

## CDB Section 11 – Ethics & Controls

Well, welcome back to Ethics and Control, the CDB Section 11. Let's go through the objectives. Number one is to understand ethical responsibilities of a professional bookkeeper. Number two, apply ethical principles to bookkeeping scenarios. Number three, identified types of internal controls. And number four, recognize different internal controls to enforce as a professional bookkeeper.

You cannot teach ethics to people. Somebody is either ethical or they're not. A lot of this stuff blurs the lines, but we want to make sure that we always err on the side of caution and that we're doing everything. So, what I want to do here is just to give you an exposure to what we consider to be a part of the ethics. Obviously, ethics extends a very vast section and there's no way to address every individual scenario. When in doubt, don't do it or do it, expose more than what we think that we should.

So, let's talk about ethics. Professional responsibility, first and foremost. Ethical and professional practices. Maintain the public's confidence. Cooperate with other bookkeepers. Do the right thing. Make sure that we are prepared.

Number two, obligation, serve and honor the public's trust. Demonstrate a commitment to professionalism. That means we're always growing. Doing things what you're doing right now, learning, getting your certifications, always putting your best foot forward. Always learning, right?

Integrity, public trust before personal gain. Accommodates inadvertent errors and does not accommodate deceit and subordination of principle. Okay.

Objectivity, impartial, intellectual honesty, free of conflicts of interest. So, if you're working with a competitor and let's say that you're working with somebody and their competitor comes in and it would be a great client, probably not something for you to be working on. Maybe unless you went to your current client and ask for their permission. That would be an example of objectivity.

Due care, observe ethical and technical standards, improve competency and quality of services, complete services to the best of your ability. Do what we're supposed to do. That's really what that is.

Compliance, comply with all ethical principles. Comply with all authorized requests from the IRS, taxing, all that good stuff. Doing the right thing. Obeying the law. All these things go above and beyond ethics. But those are all things that we should do.

Now, internal controls. Why did we bolt these together? Well, because they kind of have a little bit, these are things that we can do to prevent, right? So, talking about preventative, prevents the occurrence or at least at dissuades of undesirable events. So, an example here would be

separation or segregation of duties, proper authorization, adequate documentation, making sure that you never have the ability to allow money to go out of an organization.

So, no check signing authority, no clicking the button to say that money can go out through it and electronic bill pay. You can facilitate the process but you cannot approve it. That's just an example of things that you should not be doing.

Number two, directive, causes a desirable event to occur. All right, this is where we have guidelines. We have trainings. We have incentives. We have promotion of whistleblowers, which we talked about in the previous section with the Sarbanes Oxley, that sort of thing, making sure that we're being proactive. That's an example of a directive internal control.

And detective. This is where we locate errors after they have occurred. So, examples here would be a physical inventory count, bank reconciliations, checking the accounts receivable, age balance. I mean there's a lot of different things that we can do to detect things.

And then corrective. Correcting errors that have been detected and most important, analyzing those afterwards to say, "How could we have done a better job of this?"

It's a pretty short section here. Be ethical, right? So, as we get ready for the ethics and control tests, understand the different internal control requirements and how to implement them. Study ethical principles, and then there's going to be some true-false and some recall level and multiple application level types of questions.

That is Ethics and Control Test for CDB. Go take that exam. I am proud of you. Great work.