ETHICAL ISSUES FOR FRAUD EXAMINERS
III. ETHICAL VALUES

Objectivity/Impartiality
As a fraud examiner, you have a responsibility to maintain objectivity, or impartiality, in discharging your professional responsibilities. Objectivity denotes freedom from prejudice or discrimination. The following are ways you can honor objectivity during your fraud examinations:

- Avoid conflicts of interest—both real and perceived.
- Report complete information.

Conflicts of Interest
Prior to accepting a fraud examination engagement, you should investigate for potential conflicts of interest and disclose any potential conflicts of interest to prospective clients who seek to retain your services.

To determine whether a particular assignment creates a conflict of interest, you must ask yourself the following questions:
1. Do you or your firm have a personal interest in the case’s outcome?
2. Does this engagement conflict with any engagements on which you are currently working? (Are they adverse parties? Are you taking both sides of the same case?)
3. Are any of your regular clients in opposition to this case, even if you are not actively working with them at present?

If you can answer “yes” to any of these questions, a conflict of interest exists. If you were to accept the assignment in spite of these issues, your primary reason for taking it would likely be personal financial gain, which stands in direct opposition to ethical behavior. A fraud examiner should make decisions based on whether they are right, not based on whether they will result in monetary benefits.

Perceived Conflicts of Interest
You should steer clear of both real and perceived conflicts of interest because either can negate objectivity. While engaging in actual conflicts of interest that involve financial motivators is a clear violation of ethical standards, perceived conflicts of interest can be just as damaging to a fraud examiner’s reputation and ethical code.

When conducting an investigation, you must be honest with yourself regarding connections that give the appearance of personal interest in or influence over a case’s outcome. For example, if an investigator uses a fact witness with whom he has a close personal friendship or even a distant familial relationship, third parties might assume that the examiner’s objectivity and ethics are questionable. The examiner might truly believe that he can be impartial in spite of this relationship, but the perceived legitimacy of
Ethical Values

the investigation is at stake. Therefore, in such cases, it is important to withdraw or consider withdrawing from an engagement.

Report Complete Information
You have a responsibility to reveal all material matters discovered during the course of your examination which, if omitted, could cause a distortion of the facts. Evidence and conclusions are material if knowledge of them would affect a client’s decisions based on your report. As a case expert, it is your duty to assist the prosecutor in finding the truth. This means that you must write a complete report that contains all relevant information, regardless of whether it supports or refutes the underlying claims within the case.

Integrity
As a fraud examiner, you are expected to exhibit the highest level of integrity in the performance of your professional assignments—never sacrificing your integrity to serve your client, your employer, or the public interest. Public trust is founded on integrity.

Integrity can be viewed as the opposite of hypocrisy and includes:
- Trustworthiness/honesty
- Congruency

Trustworthiness/Honesty
Trustworthiness, or honesty, is an element of integrity that embodies being deserving of another’s confidence. It includes avoiding making false or deceptive claims.

Some ways you exhibit trustworthiness are by:
- Following through on promises made and refraining from making promises that you know you can’t keep
- Refraining from knowingly making a false statement when testifying in a court of law or other dispute resolution forum

Congruency
Your actions are said to be congruent with your beliefs when you consistently act in a manner that is in accordance with the values you claim to hold. Behaving with integrity involves saying that you believe in treating everyone with respect and then consistently acting in a respectful manner toward others.
Respect for Others
As a fraud examiner, you are expected to display respect for others in all of your professional engagements. This is especially important—and may be challenging for some—when the individual being dealt with is suspected of criminal activity. Respect for others includes:

- Concern for others’ well-being
- Respect for others’ autonomy

Concern for the Well-Being of Others
Demonstrating concern for others’ well-being involves contributing to the welfare of others and not putting them in harm’s way. For example, an examiner might show concern for the well-being of a witness by not needlessly disclosing the witness’s identity to a potential suspect. There are different levels of risk based on the case and the type of witnesses an examiner is dealing with. It could be that a non-culpable whistleblower wishes to remain anonymous because he fears losing his job if he is exposed. Often, this fear is legitimate if the culture at an organization is corrupt. When dealing with cases that involve serious crimes or large amounts of money, even the personal safety of a witness or informant might be at stake if the examiner does not commit to that person’s well-being. Whistleblowers, informants, and other parties frequently report a fear for their safety when aiding investigations into money laundering rings, drug cartels, high-profile accounting scandals, and other cases.

Respect for the Autonomy of Others
Respect for the autonomy of others consists of the acknowledgment of the rights of another to act based on his own values and belief system, free from coercion. For example, the examiner can respect the autonomy of a potential suspect by avoiding putting him in situations that could be construed as false imprisonment.

Justice
Justice can be thought of as fairness, or the attribution to each person of his due. It includes handling similar matters consistently. It is expected that you will carry out your fraud examination responsibilities in a just manner by:

- Establishing a reasonable basis for conclusions reached
- Avoiding expressing opinions regarding a suspect’s legal guilt or innocence
Reasonable Basis for Conclusions Reached
You exhibit justice when you establish a reasonable basis for any conclusions reached during an examination. Such conclusions should be deduced based on exculpatory and other facts that appear throughout the course of your document review, examination, and testing.

