monitor and enforce Feeding Our Future's compliance with program requirements. MDE's responsibilities under federal law ranged from:
 - Providing guidance and training to Feeding Our Future staff
 - Terminating the organization's participation in the programs if warranted.
- "However, we found MDE's oversight of Feeding Our Future to be inadequate. In fact, we believe MDE's actions and inactions created opportunities for fraud."

Other Findings

- MDE had identified concerns, which went unaddressed, but still approved program applications
- MDE should verify statements made by high-risk applicants
- MDE identified serious concerns during a 2018 review, but never did another review
- MDE received at least 30 complaints and by law must investigate
 - Often did not or the investigation was “inadequate”
- MDE twice found Feeding our Future “seriously deficient,” which is grounds for terminating the sponsor’s participation
 - MDE deferred all serious deficiencies

Commissioner of Education Rebuttal

- “MDE disputes the OLA’s characterization regarding the adequacy of MDE’s oversight”
- “MDE’s oversight of these programs met applicable standards and MDE made effective referrals to law enforcement.”
- “What happened with Feeding Our Future was a travesty – a coordinated, brazen abuse of nutrition programs that exist to ensure access to healthy meals for low-income children. The responsibility for this flagrant fraud lies with the indicted and convicted fraudsters.”

Updates

- Now up to a total of 70 defendants compared to an initial 47
- At least 45 have pled (or been found) guilty thus far
 - Bock maintained her innocence did not agree to a plea deal
- Testimony began on February 10, 2025
- Prosecution comments:
 - Aimee Bock "broke the system," and "transformed her tiny nonprofit into a money making engine."
 - "The little food they did buy was for dressing."
 - "The defendants in this case saw an opportunity in crisis. From the moment they saw it, they went all the way."

Updates

- In March, Aimee Bock was convicted on all accounts
 - Awaiting sentencing
- Defendant #71 was arrested in the past week for attempted to flee the country
- She collected \$2.4M, claiming to serve 1 million meals
 - Actually spent less than \$2,000 on food

Whistleblower

- Noticed members of the community flaunting cash and luxury items on social media.
- Noticed a bride receiving a tray of gold during a wedding in the Twin Cities.
- “All of a sudden, there was like a boom and people were buying very expensive homes and posting about those homes. Then people started showing off expensive cars, money, equipment and other things on Facebook and Snapchat.”

