

ETHICS IN ACCOUNTING

Personal Integrity Meets
Professional Standards








June 3, 2026



LOYD GROUP, LLC
Certified Public Accountants



AGENDA

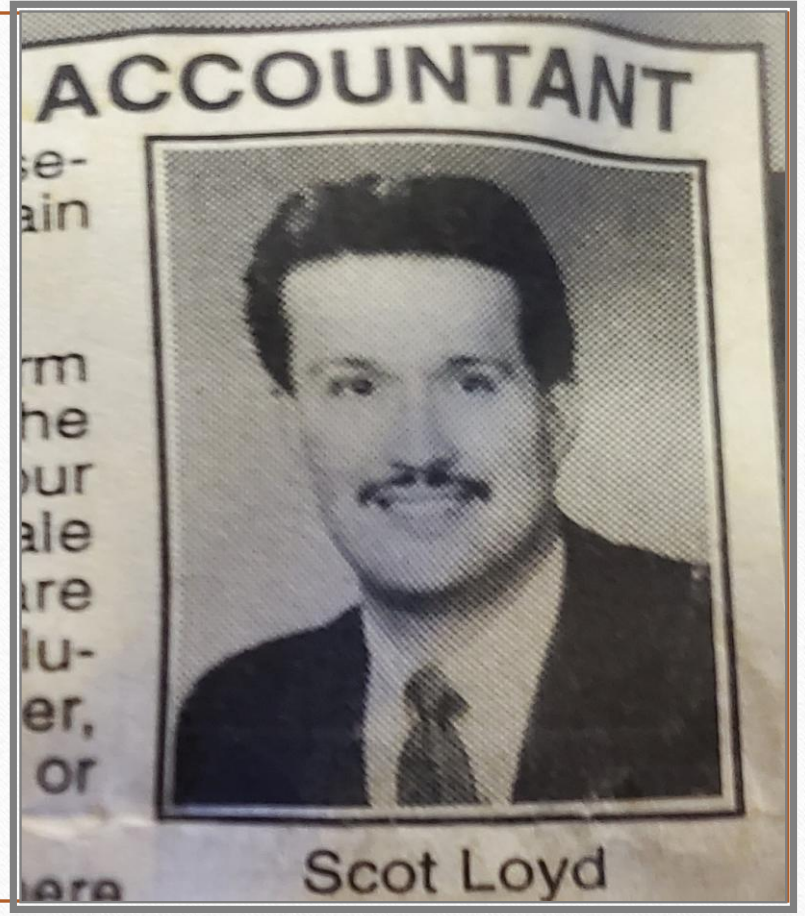
-  **Why Ethics Matter in Accounting**
-  **AICPA Code of Professional Conduct**
-  **Core Principles Deep Dive**
-  **Case Study: Enron**
-  **Ethical Decision-Making Framework**
-  **Common Dilemmas & Organizational Pressure**
-  **Building an Ethical Culture**

INTRODUCTION

Why Ethics Matters?

Things definitely
change...seemingly
overnight!

43 years!!! 😊



justice
concept
honorabile
responsibility
respect
behavior
people
person
good
conscience
wrong
fair
morality
choose
proper
idea
choice
goodness
management
dilemma
philosophy
correct
information
text
practise
dictionary
decision
code
motivation
et
h
conduct

principles

fairness
conceptual
right
professional
philosophy
correct
information
text
practise
dictionary
decision
code
motivation

integrity

life
honor
law
value
corporate
ethical
women
ethic
regulation
action

moral



WHAT ARE ETHICS?







Elgin, Kansas

- One of the largest cattle shipping towns in the world in the middle to late 1800's
- Wide brick Main Street built during the oil boom (~1910–1920)
- Survived the end of the drives and became **“A Town Too Tough to Die”**



Elgin & Chautauque - A Town & County Too Tough to Die

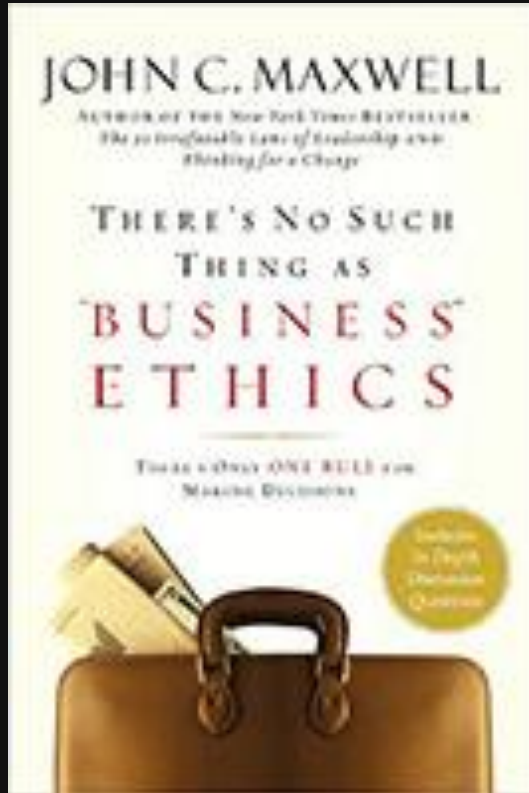






CHANGE

Used this book from the start of Ethics Speaking!



