

*Curtis C. Verschoor, CMA, Editor*

# High Rates of Misconduct at All Levels of Government

The results of the National Government Ethics Survey (NGES) show that the high incidence of ethical misconduct isn't limited to the public sector of business. The survey was completed by the not-for-profit Ethics Resource Center (ERC). It marks the first time

that survey results for government employees have been reported separately from the overall national workplace (see January 2008 column). The NGES results lead to the conclusion that, "The next Enron could occur within government," says ERC President Patricia Harned.

Harned continues, "Almost one-quarter of public sector employees identify their work environments as conducive to misconduct—places where there is strong pressure to compromise standards, where situations invite wrongdoing, and/or employees' personal values conflict with the values espoused at work." As a consequence, public trust in government is at risk, and the problem of ethical misconduct is likely to get worse in the future.

The overall rate of observed misconduct across all levels of government is nearly 60%, higher than the

results in earlier, unpublished biennial surveys—57% in 2005 and 52% in 2003. This year's results mirror the ethical experiences in the business sector. The highest observed levels of wrongdoing were at the local government level, with 62% of respondents having observed misconduct. The lowest amount was at the federal level, with 52% observing misconduct. Local government also had the poorest record of reporting misconduct, with 34% of respondents failing to report observed misconduct, compared to 25% of federal employees. Overall, 30% of current misconduct in government goes unreported to management. This is significantly better than the unreported rate in business (42%) and is likely due to the stronger whistleblower protection that is available to most government employees.

The most common types of misconduct observed by government employees include:

- ◆ Conflicts of interest—observed by 27% of those surveyed, up from 20% two years ago. This involves putting one's own interests ahead of those of the organization.
- ◆ Lying—observed by 28%, up from 25% two years ago. Lies are committed to employees, vendors, customers, and to the public at large.
- ◆ Abusive or intimidating behavior—observed by 25%, although overtly illegal acts are on the decline as they have been subject to increased scrutiny.
- ◆ Financial and other forms of fraud, which are at least as common in government as they are in business.

One of the most disturbing findings of the NGES study is the fact that nearly 25% of all government employees work in an environment that is conducive to or invites misconduct. This includes workplace environments where perceived pressures lead employees to feel they need to commit an ethics or compliance violation in order to do their jobs. These pressures have increased to 14% of all government employees

from 10% in 2000. An astounding 98% of employees in environments conducive to misconduct report observing actual wrongdoing.

Very few of the government employees who observed misconduct utilized established whistleblowing hotlines to report wrongdoing to the highest levels of the organization. Instead, government employees opted to report to their immediate supervisor or management of the local entity for which they work. The poor perception of management increases the likelihood that employees won't report wrongdoing to anyone. The two primary reasons for not reporting are fear of retaliation from management and a feeling of futility that nothing would be done.

Magnifying the lack of reporting

is the poor perception that a surprisingly large proportion of government employees, about one quarter, have regarding the qualities of senior management:

- ◆ More than one in five (21%) think top leadership isn't held accountable for violations of ethical standards.
- ◆ 25% of government employees believe that top leadership tolerates retaliation against those who report misconduct. Many reporters of wrongdoing did experience retaliation.
- ◆ 30% of government employees don't believe top leadership keeps their promises and commitments.

An overarching factor perhaps explaining the continuing high levels of observed misconduct and failure to report it is the fact that govern-

ment agencies aren't subject to the provisions of the Sarbanes-Oxley Act, as noted in this column in March 2008. The NGES reports that the overall number of government employees who say that their organization has a comprehensive ethics and compliance program has grown steadily over the years but still remains below half. The federal government has the most robust ethics and compliance programs in place (roughly 60%). Both state and local governments lag behind despite being subject to several federal mandates and provisions that encourage the implementation of such a program.

A comprehensive ethics and compliance program includes all of the following elements: a code of conduct, a way to report observed viola-



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tions anonymously, a mechanism for employees to seek advice on ethical matters, training for all employees on code of conduct and ethics policies, a mechanism to discipline employees who violate the code or ethics policies, and evaluation of ethical behavior as a part of regular performance appraisals.