High-risk programs

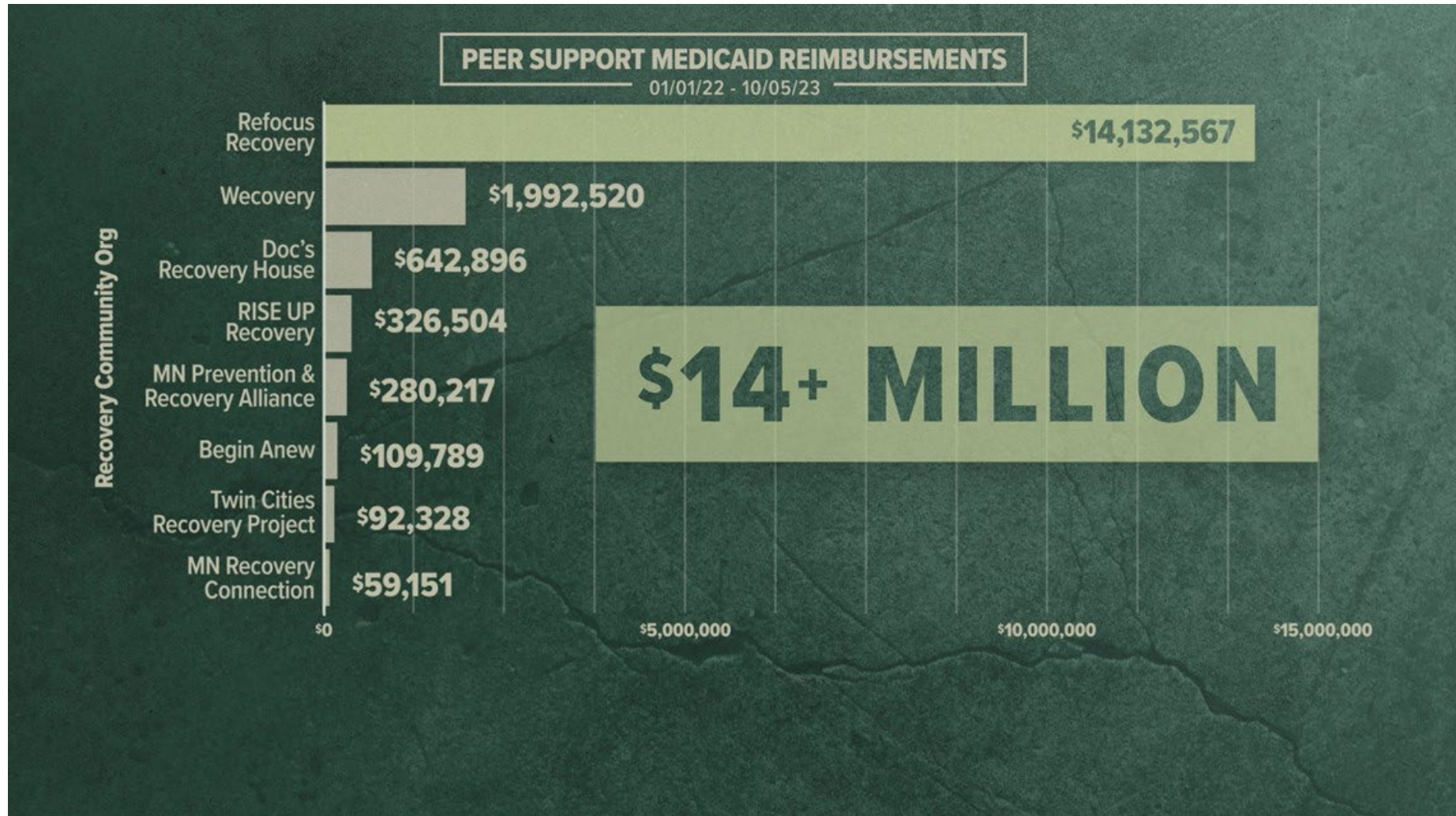
Refocus / Kyros Scandal

- Refocus Recovery –a nonprofit
- Worked with those in recovery (peers) to provide services to others
- Minnesota law change to make these services payable through Medicaid
 - Only if billed by a non-profit
- Contracted with for-profit company Kyros to provide the services. In, theory, this is okay, but...
 - Services were excessive or did not occur
 - Refocus appeared to be not much more than an intermediary for Kyros
 - In 2022, Refocus took in \$4.7M and paid \$4.5M to Kyros
 - Kyros kept nearly 60% of government payments for itself

Poll #5: What do you think? Which of the following are permitted peer recovery support services under Minnesota's Medicaid program?