There is **NO SUCH THING** as Business Ethics has made a huge impact on me from the start of speaking on Ethics in 2003 when I was serving on the AICPA Professional Ethics Executive Committee!



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

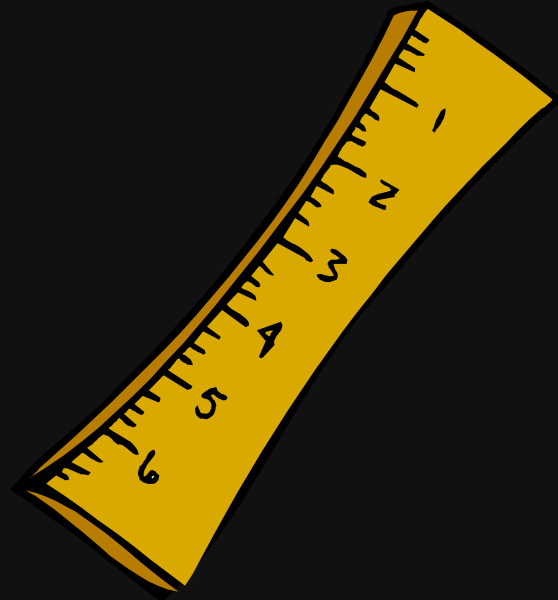
- Ethics is Ethics
- If you desire to be ethical, you live it by one standard across the board



Integrity (Ethical) Guideline for ANY situation

- How Would I Like to Be Treated In This Situation?
- Referred to as the

"GOLDEN
RULE"





The One Rule for Decisions: The Golden Rule

- **Universal across cultures/religions; creates common ground, easy to apply, promotes win-win outcomes, and acts as a consistent compass.**
 - ✓ **Benefits in accounting/tech: Higher morale, lower turnover, stronger client trust, and long-term success.**



Introduction

“How ethical are you—

Always?

Mostly?

Sometimes?

WHERE DO WE START?





Introduction


- ❑ **Ethics isn't "business" vs. "personal" or "tech-specific"—it's personal character applied consistently.**
- ❑ **Golden Rule + AICPA Professional Ethics Executive Committee (PEEC) standards provide a practical framework for accountants in a tech-driven world.**





Introduction

Why it matters:

-  **Builds trust, reduces risk, improves profitability/morale, and navigates new challenges like private equity investments, AI tools, and attestation services.**



Key Insights from John C. Maxwell's Book... There's No Such Thing as "Business" Ethics (2003)

- There is no separate set of "business ethics"—only ethics.
- It is a personal issue, not a business, social, or political one.
- The same standards apply at home, in the office, or with technology tools.



WHY ETHICS MATTER

71%

of investors say trust in
financial reporting drives
investment decisions

"The accounting profession exists because the public has confidence that financial information is reliable."

WHY ETHICS MATTER

\$42B

in shareholder value
destroyed by major
accounting scandals

"The accounting profession exists because the public has confidence that financial information is reliable."

WHY ETHICS MATTER

89%

**of CFOs rank ethical
culture as critical to
long-term success**

"The accounting profession exists because the public has confidence that financial information is reliable."





Ethical Stewardship – The Kansas Way

- Prudent and self-reliant
- Strong community accountability
- Conservative financial habits
- Rooted in agricultural heritage





Ethical Stewardship – The Kansas Way

“For over 150 years, Kansas practiced Ethical stewardship the old-fashioned way – careful, honest, and focused on what truly mattered.”





AICPA

Code of Conduct

AICPA CODE OF PROFESSIONAL CONDUCT

The foundation of ethical practice in accounting

What It Is

A comprehensive framework of ethical standards governing CPAs in public practice, industry, government, and education.

AICPA CODE OF PROFESSIONAL CONDUCT

The foundation of ethical practice in accounting

What It Is

Adopted in 1988, continuously updated to address emerging challenges in financial reporting and assurance services.



AICPA CODE OF PROFESSIONAL CONDUCT

The foundation of ethical practice in accounting

What It Is

Enforceable by state boards of accountancy and the AICPA Professional Ethics Division.



AICPA CODE OF PROFESSIONAL CONDUCT

The foundation of ethical practice in accounting

Why It Matters

Protects the public interest by ensuring reliable financial information for stakeholders.



AICPA CODE OF PROFESSIONAL CONDUCT

The foundation of ethical practice in accounting

Why It Matters

Maintains the profession's
self-regulatory status and
public trust.



AICPA CODE OF PROFESSIONAL CONDUCT

The foundation of ethical practice in accounting

Why It Matters

Provides a decision-making framework when ethical dilemmas arise in practice.



