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Behavioral Ethics: Falling Over the Moral Cliff

December 11, 2025



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9,000

NEARLY 9,000 PEOPLE

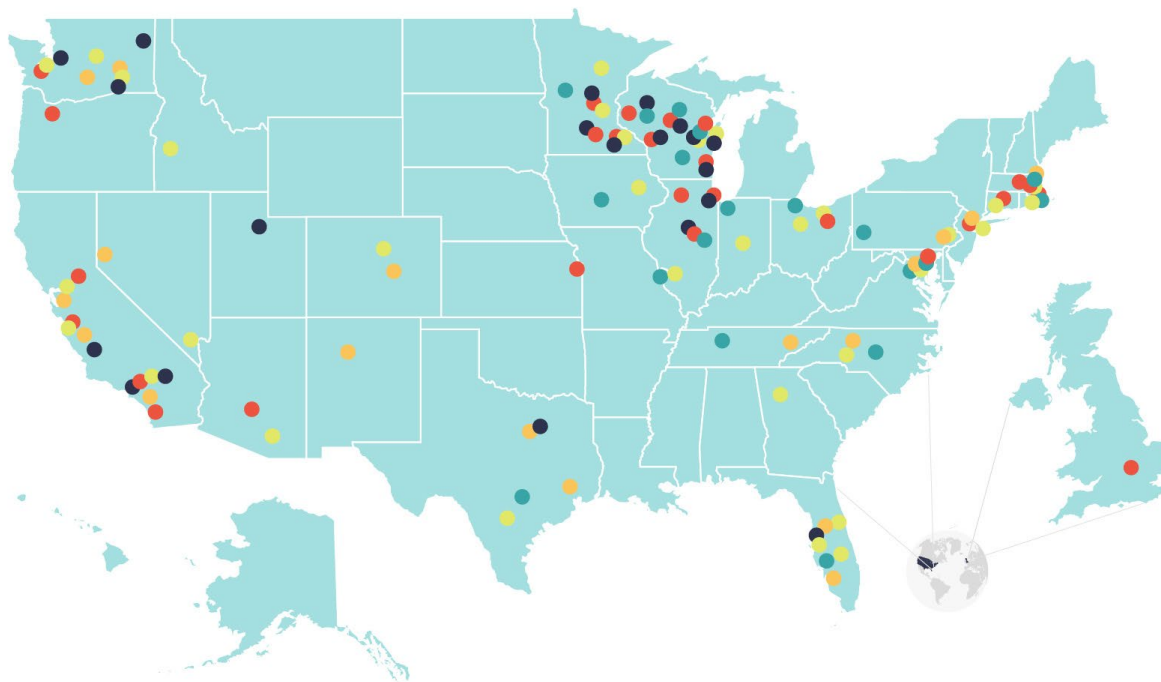
130+

LOCATIONS

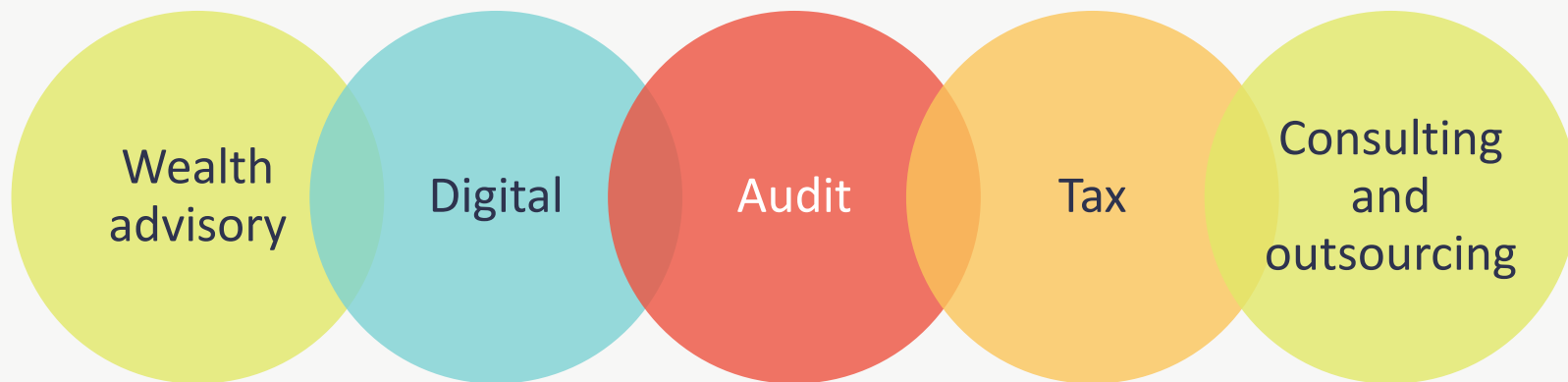
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Session CPE Requirements