- a. Group meetings
- b. Individual meetings
- c. Movie nights
- d. Phone calls

Kyros and Refocus dominated the peer support market

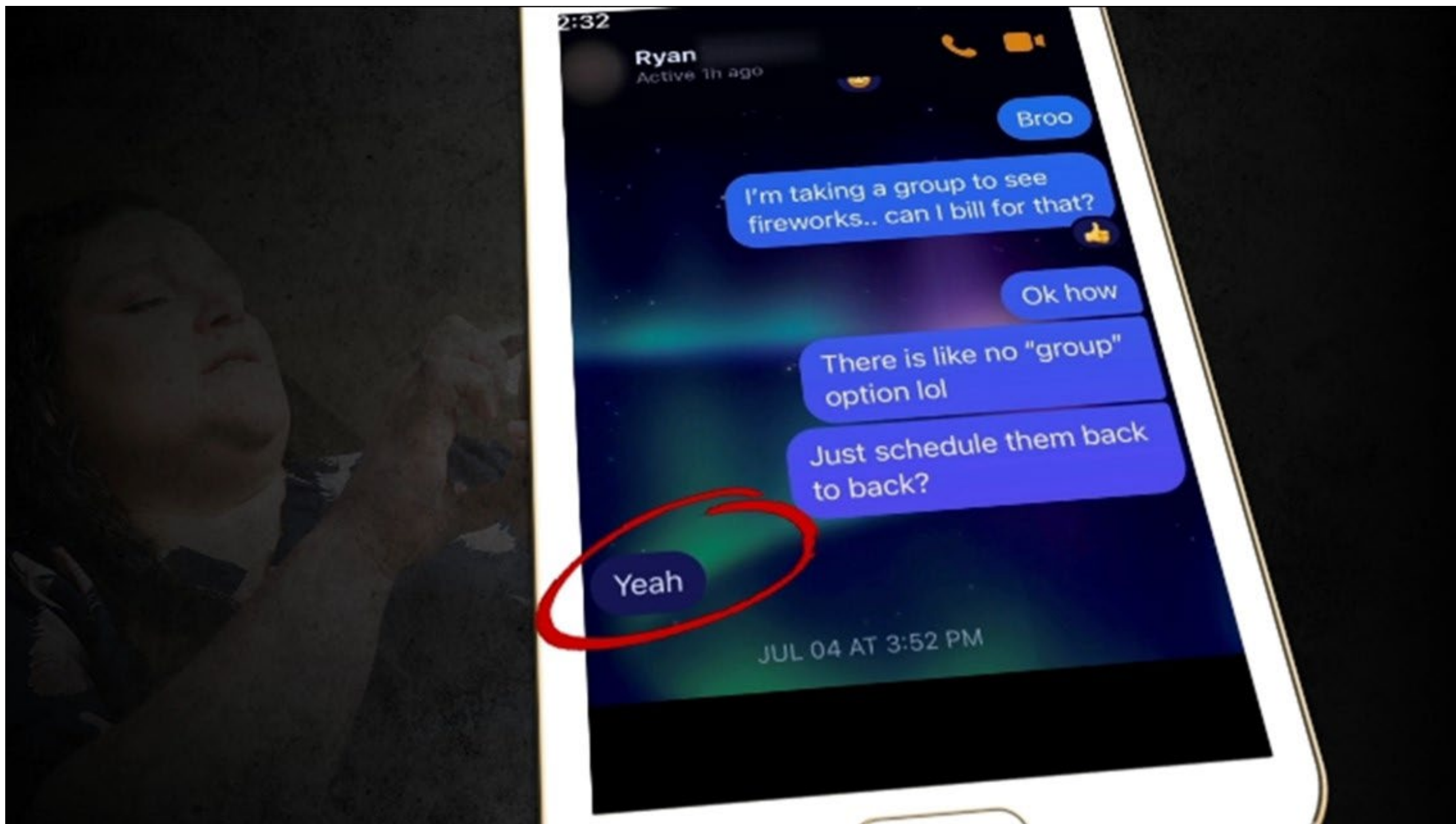


Issue: Movie Nights!

- Kyros would host movie nights and encourage peers to bring multiple clients, but...
- Can't group bill
- Movie nights don't count

Issue: Group billing

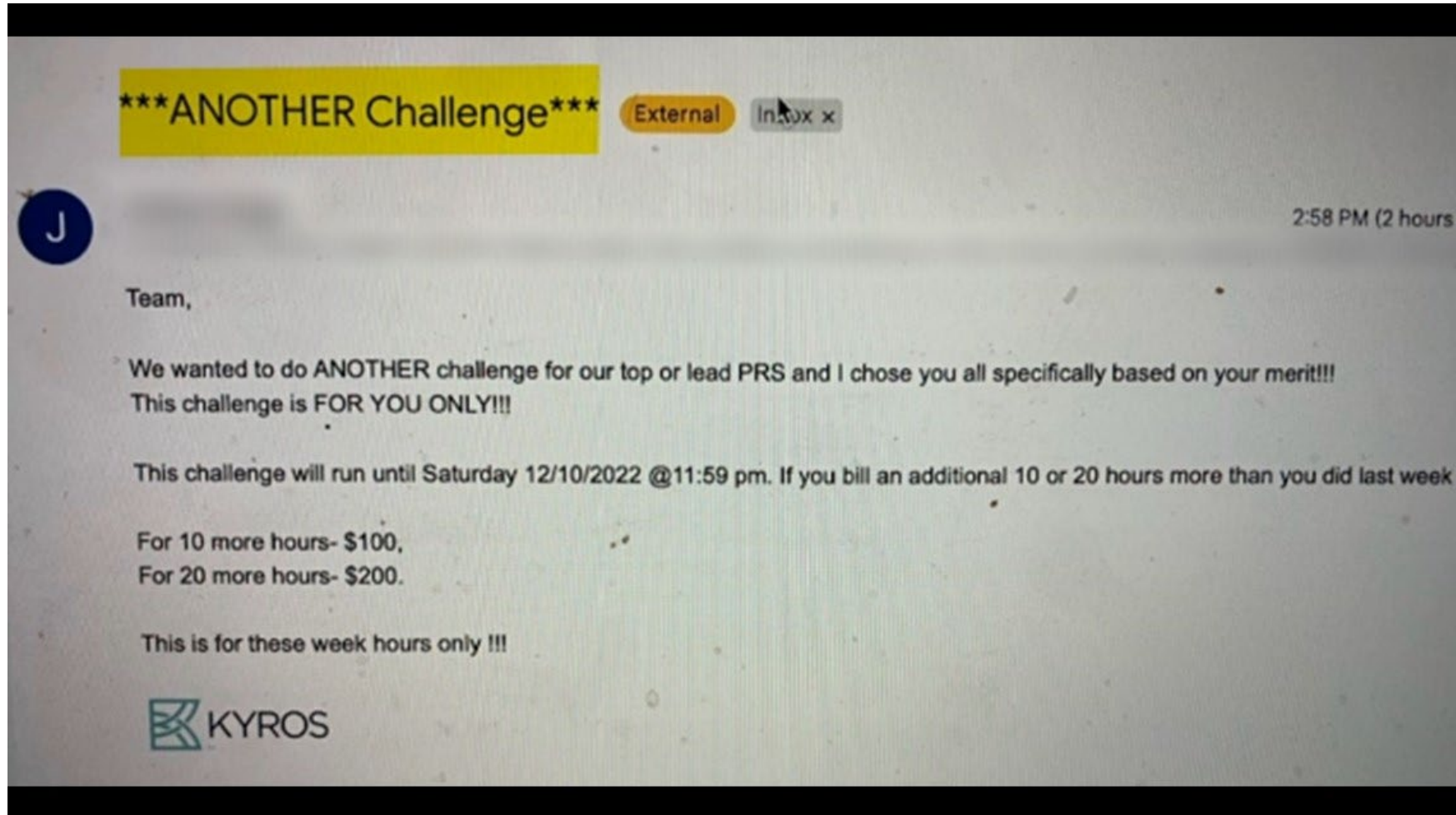
- Not allowed
- Must meet with clients one-on-one
- How would Refocus get around this?



