

# Trustworthiness

A Reinvention of Our Approach to Ethics  
at the Government Finance Officers Association

Steven Gibson, City of Rock Hill



# A Litany of Allegations

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Robert Bentley (Alabama governor affair)

Uber scandal (sexual harassment scandal)

Apple scandal (battery gate)

Volkswagen scandal (emissions gate)

Lance Armstrong

Rita Crundwell – City of Dixon IL controller (and champion quarter horse breeder) \$53.7m (city budget is \$20m)

BP scandal

Mark Sanford

Bernie Madoff

Lehman Brothers

Arthur Anderson (Enron)

College Admissions scandal

Roger Ailes sexual harassment scandal

Clinton / Lewinski

NY Rep. George Santos fraud, money laundering, false statements, theft of public funds

NY Gov Eliot Spitzer prostitution sting

NY state rep Anthony Weiner

And the list goes on...

# Trust in Government has Declined

Americans' Trust in Levels of Government vs. 2020 and Historical Average

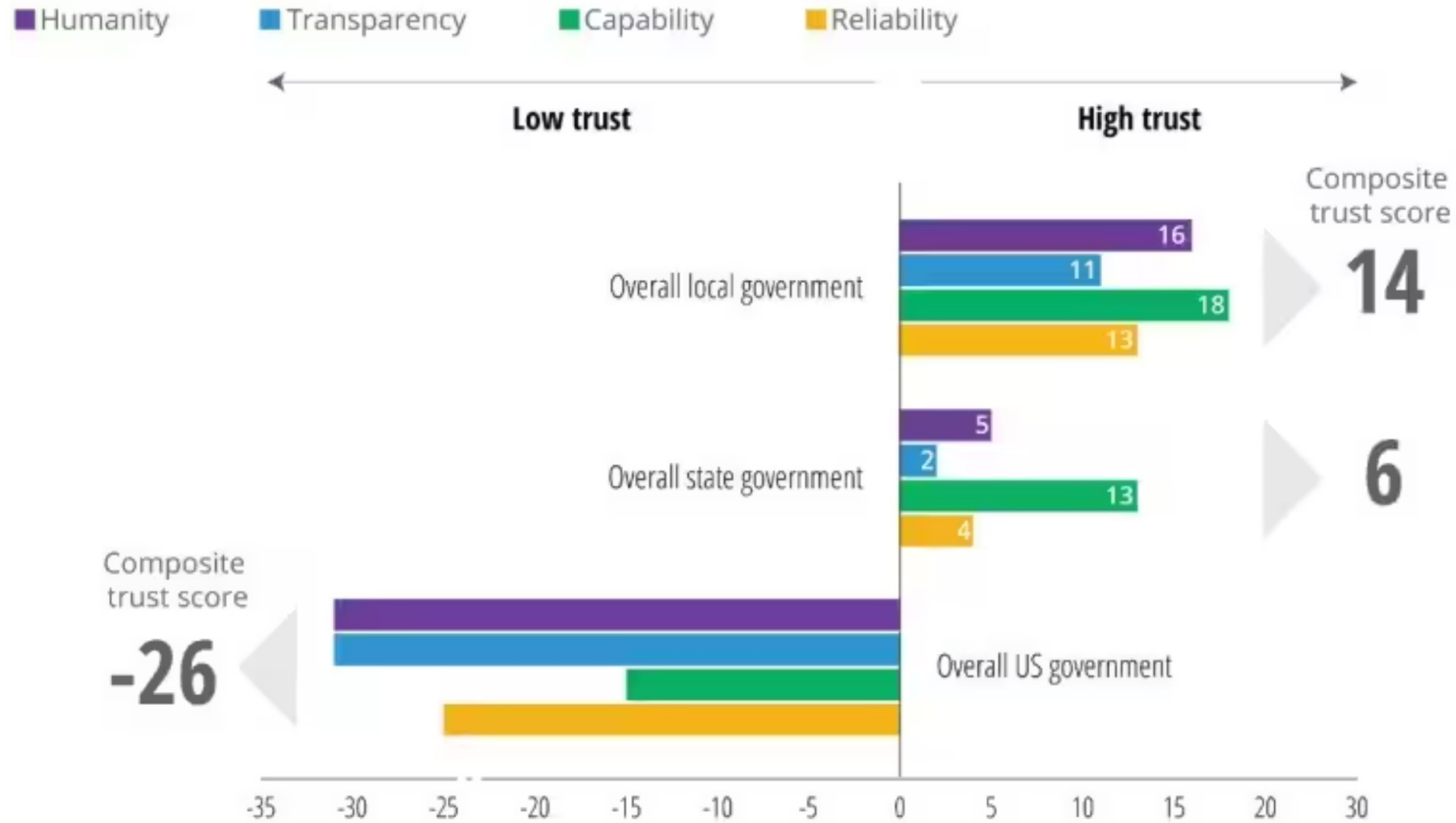
% A great deal/fair amount of trust

	1997-2021 average	2020	2021
	%	%	%
<b>Federal government:</b>			
Federal government handling international problems	59	48	39
Federal government handling domestic problems	53	41	39
<b>Federal government branches:</b>			
Judicial branch	68	67	54
Executive branch	52	43	44
Legislative branch	47	33	37
<b>State and local governments:</b>			
State government handling state problems	62	60	57
Local government handling local problems	70	71	66

GALLUP



# Local governments are the most trusted among the surveyed respondents

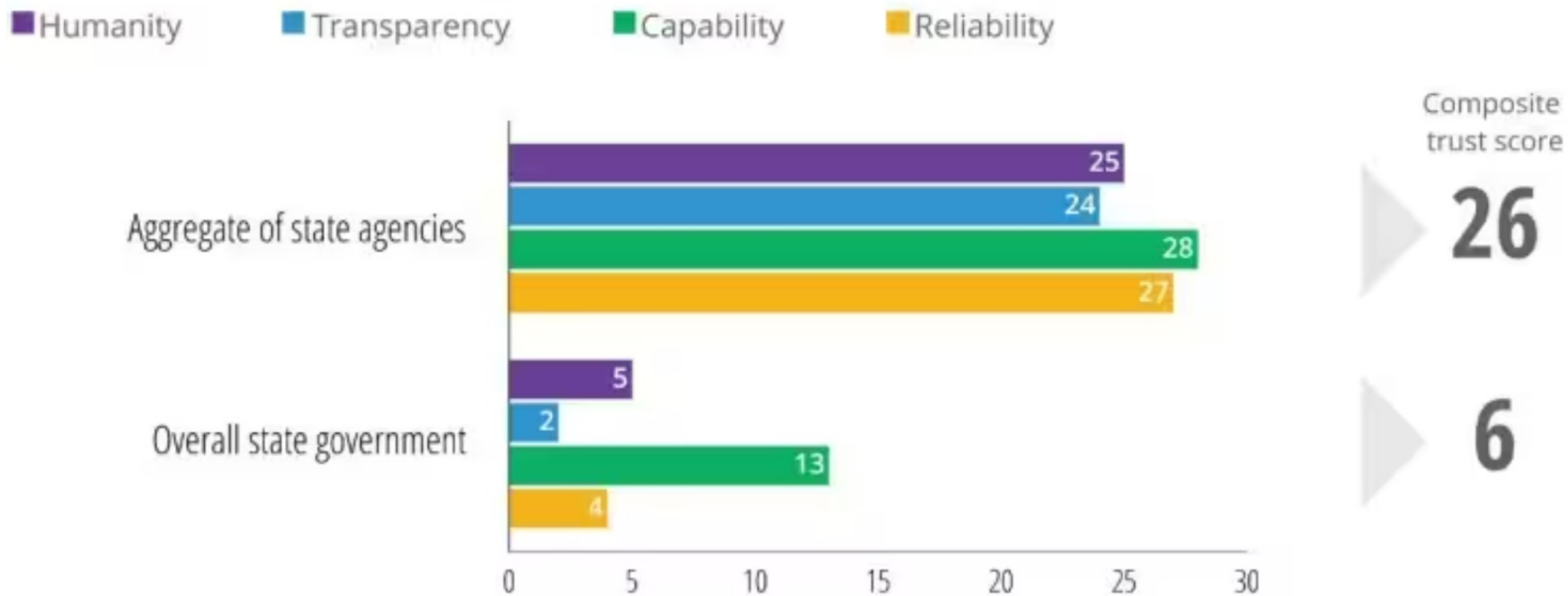


Note: The score for overall US government is based on the Deloitte federal trust survey conducted in November 2020 and taken from William D. Eggers et al., *Rebuilding trust in government: Four signals that can help improve citizen trust and engagement*, Deloitte Insights, March 9, 2021.

Source: Deloitte analysis.