The NGES report indicates that government ethics and compliance programs, when they do exist, contain more legalistic and compliance-oriented program resources that emphasize what employees must avoid rather than imparting the ethical framework of what employees should do. As a result, most government programs feature elements mandated by law or regulation (code, hotline, and discipline). These elements only describe and punish

inappropriate conduct and invite behavior that circumscribes the letter but not the intent of the law or regulation. Government agencies are also less likely to have implemented the more critical aspects of an effective ethical culture, such as ethics training, evaluation, advice lines that offer guidance, and demonstrable actions that reinforce ethical conduct that does occur.

Because of the barriers to implementing an effective ethics and compliance program, less than 20% of government organizations have a well-implemented program that contains all of the required elements. Thus, an astounding 80% of government organizations are missing the benefits of having an ethical culture:

- ◆ Employees willing to seek ethics advice,

- ◆ Employees receiving positive feedback for ethical conduct,
- ◆ Employees who are prepared to handle situations that invite misconduct,
- ◆ Employees who can question the decisions of management without fear of reprisal,
- ◆ Employees being rewarded for following ethical standards,
- ◆ Employees who achieve success through questionable means not getting rewarded,
- ◆ Employees who feel positive about the organization's efforts to encourage ethical conduct, and
- ◆ Employees who feel their organization is an ethical workplace.

In fact, the NGES reports that only 8% of government workplaces have strong ethical cultures, and the trend since 2003 is unfavorable—



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half of government workplaces have weak or weak-leaning ethical cultures, a noticeable increase over 2003 (40%) and 2005 (47%). One of the largest factors contributing to this small percentage of organizations with ethical cultures is the absence of embedded ethical values in so many government workplaces. Only 8% of government employees indicated that their workplace was effective in living the values of the orga-

nization in daily decisions.

More than one-third of employees say their government organization doesn't put its values into practice by using socially responsible decision making. Additionally, 32% of government employees believe leaders don't consider the effects of their decisions on the environment, and 29% don't believe government leaders consider the effects their decisions will have on the future.

Mirroring previous findings in the public sector, NGES reports that well-implemented, comprehensive ethics and compliance programs have a very positive effect of reducing ethical misbehavior. Even more important is a strong agency-wide ethical culture that involves:

- 1. Ethical leadership.** An appropriate tone at the top and belief that leaders can be trusted to do the right thing.
- 2. Supervisor reinforcement.** Individuals directly above the employee in the organization's hierarchy set a good example and encourage ethical behavior.
- 3. Peer commitment to ethics.** Ethical actions of peers support

employees who "do the right thing."

- 4. Embedded ethical values.** Values promoted through informal communications channels are complementary and consistent with a government's official values.

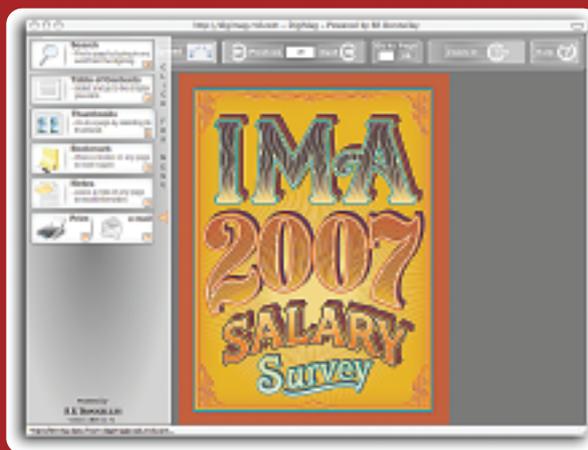
All citizens should encourage legislators at all levels of government to pass laws that extend the ethics-related requirements of Sarbanes-Oxley to government agencies. All of us should also demonstrate through the ballot box our unwillingness to accept anything less than a strong ethical climate at every government agency. ■

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