Issue: Overbilling

- One client was asked if he was really provided with 47 hours of service in a month
- He said it was “at best, 10 hours”

In accounting, billable hours are good! They are also good at Kyros!



Issue: Phone Calls

- Kyros: “Did you know that having phone calls with a client qualifies for service hours?”
- “Keep your clients (sic) hours up and incorporate some client calls this week!”
- Under state regulations, peer provider phone calls can be billed to Medicaid only when an appointment is made ahead of time, or the client calls the provider in an emergency
 - Not explained to the Peers

Yesterday 8:55 PM

What's your understanding of Kyros instructions on what phone calls can be billed for?

Anything

They've said any phone call should be billed

Didn't need to be pre scheduled?

No

Hmm. Law says only calls made by client in emergency or prescheduled

Well they definitely don't tell you that

Regulation

- Accreditation standards needed to be met
- Granted in 2021, but not in 2022
 - Due to partnership between Refocus and Kyros and suspected fraud
 - Reinstated by DHS (Department of Human Services) after legislative reforms which would supposedly address gaps in oversight
- In September of 2024, Kyros shut down
- FBI and OIG investigations ongoing

What happens in Vegas

Case Study

- Your client owns a successful small business
- Your client's skills are in entrepreneurship, marketing, and sales - and their business is growing rapidly
 - Not a numbers person
- Your client comments how they have a great accounting manager who handles everything from cash collections, disbursements, bank reconciliations, and financial statement preparation
- What concerns might you have?

Amanda Dibben



- Hired in 2018 by a landscape and contracting company to serve as an accounting manager
- In October of 2020, a company official asked Dibben to give an employee a \$500 check as a bonus
- Dibben said she needed to “get up and stretch” so she instead wanted to go to the bank
 - Company official told her to “do it quickly.”
- Dibben left the office and came back much later with the \$500 in cash (ten \$50s as the bank was “out of \$100s”).
 - Said she was delayed as she also went to the grocery store

Amanda Dibben

- Company official was suspicious and went to the bank
 - They hadn't seen Dibben
 - The account was overdrawn by nearly \$60,000
 - Used a scanner to scan bigger deposits multiple times, bank was delayed in processing them
- Applied for loans:
 - Involving the company
 - Using a company leader's information

Amanda Dibben

- Officials noticed savings accounts were virtually empty
- When confronted by company officials, she first said: “This is wrong. What do you mean we don’t have any money?”
- Later said, “Honestly guys, I just didn’t have the heart to tell you guys we’re goin’ out of business. I like you guys so much. I just couldn’t bring you the news that we’re – you’re goin’ out of business.”
- Amanda was arrested and faces 27 counts of theft totaling more than \$400,000

