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Misplaced trust in high-level employees: Ethical challenges in the public sector

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Since the beginning of time, corruption has been a cancer of society and led to the decline of many great civilizations. "Corruption began life as a moral and corporeal concept and has evolved into a political, legal and economic phenomenon."[1] It is a fact that to control corruption, we must understand the causes and symptoms of this pervasive disease, even if we cannot completely eliminate the cancer because there is essentially no "cure." "Public sector corruption is a symptom of failed governance," where the norms, traditions, and institutions become entrenched in a culture of unethical conduct and abuse of power.[2]

As a seasoned public interest attorney and ethics professional, I believe that unethical conduct is on the rise in the public sector. All organizations face common challenges with waste, fraud, abuse, unethical conduct, and corruption. However, state and local corruption schemes are becoming more sophisticated with advanced technology, and citizen distrust and disengagement continue to increase.[3] Ethics and corruption issues can often be very complex and difficult to navigate. We hear so many stories today in the news that cause us to cringe and shake our heads in disbelief; and the misuse of governmental powers across local and state government is rampant. Corruption becomes prevalent when high-level employees think of themselves before the organization. More importantly, high-level employees hold influential roles of trust in our organizations, and their unethical behavior can negatively affect our organizations and how we do business with the public. The media's ongoing and sometimes painful portrayal of bad behavior also lends to the public's diminishing trust in our organizations.

Exposing fraud committed by high-level employees

Fraud committed by high-level and otherwise ethical employees can be difficult to detect and prosecute due to their statuses and positions. Unfortunately, in highly politicized environments, a few indictments and prosecutions do not produce real, lasting change. Undetected fraud leads to loss of public resources and fosters a culture of corruption, as seen from the few cases highlighted below.

In the first case, the comptroller of a small town committed the largest municipal fraud in history.[4] She used her position to transfer funds from the small town's money market account to various other city bank accounts.[5] She would repeatedly transfer city funds into her private account, and over a period of 20 years, "used the money to pay for her personal and private business expenses, including horse farming operations, personal credit card payments, real estate and vehicles." A city clerk found a problem in the city's accounts and she reported the irregularities to the town's mayor, who then contacted the Federal Bureau of Investigation.[6] Six months later, agents arrested the comptroller for misappropriating more than $53 million in city funds. She was indicted, pleaded guilty, and was sentenced to nearly 20 years in prison.[7]

In another example, an agent with the Georgia Bureau of Investigation (GBI) office was the 10th highest ranking official in her agency, with 22-year tenure, and was paid $100,000 annually.[8] The agent supervised two GBI units and was granted access to a purchase card due to her status. That card was only to be used for expenses related to her role and agency. The agent was investigated for 300 personal purchases made with the purchase card in violation of state law. She was indicted and pleaded guilty to racketeering and violating the oath of a public officer.

In the final example, a well-respected procurement officer served in local government for more than 14 years and oversaw billions of dollars' worth of city expenditures.[9] He attended prestigious schools and served as a former partner at a renowned law firm. The officer served at a high level in the organization and received more than $250,000 annually in his role as procurement officer. He was responsible for overseeing the entity's purchasing department, which included every single major contract in the city. As a result of a federal investigation, he was charged with conspiracy and committing bribery from receiving bribes from a contractor doing business with the entity. He ultimately pleaded guilty and was sentenced to two years and three months in prison.

Key factors leading to fraud

There are common factors that lead to fraud committed by high-level employees in the public sector: a misplaced culture of trust, internal control weaknesses, improper segregation of duties, lack of appropriate oversight, improper delegation of supervisory approval authority, and inadequate reconciliation and approval responsibilities.[10] When poor ethical decisions are made, theft and embezzlement can occur, which results in tremendous loss to an organization. Common rationalizations for unethical conduct are:[11]

- "Everyone does it. The company can afford it."

- "I was only borrowing the money. I'll pay it back."

- "It's a perk of the job."

- "They owe it to me. I deserve to get paid more."

Government service often comes with significantly lower compensation than that in the private sector, even for high-level employees, and many of these rationalizations are easy for such offenders to justify. High-level employees who commit fraud or engage in unethical conduct often forget their sense of responsibility to their role as public servants, and they allow power, greed, and opportunity to misplace their obligation to the organization and the public.

Practical considerations

New data-driven approaches may be more effective in fighting corruption than traditional methods that rely on whistleblower tips. For best results, common problems of fraud, waste, abuse, and corruption should be addressed collaboratively across public agencies by pooling resources. For example, creation of a database of past municipal corruption cases could provide useful information to track trends and guide future investigative efforts.[12] The database could also be used to monitor at-risk areas to identify problems at an early stage. Likewise, strong working relationships and collaboration of resources and information between government agencies are powerful tools that can be used to eradicate fraud and misconduct.

Fail to plan, plan to fail

I do not believe that any organization plans for its employees to become corrupt, particularly not persons serving at the highest level of government. Nonetheless, it happens more often than never. It is important that planning occurs from the onset to minimize unethical conduct. Government entities must devote adequate resources and funding to ethics and compliance programs to build a solid ethical culture. Additionally, these entities must establish appropriate internal controls and not allow high-level employees to have unbridled discretion and unchecked power. It is also dangerous for government organizations to let unethical misconduct persist and ignore red flags. Preventing ethics problems is cheaper and easier than a big public scandal; therefore, addressing fraud and unethical behavior early must be a priority.

Final thoughts

Ethical scandals continue to rise in the public sector, and an organization's response dictates the outcome, positive or negative. Public officials must be held accountable, and municipalities should appropriately address ethical misconduct to rebuild the public's trust. In summary, without a strong ethics and anti-corruption program, citizens lose their faith that a municipality is acting in their best interests. Cynicism and suspicion replace trust and confidence in public officials, and the entire government-community relationship suffers when a culture of corruption persists among high-level employees.

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3 Center for the Advancement of Public Integrity, *Taking a Byte Out of Corruption: A Data Analytic Framework for Cities to Fight Fraud, Cut Costs, and Promote Integrity*, Columbia Law School, Columbia University, 2017, https://bit.ly/2DemsTh.

4 Dick Carozza, "Small town, huge fraud, insightful documentary," Fraud Magazine, January/February 2018, https://bit.ly/3edEJgp.

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7 U.S. Department of Justice, "Former Dixon Comptroller Rita Crundwell Sentenced."

8 Jabu M. Sengova, Carlos R. Santiago, and Jenna Wiese, "When Ethical People Make Unethical Decisions: Lessons, Reflections and Takeaways from the Public Sector," presentation, Society of Corporate Compliance and Ethics 18th Annual Compliance & Ethics Institute, September 15, 2019, https://bit.ly/2Z7Y6mG.

9 Jabu M. Sengova, "When Ethical People Make Unethical Decisions."

10 "The Fraud Triangle," Association of Government Accountants, last accessed July 13, 2020, https://bit.ly/2AVgztz.

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12 Center for the Advancement of Public Integrity, "Taking a Byte Out of Corruption."