FIGURE 3

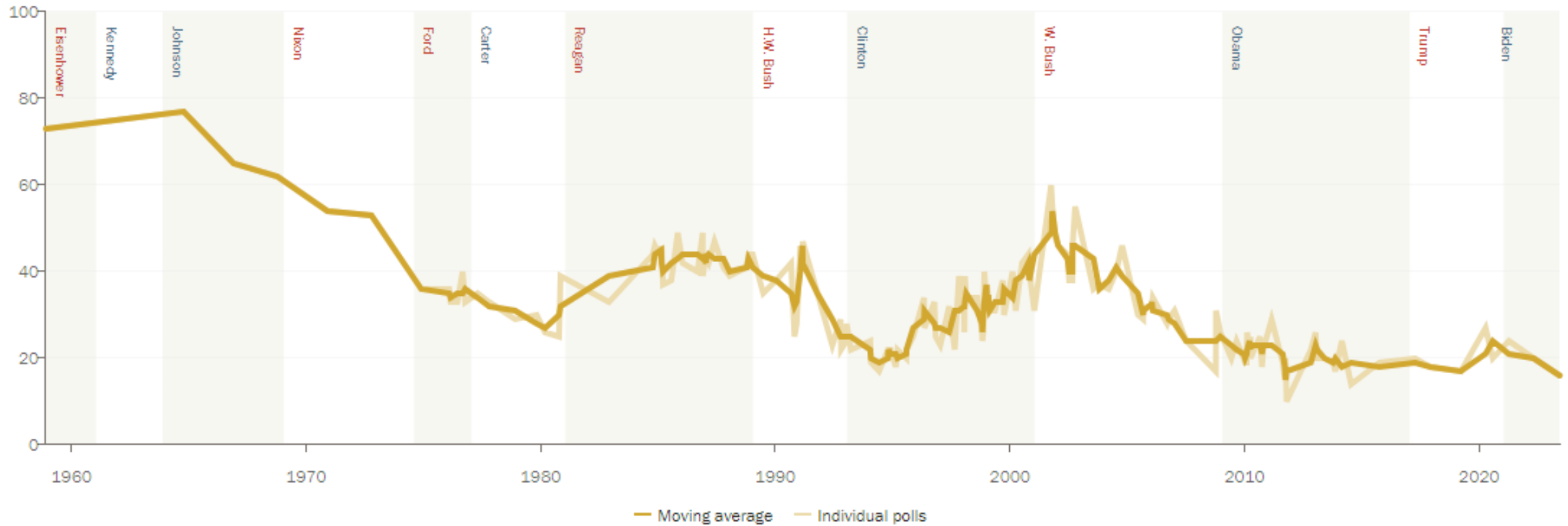
## Individual agencies are trusted by respondents more than the overall government



Source: Deloitte analysis.

## Public trust in government near historic lows

*% who say they trust the government to do what is right just about always/most of the time*



The New Approach is Focused on Our Most Valuable Asset...

***Trust***





## Typical Codes of Ethics

- Typical Codes of Ethics have the feel of a contract or policy-based document describing:
  - Do's
  - Don'ts
  - Consequences

## CODE OF ETHICS [YOUR COMPANY NAME]

[YOUR COMPANY NAME] will conduct its business honestly and ethically wherever we operate in the world. We will constantly improve the quality of our services, products and operations and will create a reputation for honesty, fairness, respect, responsibility, integrity, trust and sound business judgment. No illegal or unethical conduct on the part of officers, directors, employees or affiliates is in the company's best interest. [YOUR COMPANY NAME] will not compromise its principles for short-term advantage. The ethical performance of this company is the sum of the ethics of the men and women who work here. Thus, we are all expected to adhere to high standards of personal integrity.

Officers, directors, and employees of the company must never permit their personal interests to conflict, or appear to conflict, with the interests of the company, its clients or affiliates. Officers, directors and employees must be particularly careful to avoid representing [YOUR COMPANY NAME] in any transaction with others with whom there is any outside business affiliation or relationship. Officers, directors, and employees shall avoid using their company contacts to advance their private business or personal interests at the expense of the company, its clients or affiliates.

No bribes, kickbacks or other similar remuneration or consideration shall be given to any person or organization in order to attract or influence business activity. Officers, directors and employees shall avoid gifts, gratuities, fees, bonuses or excessive entertainment, in order to attract or influence business activity.