If a dispassionate individual cannot reach the same conclusions without bias, prejudice, or facts not in evidence, then your conclusions are improper. Fraud examiners must conduct fair and impartial investigations, report all facts obtained objectively, and form reasonable conclusions based on those facts for true justice to exist.

Expression of Opinions
Avoiding expressing an opinion on the legal guilt or innocence of a suspect is yet another example of behavior that honors justice. Fraud examiners must leave such judgments for the courts or appropriate human resources or management professionals to decide.

The purpose of a fraud examination is to find, trace, and document facts so that others—such as a judge or jury—can determine guilt or innocence. In a good investigative report, the facts will speak for themselves. The facts might lead to a conclusion that the person committed a fraud or might have done something that is considered a crime, but the fraud examiner’s report must refrain from stating personal opinions or displaying bias.

Professionalism
As a fraud examiner, you are expected to demonstrate a commitment to professionalism by committing to:

- Developing your professional competence throughout your career via education and experience
- Only accepting assignments that you believe you can complete proficiently
- Not cutting corners
- Living up to your professional responsibilities

Professional Competence
Despite your commitment to increasing your fraud examination knowledge and skills, there might be times throughout your career when you are presented with an assignment for which you are not adept. The most important thing to do when you are approached with such an engagement is to determine whether you are truly qualified to accept it. If the assignment is not within your skill set, the ethical thing to do is to turn the work down.
This is not the only alternative, however. If you do not possess the necessary knowledge, you may also seek aid from outside parties. Some of the best fraud examinations involve assembling a team in which each participant contributes his individual expertise to the investigation, thereby providing the collective technical skills required to conduct a proper investigation.

Another ethical dilemma you might encounter when determining whether to accept a certain engagement is when a client approaches you with an assignment you do not think you can accomplish. You should not undertake an engagement if you believe you cannot fulfill it, even if the client encourages you to try anyway.

In addition, you might be faced with a client who wants you to get him out of something. For example, perhaps the engagement involves a criminal defense case and the client wants you to help show that the other side has erred in some way during the case’s prosecution. As a fraud examiner, it is your duty to follow the facts and document the truth—not to take sides. Illustrating professional competence means avoiding situations where you might be encouraged to act unethically.

**Not Cutting Corners**
At times, you might be tempted to compromise your integrity by taking shortcuts that potentially cross ethical lines to obtain information more readily. For example, you might have the desire to seek facts to which you should not have access by calling a friend from the police force, a former colleague who now works for a bank, or an old business partner who currently serves as an IRS examiner. While taking such an action might seem like a smart solution, you will only end up hurting yourself in the end. Eventually, you will have to sit on the stand and explain where and how you obtained your information. And when that day comes, you will not only risk facing criminal penalties for yourself, but might also cost your friend his job as well. Shortcuts are rarely short and never easy in the long run.

**Living Up to Professional Responsibilities**
There might also be times during which you would prefer not to appear in court regarding a case and, therefore, experience the temptation to avoid a legal summons. Exhibiting such a lack of integrity is a poor idea, however, because your professionalism and credibility will be questioned if you run away from a court-related action. If you have nothing to hide and have done your job properly, it is best to cooperate fully with any court-appointed process; it is both the professional and ethical thing to do.
Responsibilities to Clients and Colleagues
In your role as a fraud examiner, you have numerous responsibilities to your clients and colleagues. A few of these responsibilities include:

- Maintaining confidentiality
- Exercising due professional care
- Owning up to mistakes

Confidentiality
Confidentiality is the principle that certain information is private and should not be openly shared. You can honor this principle by keeping privileged information confidential and gaining proper and express authority to reveal it.

Although not all data received during a fraud engagement is truly confidential, parts of it are; therefore, it is important to exercise caution when discussing a case with colleagues. You can still share the general points of a case in a professional setting without revealing specific facts that violate your client’s confidentiality. Being able to maintain such confidentiality is a key tenet of the fraud examination field.

Due Professional Care
Due professional care requires diligence, critical analysis, and professional skepticism in discharging professional responsibilities. You exhibit due professional care by:

- Making reasonable efforts to gather relevant facts prior to disclosing suspicions that could unduly harm a potential suspect’s reputation
- Supporting conclusions with evidence that is relevant, competent, and sufficient
- Adequately planning professional services, including developing strategies and objectives

Owning Up to Mistakes
At times, you might make inadvertent errors or mistakes of judgment. In these situations, it is expected that you will behave responsibly by admitting to your missteps and doing your best to correct and learn from them, rather than attempting to conceal them or shifting blame.

Conflicting Ethical Values
These ethical values, along with numerous others, will come into play throughout your career as a fraud examiner, and they will sometimes be in conflict with each other, creating an ethical dilemma.

In the next chapter, we’ll explore some fictional scenarios that illustrate potential ethical dilemmas that pertain to fraud examinations.