**Professional Ethics
Executive Committee**

PEEC



Engagements Subject to SSAEs (Statements on Standards for Attestation Engagements):

- Final clarifications adopted (Nov 2025 meeting). New definition of “period covered by the attest report” (replaces older financial-statement-specific language).**
- Revisions to various independence interpretations. Effective for SSAE engagements on/after June 15, 2026 (early adoption allowed).**
- Addresses unique subject matters/reporting in non-traditional attest work.**





Alternative Practice Structures (APS) / Private Equity Investments:

- Exposure Draft issued Dec. 29, 2025 (comments closed April 30, 2026).
- Proposes comprehensive new interpretation replacing 2000-era guidance.
- Key elements: Revised “network firm” definition; treatment of attest vs. nonattest entities; restrictions on attest services to portfolio companies under control/significant influence; safeguards for independence.
- Directly addresses surge in PE-backed accounting firms (highly relevant to technology/innovation in practice). Webcast and discussion memo preceded it.



Tax Services Interpretation (ET §1.295.160):

- Revised Exposure Draft (Sept. 15, 2025; comments closed Dec. 15, 2025).
- Shifts to principles-based approach (factors to evaluate self-review/advocacy threats) instead of strict “more likely than not” (MLTN) threshold. Aligns with IESBA standards; better balances client service and independence for tax advisory/planning to attest clients.





Other Notable Final/Revised Interpretations (Effective 2025–2026):

- Recruiting Executives or Employees: Effective Jan. 1, 2026 (early implementation allowed).**
- Simultaneous Employment/Association with Attest Client: Effective Sept. 15, 2026.**
- Section 529 Plans: Effective May 31, 2025 (with technical corrections).**
- Additional finalized items: Quality management, public interest entity definitions, fees, noncompliance with laws/regulations (NOCLAR), staff augmentation, etc.**





Ongoing/Open (as of May 2026):

- Engagement team and group audits ED
- (released March 16, 2026; comments due June 1, 2026).



Core Principles

Deep Dive

THE SIX PRINCIPLES



Responsibilities

Exercise professional judgment in all activities



Public Interest

Honor the public trust and demonstrate commitment to professionalism



Integrity

Maintain highest sense of moral character and honesty



Objectivity

Be free from conflicts of interest and exercise impartiality



Due Care

Continuously improve competence and quality of services



Scope & Nature

Observe the Code's principles in determining scope of services

INDEPENDENCE & OBJECTIVITY

👁 Independence of Mind

The state of mind that permits providing an opinion without being affected by influences that compromise professional judgment.

INDEPENDENCE & OBJECTIVITY

- ① **Independence of Mind**
Cannot be directly observed —
demonstrated through actions
and consistent behavior over
time.

INDEPENDENCE & OBJECTIVITY



Independence in Appearance

Avoiding facts and circumstances so significant that a reasonable third party would conclude integrity or objectivity is compromised.

INDEPENDENCE & OBJECTIVITY



Independence in Appearance

**Includes financial interests,
family relationships with clients,
and non-audit services.**

INDEPENDENCE & OBJECTIVITY



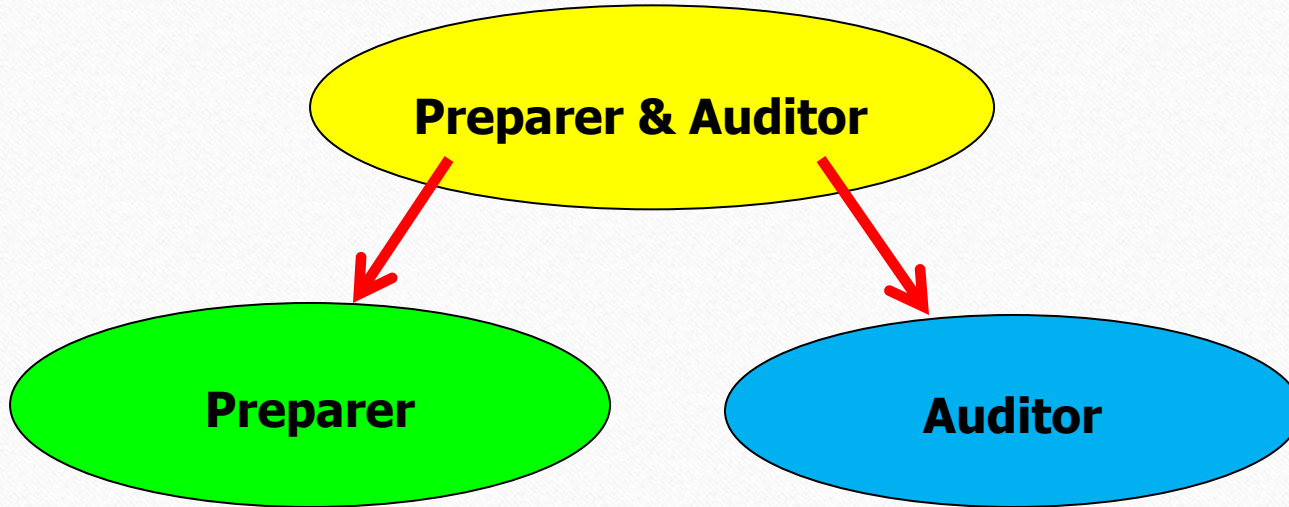
Independence in Appearance

Governed by SEC rules, PCAOB standards, and AICPA independence requirements.