Officers, directors and employees of [YOUR COMPANY NAME] will often come into contact with, or have possession of, proprietary, confidential or business-sensitive information and must take appropriate steps to assure that such information is strictly safeguarded. This information – whether it is on behalf of our company or any of our clients or affiliates – could include strategic business plans, operating results, marketing strategies, customer lists, personnel records, upcoming acquisitions and divestitures, new investments, and manufacturing costs, processes and methods. Proprietary, confidential and sensitive business information about this company, other companies, individuals and entities should be treated with sensitivity and discretion and only be disseminated on a need-to-know basis.

Misuse of material inside information in connection with trading in the company's securities can expose an individual to civil liability and penalties under the [ACT]. Under this Act, directors, officers, and employees in possession of material information not available to the public are "insiders." Spouses, friends, suppliers, brokers, and others outside the company who may have acquired the information directly or indirectly from a director, officer or employee are also "insiders." The Act prohibits insiders from trading in, or recommending the sale or purchase of, the company's securities, while such inside information is regarded as "material", or if it is important enough to influence you or any other person in the purchase or sale of securities of any company with which we do business, which could be affected by the inside information. The following guidelines should be followed in dealing with inside information:

- Until the material information has been publicly released by the company, an employee must not disclose it to anyone except those within the company whose positions require use of the information.
- Employees must not buy or sell the company's securities when they have knowledge of material information concerning the company until it has been disclosed to the public and the public has had sufficient time to absorb the information.
- Employees shall not buy or sell securities of another corporation, the value of which is likely to be affected by an action by the company of which the employee is aware and which has not been publicly disclosed.



## Trust Aligns Key Member Values

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



# 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

# INTEGRITY AND HONESTY

Integrity and honesty are the foundation on which trustworthiness is built. I, as a member of a public finance office, am in a unique position where my influence over the allocation of limited resources and the fiscal future of my community requires the highest standard of integrity and honesty. It means people can believe what I say, I act in accordance with my deepest values, I put principle ahead of my own ego, and I do the right thing even when it is hard.

## How I Show Integrity and Honesty

- Manage public finances honestly and transparently. I will: exercise prudence in the management of public funds; disclose the information needed for local officials and the public to understand the financial condition of their community; uphold the letter and the spirit of the law; avoid conflicts of interest; refuse gifts or favors that could be perceived to influence my professional duties; and not seek personal gain in conduct of the public's business. I will develop the policies, procedures, and systems necessary to ensure honest and transparent financial management in my government.
- Stand for my values. Integrity is the integration of my values with my behavior. I will define the values that drive how I conduct financial management in service to my community and be prepared to give voice to those values when faced with pressure to do the wrong thing. I will also be prepared to give voice to those values when I see others conducting themselves in a way that is detrimental to the future of the community I serve.
- Be open to new ideas. Openness is essential to integrity. Openness means I am willing to admit that I may not always be right. I am willing to consider new information or ideas – they could prove essential to the continued safety, livability, and vitality of my community.

# More Effective

“The focus on aligning members' behavior with the value they individually place on trust is distinct in comparison to existing approaches. I think this will result in more successful retention and use, not just rote memorization.”

- Joseph Kloiber, Finance  
Director/Treasurer, City of Columbia  
Heights, MN





Advances in our understanding of human behavior present an opportunity to develop a more powerful approach to ethics



# Cognitive Biases

## Overconfidence Bias



50% of business people surveyed thought they were in the top 10% of most ethical people.



Which line, A, B, or C, is the same length as line X?



Social  
Pressures



# 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.



# The Conventional Wisdom

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~~“Trust takes a lifetime  
to build and seconds  
to destroy”~~



Peak Experiences Matter Most



# Examples of Peak Experiences

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**Zero** tolerance for unethical behavior

