

# The New GFOA Code of Ethics

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**Government Finance Officers Association**



# Time for a New Code of Ethics

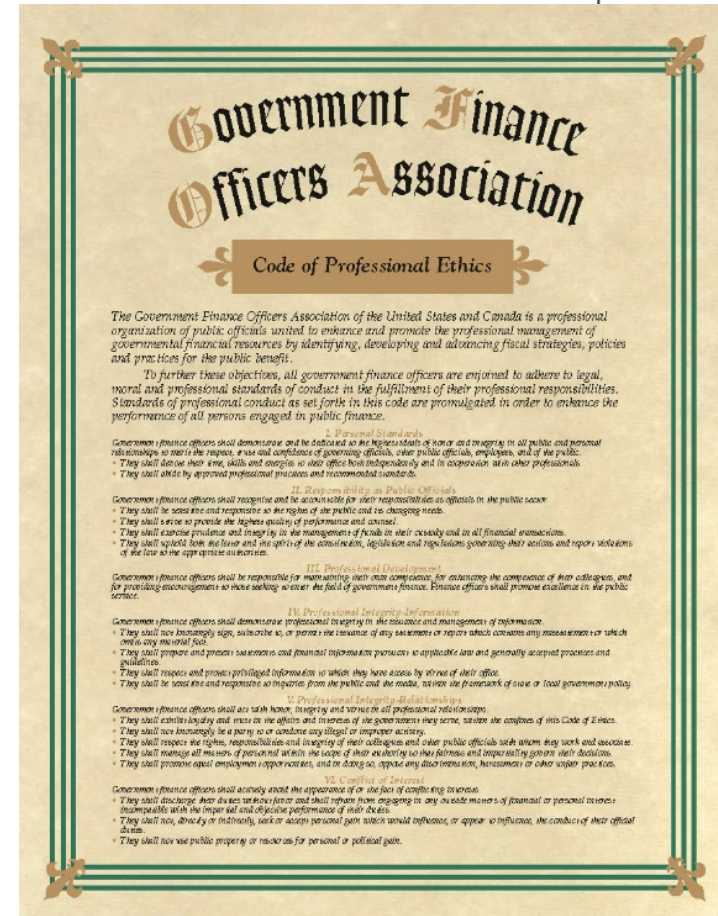


# Old Code of Ethics Needed a Refresh

Code had not been updated in many years....

More importantly.....

Did not play a meaningful role in GFOA training, certifications, etc.





## We Decided to Center the New Code around Key Values

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- We interviewed randomly selected GFOA members and those that rose to the top were...
  - Honesty / Integrity
  - Doing good work
  - Treating people fairly

The key ingredient...

*Trust*





# Why Trust as our Organizing Value?

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- Attracting and retaining employees is top concern of GFOA members...
- ...GFOA surveys show lack of trust in workplace is a top reason people leave
- Maintaining a good financial condition is THE top concern for GFOA members...
- ...GFOA research shows that trust is essential for people to collaborate with the finance officer in maintaining a strong financial foundation



# Change Ethics from Constraint to Enabler

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If being “ethical” is defined as being more “trustworthy”, then...

...when there is more trust in the finance office:

1. Finance is invited to be part of important discussions and decisions for the entire organization
2. Work is more efficient because there are more free flows of accurate information. People are more willing to share information.
3. People are more willing to take risks, so there will be more innovation.

## “Enforcement” of the GFOA Code

Some associations  
take a punitive  
approach

GFOA is opting for a  
different approach...







Most People:

- Know the difference between right & wrong
- Want to be seen as ethical



The GFOA ethics program helps by making people....

**More  
Resilient in Challenging  
Situations**



**More Vigilant Against  
Unethical Behavior  
from Others**



**See something.  
Say something.**



# Anyone can face circumstances that challenge their ethics...



Social support...



..strengthens the inner angel



# The Code's Five Key Values

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- Integrity and Honesty
- Producing Results for My Community
- Treating People Fairly
- Diversity and Inclusion
- Reliability and Consistency



# Treating People Fairly

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Local governments depend on trusting relationships. If people feel unfairly treated, relationships break down, and they may withhold their support from my local government. This puts the financial health of my local government at risk. Therefore, I will treat people fairly and develop processes and procedures that are fair.