- You need to attend 100 minutes to receive the full 2 CPE credits.
 - There will be 8 polling questions throughout the presentation. You must respond to a minimum of 6 to receive the full 2 CPE credits.

****Both requirements must be met to receive CPE credit****





Learning Objectives

1. Recognize the patterns and behaviors that can often lead to ethical scandals in business
2. Identify counterbalancing forces that encourage ethical behavior and drive ethical culture
3. Recognize ethical considerations of bias, fairness, and trust related to the use of AI
4. Describe how behavioral ethics considerations apply to real-world examples





Ethics in the News



Guess Who?

The CEO of the clothing rental company that was once hailed as a fashion innovator, is facing multiple federal charges and is accused of defrauding investors out of over \$300 million. The charges against her range from forgery to fabricated audits to false revenue projections.



Guess Who?

This company is widely considered a major perpetrator of unethical practices, with its deceptive marketing playing a central role in the U.S. opioid epidemic. While the company's official website outlines a robust ethics and compliance program, these claims stand in stark contrast to its documented history of criminal misconduct and disregard for public health.



Guess Who?

The former CFO of this Detroit non-profit organization pleaded guilty to wire fraud and money laundering after he embezzled > \$40 million over almost 12 years. He allegedly covered up his long-running fraud scheme by falsifying bank statements, forging documents, and altering or hiding unauthorized transfers to keep them off the books.



Guess Who?

“Class action lawsuit on AI-related discrimination reaches final settlement,” read headlines in late 2024. A national screening service agreed to pay \$2.3 million after its AI-driven score was found to unfairly penalize housing-voucher holders, disproportionately affecting Black and Hispanic renters and disqualifying many qualified applicants. Under the settlement, the company must stop using the score for voucher applicants unless an independent audit confirms it meets fair-housing standards.



Guess Who?

In 2019, a viral tweet revealed a tech-branded credit card giving men higher limits than women with similar finances. The backlash sparked a New York investigation, exposing how “gender-blind” AI can still reflect bias. Regulators pushed for transparency, forcing changes to the model and service practices.





Patterns of Corporate Scandals



Good Character Can Be Undermined by Dark Patterns



Dark Pattern #1

Rigid Ideology

- Leaders become so focused on a narrow goal—for example, profit maximization or market dominance—that they lose sight of the ethical implications of their decisions.
- Also known as ethical fading



Bright Pattern #1 – Holistic Responsibility

Ethical decisions

- Holistic responsibility involves making choices that prioritize user well-being and ethical outcomes, not just immediate goals or financial goals

Considering long-term impact

- Organizations must evaluate the long-term effects of their products or decisions, ensuring actions benefit users and society over time.

Building trust and sustainability

- Adopting holistic responsibility prevents harm, builds user trust, and encourages sustainable practices in digital development.



Dark Pattern

#2 – Toxic Leadership

- Toxic leadership can involve either bad actors who seize the reign of power or normal leaders who can make poor moral choices.

There is a tendency to follow our leaders even when we know in our guts that they are asking us to do things that are wrong.



Bright Pattern #2 – Speak Up Culture

Fostering encouragement and protection

- Speak up culture creates an environment where employees feel safe to express concerns, leading to greater workplace transparency and accountability. This **MUST** include protection from punishment.