What is YOUR Conclusion?

In Some Cases This May Be Needed to Be Independent in Fact and Appearance?



INTEGRITY & DUE CARE

Integrity

- Being honest and candid within the constraints of client confidentiality
- **Subordinating personal gain to service and the public trust**
- Acknowledging limitations and correcting known errors promptly
- Refusing to be associated with misleading information

Due Care

- **Pursuing continuous improvement in competence and quality of service-- EXCELLENCE**
- Discharging professional responsibilities with diligence
- Maintaining technical and ethical standards through CPE
- Adequate planning and supervision of all engagements

***Integrity without competence is ineffective.
Competence without integrity is dangerous.
Both must work together to uphold public confidence in the profession.***

CONFIDENTIALITY & ITS LIMITS



The Rule

- **Do not disclose confidential client information without specific consent**
- Applies during and after professional relationships
- Extends to all members of the engagement team
- Covers financial data, business plans, and proprietary information



When Disclosure Is Required

- Court orders and valid subpoenas
- AICPA ethics division inquiries and peer review
- Legal proceedings involving the CPA
- **Compliance with GAAS and government auditing standards**



Case Study

**Enron &
Arthur Andersen**

CASE STUDY: ENRON & ARTHUR ANDERSEN

1985-2000

Enron grows from regional gas company to \$101B revenue energy giant through aggressive accounting

2001

Hidden debts of \$1.2B exposed through off-balance-sheet SPEs; stock drops from \$90 to \$0.26

Andersen's Role

Failed to maintain independence — earned \$52M in consulting fees vs. \$25M in audit fees from Enron

Aftermath

Arthur Andersen convicted of obstruction; 85,000 employees lose jobs; SOX enacted in 2002

"20+ Years of Ethical Failures – When Personal Ethics Collapse



PERSONS OF THE YEAR

TIME



The Whistleblowers

CYNTHIA COOPER
OF WORLD COMMERCE

COLEEN ROWLEY
OF THE FBI

SHERRON WATKINS
OF ENRON

2025 Fraudulent Failures



Macy's \$154 Million Accounting Scandal

- ❑ Single employee intentionally falsified accrual entries and supporting documents over nearly 3 years to conceal delivery expenses.
- ❑ Result:
 - ✓ Delayed Q3 earnings release, financial restatements (2023 net income cut by ~57%), and clawback of over \$600K in executive bonuses.
- ❑ Lesson:
 - ✓ Breakdown in internal controls and personal integrity — even one individual's choice can cascade through financial reporting and compensation systems.

2025 Fraudulent Failures



Beneficent / GWG Holdings CEO Fraud (Brad Heppner)

- ❑ Former CEO arrested and charged with looting ~\$150M via complex inter-company transactions, false statements to auditors, securities fraud, and falsifying records — leading to \$1B+ investor losses and bankruptcy.
- ❑ Lesson:
 - ✓ Direct auditor deception and personal greed overriding professional responsibilities.

2025 Fraudulent Failures

First Brands Bankruptcy & Financial Reporting Irregularities

- ❑ Major auto-parts retailer (Fram, Raybestos, etc.) collapsed with \$10–50B in liabilities; founder sued for alleged fraud, misappropriation of billions, and reporting irregularities. DOJ investigation ongoing.
- ❑ Lesson:
 - ✓ Pressure to “win at all costs” creates massive ethical and financial fallout.

2025 Fraudulent Failures



Personal Choices

“These aren’t abstract theories — they happened last year. Each one started with personal choices that ignored the Golden Rule. Maxwell was right: there is no such thing as ‘business ethics’ — only personal ethics applied (or not) in business.”

NATIONAL BANK ACT.