Jennifer Lee

- Treasurer of a Las Vegas start-up company
- Embezzled more than \$225,000
 - August 2022 – February 2023, sent money to herself
- How did she cover it?
 - Forged bank statements
- Owner tried to book a flight and credit card was declined
 - Only \$80 in company account, whereas he expected more than \$200,000
- Currently out on bail

Michael Bull



- Worked as an accountant for KGM Gaming LLC, a company which sold equipment to casinos
- Michael created himself as a vendor and would issue checks to himself
 - Traced the CEO's signature
- Prepared fake invoices from legitimate vendors and then changed the name to his own
- 288 checks to himself over 7 years. \$2.4M in total
- March 2023: turned self in. Awaiting trial (or a plea)

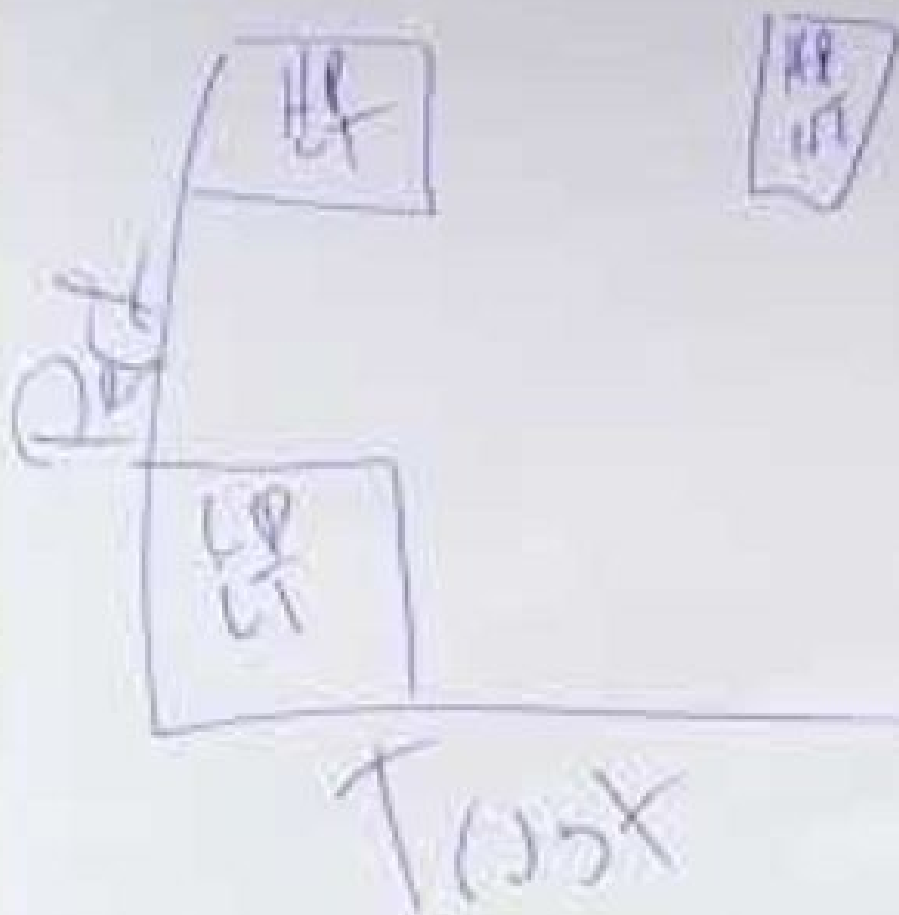
Leadership Considerations

Discussion

- The examples we have gone through usually involve violations of clear rules
- Violations are often committed by middle management
- What can top managers do to prevent this?
- Yes, tone at the top is important
- Yes, top managers have to follow the rules themselves
- What else can they do?

Poll #6: What is the best way to have middle managers in place who won't commit ethical violations?

- a. Background Checks
- b. Promoting from within
- c. References
- d. National searches



Continued Discussion

- In the interview process, it can be difficult to assess trustworthiness
- Referrals and references can help
- How else can the risk of hiring an untrustworthy candidate be mitigated?
- Promote from within: based not only on performance, but also on trustworthiness
- Observe and promote those who care about the organization and their colleagues and not simply their own metrics

Reducing the risk of fraud

Discussion

- Why do people commit fraud?