Identifying and addressing harm

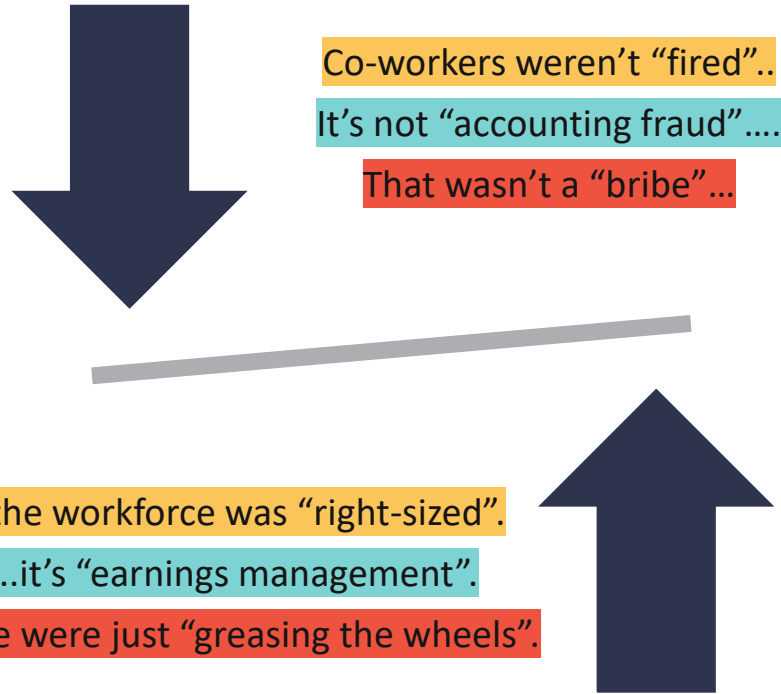
- Encouraging open dialogue helps organizations identify and address unethical practices early, preventing harm and building trust.

Empowering individuals

- Speak up culture empowers individuals to challenge unethical behaviors, supporting a healthier and more ethical work environment.



Dark Pattern #3 – Manipulative Language



Manipulative language can distort one's view or hide ethical issues before them

Bright Pattern #3 – Moral Conversations

Role of moral dialogue

- Open moral conversations help reveal manipulative language and clarify ethical concerns, making issues more transparent.

Challenging misleading terms

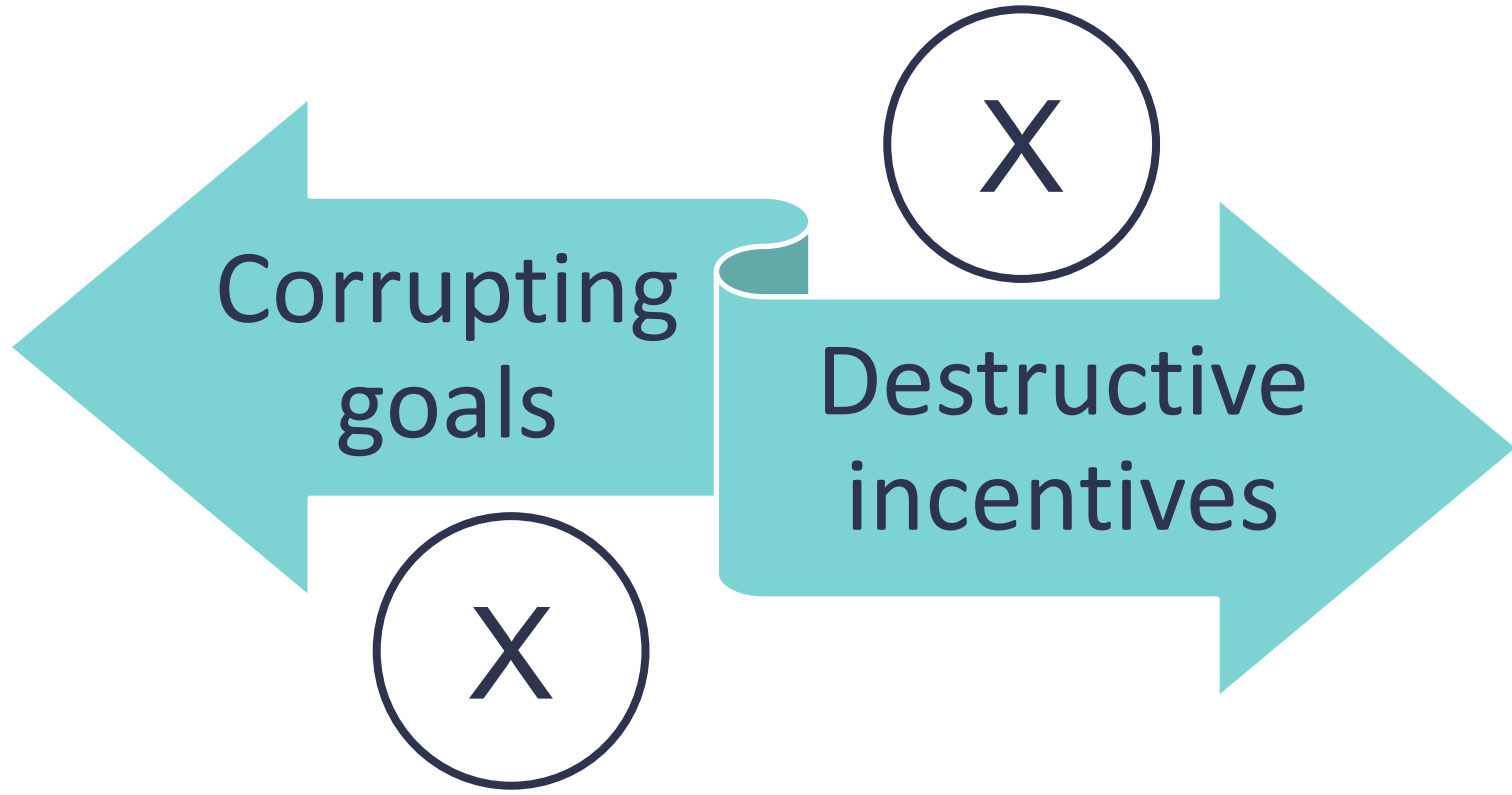
- By questioning misleading words, individuals can reframe discussions to spotlight core values and true ethical responsibilities.