**Owning** mistakes

Delivering **bad news** well





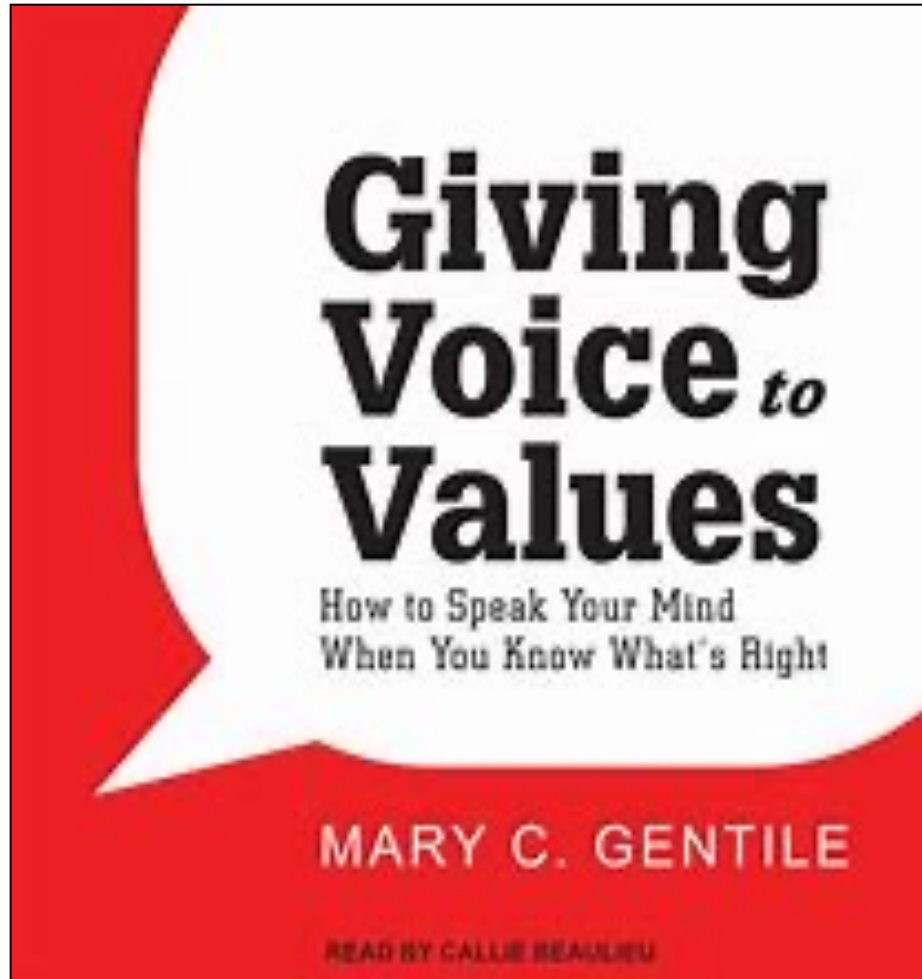
# How to Deliver Bad News Well

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- Be prompt
- Be straight
- Provide solutions

# Strengthen Your Integrity By Standing for your 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?





Consider this video to share the new code in your organization

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- [www.gfoa.org/ethics](http://www.gfoa.org/ethics)



# Learning from the Room's Experience

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- Tell a story about highpoint in your career when you built trust with elected officials, co-workers, or the public and you are proud of what you accomplished. What is that story and what did you do?
  - 7 to 10 minutes
- Listeners, pay attention to what made success possible.
- We'll collect insights from all the groups
- What opportunities do you have to apply the insights in your career?





What questions do you have about GFOA's new approach to ethics?  
What support do you need?

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1 minute silent contemplation

2 minutes to talk with a partner

4 minutes to talk with a group of four

Share your top conclusions

## Case Study - Gift Policy Guideline

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**The Ethical Issue: Following your organization's gift policy while maintaining a good working relationship with your boss.**

The Scenario:

- Susan McMasters is the Treasurer for a City in Ontario. She is attending GFOA's 113<sup>th</sup> annual conference
- Also attending the conference is the City's Finance Director, John Steward.
- John is Susan's boss.





## Gift Policy Guidance (continued 2)

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- City has clear gift policy: employees are not allowed to accept anything valued at more than \$25 from any vendor or contractor for the City.
- Susan receives invitation from City's Financial Advisor to attend a steak dinner and the Los Angeles Angels of Anaheim baseball game during the conference. Due to the policy, Susan politely declines the event.
- On the flight to Los Angeles, John asks Susan whether she will be attending the dinner and ballgame. Susan informs John that, under their policy, she couldn't accept the invitation.



## Gift Policy Guideline (continued 3)

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- John tells Susan that at conferences like this, everyone accepts those invitations and she shouldn't worry about those types of situations.
- The City's policy, he informs her, is aimed at stopping corruption and awarding contracts based upon nepotism or personal relationships.



## Gift Policy Guideline (continued 4)

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- Susan faces a dilemma -- how to comply with the City's clear ethics guidelines and still remain on a good working relationship with her boss.
- What is the position Susan is expected to take?
- What is at stake or risk to all involved?
- What is the reason and rationalization Susan is likely to go through?
- How should Susan act on her values?



# 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?