1888



THE FIRST NATIONAL
BANK OF SEDAN

D. Scot Loyd
Chairman & President

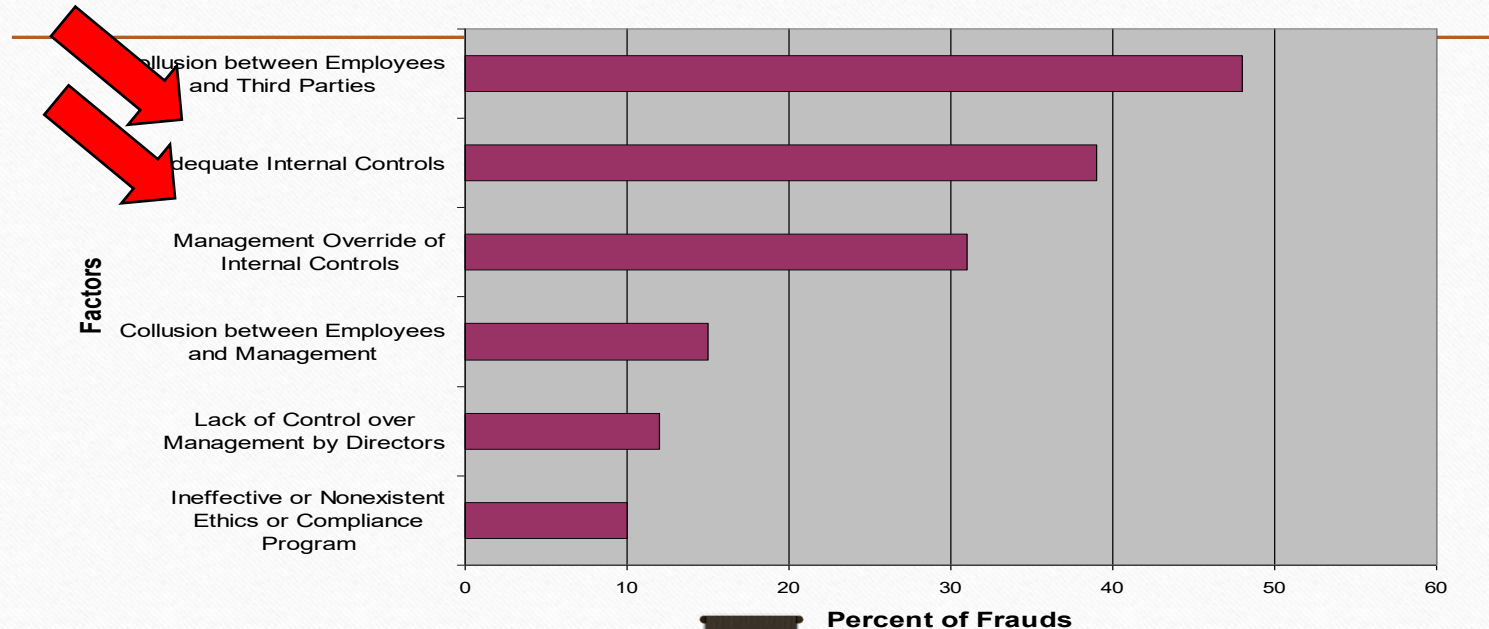
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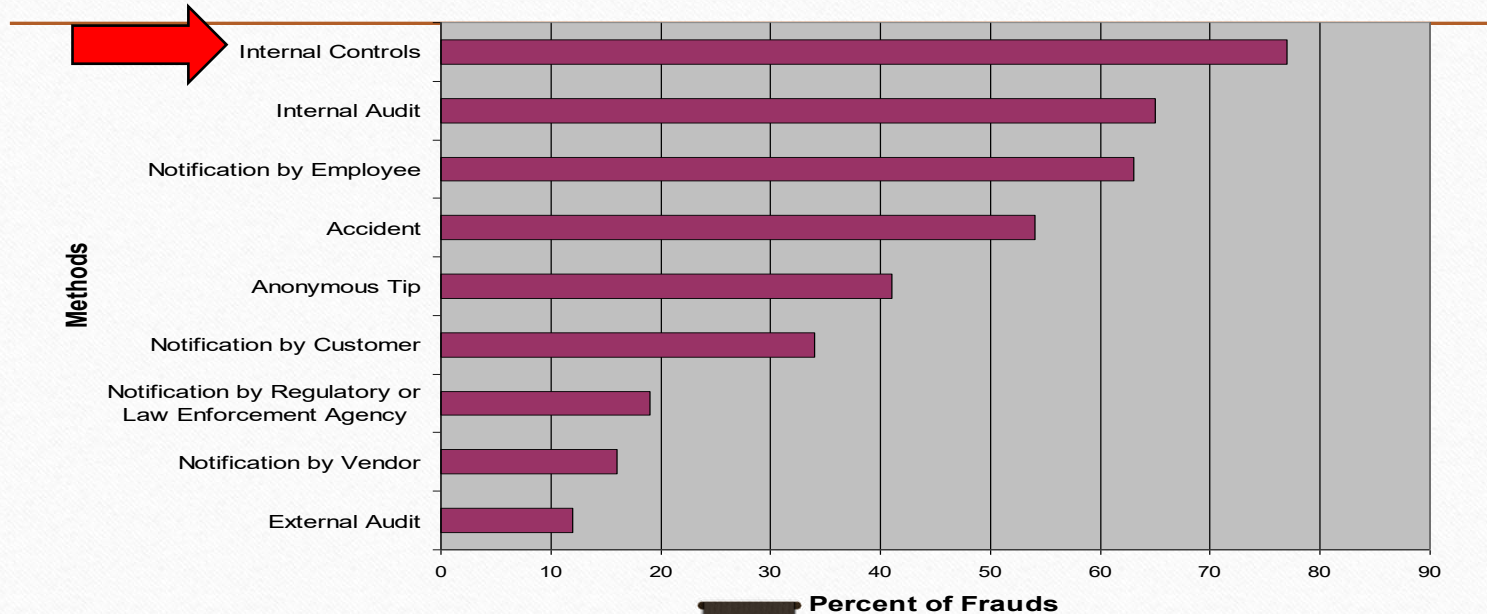
Does an AUDIT always catch FRAUD?

Factors Contributing to Fraud



Does an AUDIT always catch FRAUD?