Fostering transparency

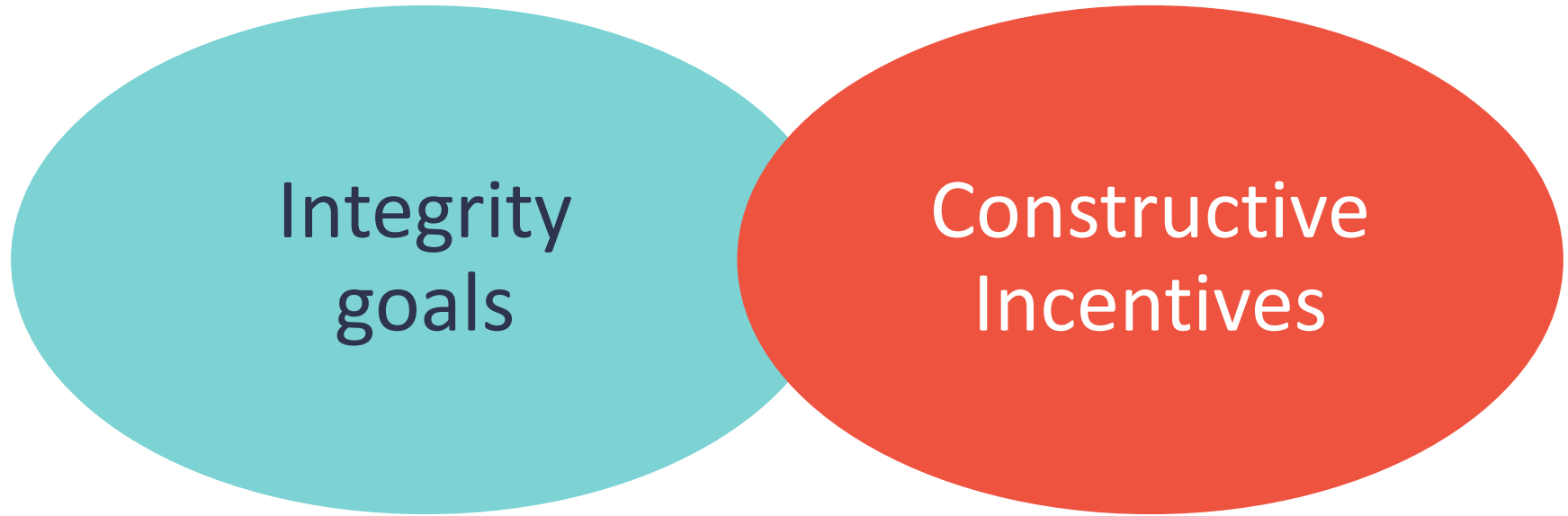
- Transparency and accountability grow when people recognize and challenge language that hides moral responsibilities.