# How We Treat People Fairly

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- **Respect the rights of others**
  - Use the power of finance wisely
  - Oppose unethical discrimination and harassment
- **Develop processes and procedures that are fair**
  - Perceived fairness is essential for getting people's support
  - Concept of procedural justice
  - Example: Budget process perceived as fair

# Conversations About Ethics

- When is the right time? 
- How do you make the it meaningful?
  - Know your audience
- Weave the Conversation into your daily work



# The ROI of Ethics in the Finance Office



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# ROI – How to Define and Measure

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- **Nature of the Return**
  - Qualitative versus Quantitative
  - Issue of Trust
- **Measurement Issues**
  - Lack of empirical data
  - Difficult to quantify a negative
- **Items to Consider**
  - Cost avoidance
  - Value/cost of employee morale
  - Improved productivity/efficiency



# ROI – Qualitative/Non-Financial Impacts

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## **WHEN THERE IS LESS TRUST IN THE FINANCE OFFICE**

- Increased 'end runs' around the Finance office
- Focus on transaction processing
- Reduced responsiveness and customer service levels
- Negatively impacts employee morale
- Timeliness of work suffers

# ROI – Qualitative/Non-Financial Impacts

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## OTHER QUALITATIVE FACTORS

- Improved transparency
- Improved responsiveness to stakeholders
- Improved ability to attract/retain talent
- Potential for reduced level of general oversight

# ROI – Quantitative/Financial Impacts

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## **BENEFITS & DIRECT COSTS**

- **Cost Reduction/Avoidance**
  - Improved operating efficiencies
  - Employee turnover costs
  - Oversight/discipline
- **Increased Costs**
  - Employee development
  - Ongoing support & compliance monitoring



# ROI – Quantitative/Financial Impacts

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## COSTS OF NON-COMPLIANCE

- **Financial Losses**
  - Fraud and theft
  - Loss of assets
  - Less than full revenue collected

**Example:** Dixon, Illinois - “All The Queen’s Horses”

# ROI – Quantitative/Financial Impacts

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## **COSTS OF NON-COMPLIANCE** (Continued)

- **Reputational Risk**
  - Loss of professional respect and trust
  - Organizational impacts/structural changes
  - Impact to organizational rating
- **Legal Fees & Fines**
  - Legal counsel fees
  - Settlement costs
  - Agency fines (EPA, IRS, SEC, etc.)



# ROI – Conclusions & Takeaways

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- Embracing a culture of trust and ethics can lead to both financial and non-financial benefits.
- Implementing a culture of ethics cannot be a ‘one and done’, it requires ongoing effort and upper management and governing body support (not just lip service).
- If the Finance department is trusted and respected, the department will more likely be invited to be a part of the decision-making process.
- Improved free flow of information is a benefit.



# 15% solution: what can you do now?

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*You cannot cross the sea by merely standing and staring at the water. -- R. Tagore*

What do you have the freedom and resources to do now to start on the path to a values based ethical culture?

*From “Liberating Structures” by Henri Lipmanowicz and Keith McCandless. Inspired by Gareth Morgan*



# Liberating Structures: 1-2-4-All

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1. Individual silent reflection 1 min.
2. Generate ideas in pairs 2 min.
3. Now share ideas in foursome 4 min.
4. Groups share ideas with all 5 min.