Methods for Uncovering Fraud



SIMPLE THOUGHT!!!!

“These aren’t just logos — they represent real personal choices that destroyed billions in value and public trust. Maxwell was right: there is no such thing as ‘business ethics.’ It’s always personal.”

Ethical Decision- Making

Key Framework

ETHICAL DECISION-MAKING FRAMEWORK

01

Identify

Recognize the ethical issue and all parties affected

02

Gather Facts

Collect all relevant information and understand the context

03

Evaluate

Apply the AICPA Code and relevant standards to the situation

04

Consider

Explore alternative courses of action and their consequences

05

Decide

Choose the action consistent with ethical principles

06

Reflect

Review the outcome and apply lessons to future situations

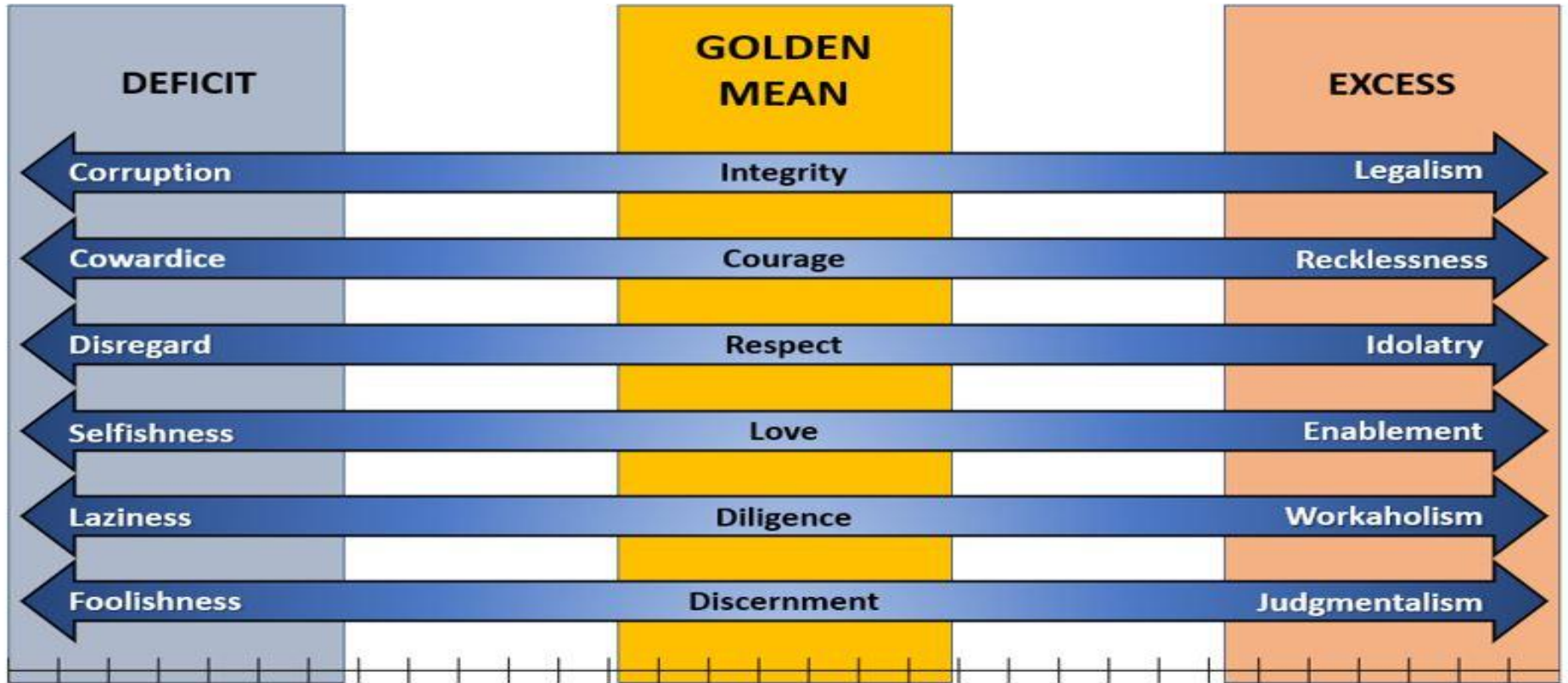
10 Best Ethical Practices To Consider Everyday

- **Start with the Golden Rule** – Treat every elected official, staff member, taxpayer, and donor exactly as you would want to be treated in their situation.
- **Prioritize the Public Interest (GAGAS Principle #1)** – Always put Kansas citizens and taxpayers first when facing pressure from boards, management, or grantors.
- **Maintain Strict Independence in Small Communities** – Proactively identify and document threats from family ties, political relationships, or long-term client friendships common in Kansas.
- **Apply the GAGAS Conceptual Framework** – Use the threats-and-safeguards approach for every nonattest service provided to attest clients.
- **Exercise Heightened Fraud Skepticism** – Pay special attention to grant drawdowns, restricted donations, CARES/ARPA/SPARK/RESCUE funds, and NFP expense classifications.