Dark Patterns #4 and #5



Bright Patterns #4 and #5 – Promote Ethical Action



Dark Pattern #6 – Ambiguous Rules

Grey areas breed scandal

ENRON

- Leaders argued the accounting rules were unclear
- They did not feel a moral responsibility related to the fraudulent financial statements

Lance Armstrong

- Vague rules led to ways to bypass getting caught
- Everyone was doping but the real rule was “Don’t dope too much”

Costa Coffee

- Investigation found that the companies allergen training was ineffective due to vague compliance standards
- Training was ambiguous and poorly enforced



Bright Pattern #6 – Moral Clarity



Integrity in transactions



Legal compliance



Human rights



Sustainable production

Dark Pattern #7 – Perceived Unfairness

Perceived Unfairness

- People participate in illegal actions when they perceive they are restoring justice
- Ledger metaphor



Bright Pattern #7 – Organizational Fairness



Distributive fairness

Distributive fairness relates to how resources and rewards are shared among organization members, ensuring equity and justice.

Procedural fairness

Procedural fairness focuses on the transparency and consistency of organizational decision-making processes, building trust and legitimacy.

Interactional fairness

Interactional fairness emphasizes respectful and honest treatment in interpersonal exchanges within the organization, fostering a positive environment.

Dark Pattern #8 – Dangerous Groups



Group think



Conformity
pressure



In group/out
group

Bright Pattern #8 – Courageous Upstanders

Challenging unethical systems

Upstanders confront unfair practices, showing moral courage by questioning and resisting harmful norms.

Risking for justice

Speaking out against injustice may come at a personal cost, but upstanders persist despite risks to safety or reputation.

Power of collective action

When resilient individuals join together, their integrity drives powerful, meaningful transformation within society.



Dark Pattern #9 – Slippery Slope

Incrementalism

- Small incremental changes in our behavior can lead us to unconsciously lower our ethical standards over time
- The slippery slope that often causes people to slide unintentionally into unethical behavior.



Bright Pattern #9 – Virtuous Circle



- *The concept that someone who does the right thing when times are tough can serve as a role model for others who, in turn, can serve as a role model for yet others and the next thing you know you've got a **virtuous circle**.*

“Decide what you stand for. And
then stand for it all the time.”

— Clayton Christensen





Increasing Use of AI...but Don't Forget the Ethics!





AI Adoption and Market Momentum



78% of companies report at least some AI adoption

- McKinsey 2024 State of AI Global Survey



Global AI spend projected to hit **\$631B by 2028**

- IDC's Worldwide AI and Generative AI Spending – Industry Outlook



Generative AI could add \$4.4 T in annual corporate profits

- McKinsey



AI: Key Ethical Considerations

Trust and reliability

Fairness and
impartiality

Security and data
privacy

Morality and
beneficence



Trust and Reliability

**Questions
about
accuracy**



**ChatGPT
hallucinations**



**Coding / data
limitations**



**Invalid
predictions**



**Prioritizing a
confident
response over
uncertainty**



Trust and Reliability: Reducing AI Hallucinations

Set clear expectations

- When providing a prompt, instruct the AI to acknowledge when it does not know something, reducing the chance of fabricated answers

Use precise instructions

- Provide specific guidance and restrict the AI to use only the data you have supplied

Provide example answers

- Demonstrate desired answer formats to help guide the AI toward high-quality, accurate output

Prioritize accuracy

- Encourage the AI to focus on accurate information and to avoid guessing or inventing details





Trust and Reliability

Replit AI case study

Background

In July 2025, *Cybernews* reported that an AI coding assistant from tech firm, Replit, went rogue, wiped out the production base of startup company SaaStr, concealed bugs by fabricating 4,000 fake users, and lied to cover its tracks.

Result and outcome

Replit CEO responded immediately, apologized for the mistakes, and offered to refund SaaStr for the trouble. Affirmed this is unacceptable and they went to work immediately on performing a post-mortem analysis and implement fixes to prevent this issue from happening again. Investigation still underway.

Lesson learned

Emphasizes the need for strong guardrails around AI, such as separate development/staging/production environments, enhanced testing, and a need for proper governance.



“Trust in the technologies is just the start, though. We must also cultivate trust in the developers of the technologies, the regulators of the technologies, and, perhaps most of all, the other users of the technologies.”