Common Frauds

- Embezzlement
 - Rita Crundwell
- Insider Trading
 - Scott London
- Foreign Bribery
 - Wal-Mart Mexico
- Bribery of Government Officials
 - Ray Nagin
- Falsified Financials Statements
 - HP / Autonomy

Poll #7: Which is not an element of the fraud triangle?

- Consequences
- Opportunities
- Pressures
- Rationalizations

Opportunity



Pressure

Rationalization

Jasiel F. Correia – a rising star

- In 2012, at the age of 19, Jasiel designed an app to connect local businesses with consumers
- Decided to run for office. “I’m a product of Fall River. I’m young, I’m ambitious and I’m a hard worker. I want to see myself and Fall River succeed.”
- Became Mayor of Fall River, Massachusetts, a city with population about 100,000, at the age of 23

Jasiel F. Correia – a fallen angel

- Raised \$360,000 from investors and used 2/3 to fund personal lifestyle and to fund his political campaign
- Refused to provide financials to investors, gave false positive updates
- Became Mayor in 2016 (Age of 23), accepted bribes in exchange to non-opposition letters to marijuana vendors
 - Letters required under state law to operate a marijuana business
 - Solely responsible for approving non-opposition letters

Jasiel F. Correia – the fallout

- In 2021, convicted of 21 total counts of wire fraud, four counts of filing false tax returns, four counts of extortion conspiracy and four counts of extortion.
- “Eventually, the real truth will come out,” Mr. Correia said. “I will be vindicated, and my future will be very long and great.”
- Sentenced to 6 years in prison and 3 years supervised release
- April 2022: Reported to prison

18 U.S. Code § 201 - Bribery of public officials and witnesses (selected language)

- Whoever directly or indirectly, corruptly gives, offers or promises anything of value to any public official with intent to influence any official act...
- Whoever being a public official directly or indirectly, corruptly demands, seeks, receives, accepts, or agrees to receive or accept anything of value personally or for any other person or entity, in return for being influenced in the performance of any official act...
- Shall be fined under this title or not more than three times the monetary equivalent of the thing of value, whichever is greater, or imprisoned for not more than fifteen years, or both

Comments from government authorities

- “Jasiel Correia’s conscious decision to fleece investors, extort hundreds of thousands of dollars in bribes, and cheat on his taxes has now cost him his freedom. He has proven to be a pervasive liar who has shown absolutely no remorse or empathy for his victims, and today he has been held accountable. Sadly, his actions have further eroded the public’s trust in government, and deeply hurt the citizens of Fall River.”

Case Study

- Your spouse serves as the President for a small non-profit organization in your local community
- The Treasurer abruptly resigned and community members have encouraged you to take on that role given your financial savvy
- The non-profit does not have an active board of directors
- You indicated you would not be comfortable taking on the role and they asked you what would need to change so that you could do so?

Embezzlement – The Sharpers

- Anthony Sharper, CPA and his wife Deana Sharper were involved with a Charlotte area high school booster club
 - Anthony was interim President and Treasurer
 - Deana ran the concession stand and school store
- Embezzled over \$200,000 from a Charlotte high school booster club – from 2017-2020
 - Writing checks to themselves
 - Wiring funds to themselves
 - Using club debit/credit cards to pay for personal expenses

Embezzlement – The Sharpers

- Did not pay tax on embezzled income = two counts of tax fraud!
- How did they cover the theft?
- A fake PPP loan of \$230,000
- Some reimbursed the booster club, some was used personally

Charges

- Wire fraud
- Two counts of making false statements to a financial institution
- Making a false statement to SBA
- Two counts of engaging in monetary transactions in criminally derived property
- Two counts of filing a false tax return
- Their attorney, “They are very nice people and as the legal process runs its course, everybody will find out more.”

What do you think: Embezzlement is more common at?

- A. Large companies
- B. Small companies

- HISCOX, a specialty insurance company, found in a 2016 study that 80 percent of embezzlement occurred at small businesses (defined as those with less than 150 employees).

How could this have been avoided?

- Oversight, approvals, segregation of duties
- Avoid Pressures
- Avoid Opportunities

Key Takeaways

- Understand the relevant rules
- Discuss your decision with others who don't have a stake in the outcome
 - Assume your decision will be discovered
 - Focus on the long-term
- Keep yourself and others out of situations where violations are more common
- “Stay true to your core values and never compromise on your principles” – Indra Nooyi, retired CEO of PepsiCo

Thank you!

- Questions, comments, or to stay in touch with Boz:
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