10 Best Ethical Practices To Consider Everyday

- **Document Ethical Judgments Thoroughly** – Especially when choosing KMAAG regulatory basis vs. GAAP, or evaluating material noncompliance in Single Audits.
- **Protect Government Information & Resources** – Never misuse confidential data, positions, or taxpayer-funded systems (GAGAS Principle #4).
- **Stay Current with PEEC & Yellow Book Updates** – Independence rules for SSAEs, tax services, and alternative practice structures directly affect governmental and NFP attest work.
- **Promote Transparency & Timeliness** – Deliver reports that elected officials and the public can understand and rely on — even when the news is difficult.
- **Lead by Example in Firm Culture** – Model integrity daily so your team and clients see that personal ethics and professional standards are inseparable.

THE VIRTUE CONTINUUM



Where are you on this scale?

COMMON ETHICAL DILEMMAS

Pressure to Meet Targets

Client management pressures you to adjust revenue recognition timing to meet quarterly earnings expectations.

Conflicting Interests


Your firm provides both consulting and audit services to the same client, creating potential independence threats.

Colleague Misconduct

You discover a colleague is cutting audit procedures short but signing off on work as complete.

Client Relationship

A long-standing client asks you to overlook a material accounting treatment that doesn't comply with GAAP.



**CAN YOU
TRUST
CPAS?**

Common Dilemmas

**Organizational
Pressure?**

The Executive Fraud Triangle

SELF is supreme, so...

"I want..."

Money, title, position,
authority, perks, service, etc.

Greed

"I am..."

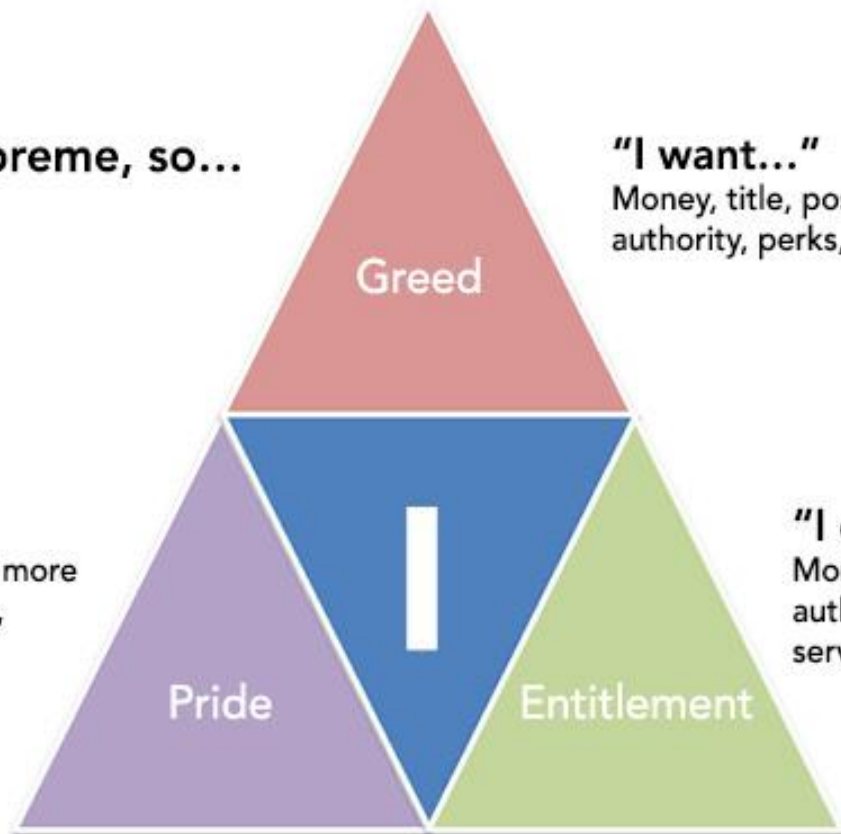
Better, smarter, more
skilled, superior,
above, etc.

Pride

"I deserve..."