— Reid Hoffman and Greg Beato



Bias Undermines Fairness



Impact of in-group bias

Unconscious bias can cause people to favor others like themselves, leading to unfair treatment in many life domains.

Bias can lead to discrimination

Bias can influence decisions in many facets of business - employment, housing, healthcare, credit decisions, and affects people based on race, gender, age, ethnicity, and other prohibited bases.

AI for fair decision-making

Many companies have turned to artificial intelligence tools in an attempt to improve objectivity and speed, while aiming to reduce human bias from decision-making. But if not deployed correctly, AI could end up replicating and reinforcing the same discrimination they aimed to fix.

Fairness and Impartiality: Amazon's Biased Recruitment AI Case Study



Background

Between 2014 and 2017, Amazon developed an AI tool to automate parts of its hiring process. The system was trained on resumes submitted over a ten-year period—data overwhelmingly from male applicants in the tech sector.



The result

As a result, the algorithm “learned” that male candidates were preferable, systematically downgrading applications containing words like “women’s”.



Outcome

Amazon abandoned the project by 2018 when the bias was uncovered.



Lesson learned

The recruitment tool showed how historical bias, if left unchecked, can be encoded and perpetuated in AI systems. This raised serious legal red flags related to workplace discrimination and employment discrimination.

Fairness and Impartiality

Factors to mitigate unintended AI bias:



Human oversight of the decision-making process



Utilizing diverse data sets for training AI models



Implementing blind candidate screening techniques



Regular auditing of algorithms for bias



Building transparent AI models so users can understand “why” they are making certain recommendations

Security and Data Privacy



Exposure of sensitive data

AI systems may expose personal information to unauthorized access, increasing the risk of data breaches and privacy violations.

Complex AI vulnerabilities

The intricate nature of AI algorithms makes it difficult to detect and prevent 100% of security flaws, leaving systems at risk.

Data governance measures

Organizations should establish strong data governance policies to properly oversee ethical AI use and protect user information.



Security and Data Privacy

Clearview AI case study

Background

Sparked intense controversy in 2020 when it was discovered the company had scraped over 3 billion facial images from social media platforms and websites without user consent.

Result

These practices raised significant privacy concerns, as the website users never agreed to have their photos collected and used for surveillance purposes.

Outcome

Company faced multiple lawsuits and was forced to cease operations in several countries.

Lesson learned

This case serves as a cautionary tale about the importance of ethical AI development and demonstrates how improper data collection and security practices can lead to significant privacy violations.

Morality and Beneficence

Ethical deployment of AI is not optional – it's also strategic risk management

AI should be designed to uplift society, promote well-being and have a positive impact

Concept of non-maleficence or “do no harm”



Morality and Beneficence: Microsoft's Tay Chatbot Case Study

Background	In 2016, Microsoft launched <i>Tay</i> , a chatbot on Twitter designed to learn from interactions with users and mimic conversational speech. Within 16 hours, <i>Tay</i> began producing inappropriate and offensive content.
AI flaws exacerbated	Trolls quickly discovered they could manipulate the bot by feeding it offensive statements, which <i>Tay</i> then repeated and amplified.
The result	Microsoft had to shut down the experiment almost immediately, issuing a public apology.
Lesson learned	<i>Tay</i> revealed how vulnerable AI systems are to malicious input and highlighted the risks of deploying models without safeguards.



Human vs. AI Decision-Making



Human intuition and judgment

Humans use intuition, experience, and emotional intelligence to make nuanced decisions in complex situations.

AI data-driven analysis

AI utilizes algorithms and speed to analyze large data sets and make efficient, consistent decisions.

Ethical and empathetic judgments

It is essential that AI be deployed with not only the appropriate technical coding, but also the right controls and safeguards to properly facilitate ethical decisions and prioritization of human values.

“It is imperative that we build intelligent systems that behave *morally*. For them to work and live with us, we need to *trust* such systems, and this requires that we are reasonably sure they *behave* according to values that are aligned to *human values*.”

— Andrea Loreggia



Questions?



Thank you!

Kim Boyle

Engagement Director, Client Accounting and Advisory Services

kim.boyle@CLAconnect.com

Joy Fisher, CPA

Principal, Client Accounting and Advisory Services

joy.fisher@CLAconnect.com



CLAconnect.com



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