*From “Liberating Structures” by Henri Lipmanowicz and Keith McCandless*

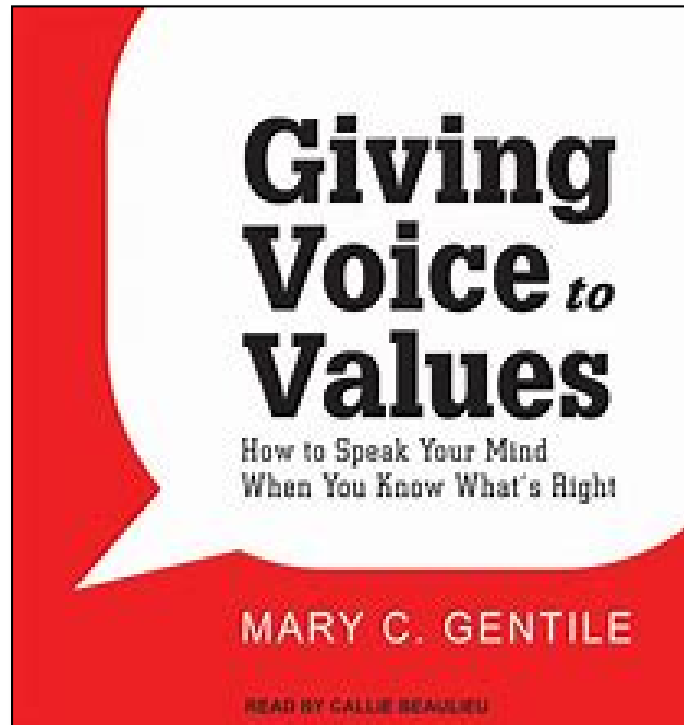


# Giving Voice to Values – Case Study

Giving Voice to Values frames common ethical dilemmas around the new code.

# Giving Voice to Values

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*Self defense  
class for the  
soul*



# What is Giving Voice to Values?

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- Instead of “ethical analysis”, GVV helps people implement and take action on their values.
- Developed by Mary Gentile of the University of Virginia, Darden School of Business
- Helps answer the questions:
  - What if I were to act on my values?
  - What would I do or say?
  - How would I be the most effective?



# Case Study – City Council Conundrum

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- **The Ethical Issue: providing accurate information to your council or board without upsetting your boss.**

## **The Scenario:**

- Mike Parrot the City Finance Director is appointed by, and reports, to Mayor Dawkins, and it is an election year.
- Mayor Dawkins has asked Mike to research a new tax proposal that would be levied to address of the opioid crisis in the City.



## Council Conundrum (Continued 2)

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- Mike and the Finance Department team diligently analyze the proposal and provide a forecast of potential revenues and costs.
- Because the program is new and the proposed tax is not something the City has used before, both the expenditures and the revenues provided to the Mayor have caveats, assumptions and various hedges built in.
- The analysis Mike provides to the Mayor provides ranges for both expenditures and revenues due to the uncertainty.



## City Council Conundrum (continued 3)

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- When Mayor Dawkins announces the new proposal, he shares only the highest revenue and lowest cost projections. Mike knows they are unrealistic.
- Mike expresses concerns to the Mayor and is told that it is his responsibility to back the Mayor's proposal. Finance completed its work and the Mayor made the decision.
- When City Council deliberates on the proposal, the Mayor sends Mike to testify due to his good working relationship with the City Council and the trust they have in his department's work.



## City Council Conundrum (continued 4)

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- Mike is certain there will be significant questions about the lack of nuance to the projections as the Council has been used to seeing thorough work from the finance team.
  1. What is the action Mike is expected to take?
  2. What is at stake for all involved?
  3. What is the likely reason and rationalization Mike is expected to go through?
  4. How should Mike act on his values?

# Questions and Resources:

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- Mary Gentile, Darden School of Business, Creator and Director of Giving Voice to Values:  
<https://www.darden.virginia.edu/faculty-research/directory/mary-gentile/>
- Giving Voice to Values Program:  
<https://www.darden.virginia.edu/ibis/initiatives/giving-voice-to-values/>
- Crucial Conversations: [https://www.amazon.com/Crucial-Conversations-Talking-Stakes-Second-dp-0071775307/dp/0071775307/ref=mt\\_hardcover?\\_encoding=UTF8&me=&qid=](https://www.amazon.com/Crucial-Conversations-Talking-Stakes-Second-dp-0071775307/dp/0071775307/ref=mt_hardcover?_encoding=UTF8&me=&qid=)
- GFOA Ethics Code: [www.gfoa.org/ethics](http://www.gfoa.org/ethics)





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# Join us at the 2020 Conference in New Orleans May 17 - 20



# Thank You

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