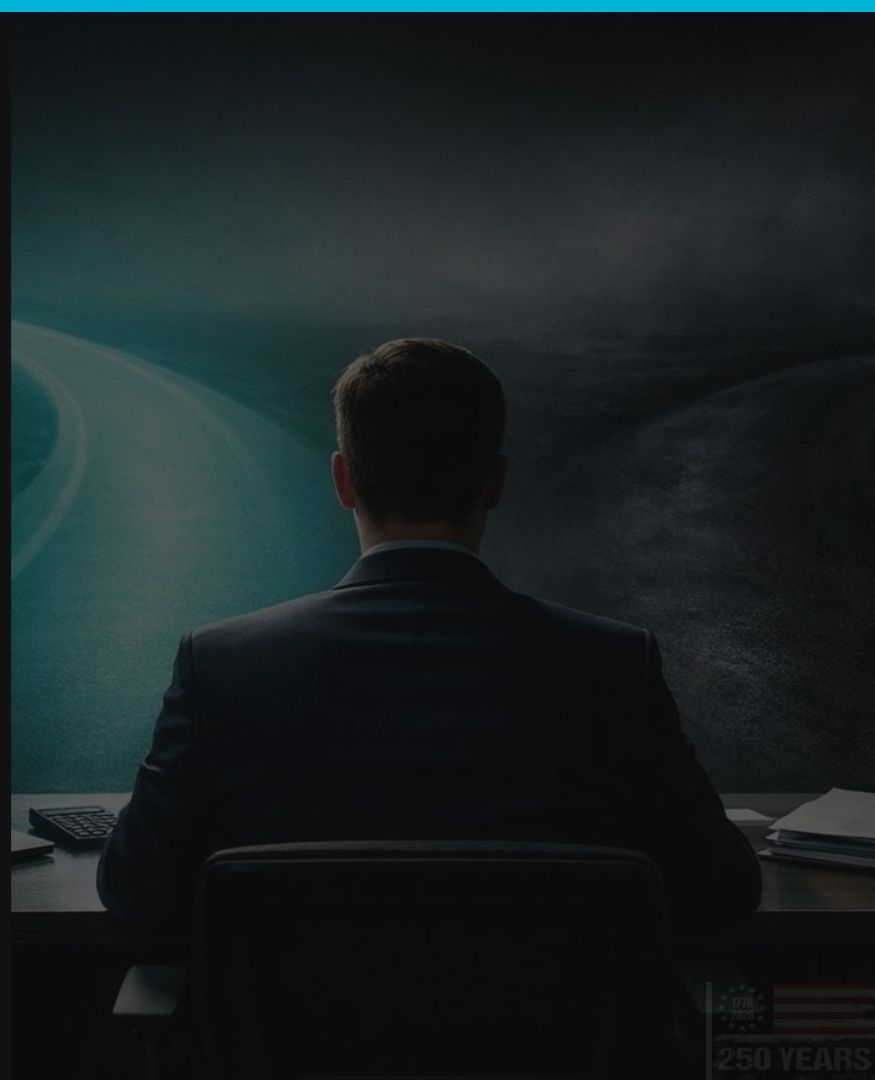
Money, title, position,
authority, perks,
service, etc.

Entitlement



WHEN VALUES CLASH WITH PRESSURE

- **Recognize the Pressure**
Identify when organizational demands conflict with your ethical obligations
- **Document Everything**
Create a clear record of requests, communications, and your professional concerns
- **Seek Guidance**
Consult firm ethics partners, the AICPA hotline, or state board resources
- **Know Your Rights**
SOX Section 806 and state laws protect those who report ethical violations





KEY TAKEAWAYS

- ✓ **Ethics are the foundation of the accounting profession — without public trust, the profession loses its purpose**
- ✓ **The AICPA Code provides a framework, but personal integrity drives daily decisions**
- ✓ **History teaches us the catastrophic consequences of ethical failures — Enron and WorldCom changed the profession forever**
- ✓ **SOX and whistleblower protections exist because ethics alone aren't always enough — systems matter**
- ✓ **Building an ethical culture starts with each individual and requires sustained organizational commitment**

Commit to ethical excellence — the profession depends on it.



KEY TAKEAWAYS

- ✓ Take **responsibility** for your actions.
- ✓ Develop personal **discipline**.
- ✓ Know your **weaknesses**.
- ✓ Align **priorities** with your **values**.
- ✓ **Admit wrongdoing** quickly and ask forgiveness.

Commit to ethical excellence — the profession depends on it.



KEY TAKEAWAYS

- ✓ Take extra care with finances.
- ✓ Put family ahead of work.
- ✓ Place high value on people.
- ✓ Midas Touch” mindset: Treat people better than expected.
- ✓ Character > rules. Daily choices (e.g., data handling, AI recommendations, client pressure) build or erode trust.

Commit to ethical excellence — the profession depends on it.



KEY TAKEAWAYS

- **Go the second mile**
- **Help without reciprocation**
- **Keep promises even when costly**
- **Legacy = relationships, not just wealth.**

KEY TAKEAWAYS

Ethical success =
personal integrity + updated
professional standards =

trusted, profitable practice.

Commit to ethical excellence — the profession depends on it.

Know your subject matter

Highest Level First

Keep it SIMPLE!

Organized Manual

Skill Level Consistency

Standardized Format



RU Fresh?

Or a little Crispy?



"A must-read for all leaders." —BILL WYBELL

WAYNE CORDEIRO

AUTHOR OF *THE DIVINE MENTOR*

LEADING ON EMPTY

REFILLING YOUR TANK
AND RENEWING YOUR PASSION



LOYO GROUP, LLC

THINGS OUTSIDE MY CONTROL

OTHER PEOPLE'S
ACTIONS

OTHER PEOPLE'S
OPINIONS

THINGS I CAN CONTROL

MY **ATTITUDE**

MY **EFFORT**

MY **BEHAVIOR**

MY **ACTIONS**
to be a great team member

OTHER PEOPLE'S
FEELINGS

OTHER PEOPLE'S
MISTAKES

ADVERSITY

JONGORDON.COM





What Really Matters?

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





Questions?

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