

Current Issues in Business Ethics - 2025

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Learning Objectives / Agenda

- Identify laws and rules which apply to finance and business professionals and the consequences for violating those laws and rules
- Identify and learn from current ethical violations
- Articulate examples and benefits of ethical leadership

An Introduction to Ethics

What do you think: When you hear the term ethics, do you think more of:

- a. Moral principles
- b. A clear set of rules
- c. Some of each
- d. Something else?



CHEMISTRY

THE ROMAN
EMPIRE

20TH CENTURY
POETRY

CALCULUS

SHAKESPEARE

I MARRIED



Merriam-Webster's definition of ethics

- A set of moral principles: a theory or system of moral values
 - The principles of conduct governing an individual or a group
 - A consciousness of moral importance
 - A guiding philosophy
-
- “Business ethics are the rules and moral principles that guide and govern an organization's behavior.”
 - Boz Bostrom

Conflicts of Interest







What do you think: According to the AICPA, the goal with threats due to conflicts of interest is to:

- a. Eliminate them completely
- b. Maximize them for gain
- c. Reduce them to an acceptable level

Conflicts of Interest - Three steps as prescribed by the AICPA's Code of Conduct:

- Identify a conflict of interest
- Evaluate a conflict of interest. Significance of threat/safeguards. If not at acceptable level, must apply more safeguards
 - Restructuring or segregating certain responsibilities and duties
 - Obtaining appropriate oversight
 - Withdrawing from the decision making process related to the matter giving rise to the conflict of interest
 - Consulting with third parties, such as a professional body, legal counsel, or another professional accountant
- If can't get to acceptable level, decline services or withdraw from the relationship
- Disclose a conflict of interest (if at acceptable level)
 - To relevant parties – threat and safeguards

KOHL'S®

CODE OF ETHICS

- Kohl's expects you to make business decisions in the best interest of the Company. Our actions must be based on sound business judgment, not motivated by personal interest or gain. We have to avoid any situation that creates a conflict of interest or that could even appear to create a conflict of interest
- You must avoid activities or relationships that would interfere with your job or make it difficult for you to fulfill your responsibilities at Kohl's. You must disclose any potential conflict of interest immediately to your manager, pyramid head, Chief People Officer, Chief Risk & Compliance Officer or the Chief Legal Officer. If you have any questions or concerns, please report it immediately.

KOHL'S®

CODE OF ETHICS

- While we can't list every circumstance, it's important to know and avoid the common situations that could create a conflict or the perception of a conflict:
- Personal, family or financial relationships with suppliers, potential suppliers, or potential acquisition candidates

Timeline

- 2015: Ashley Buchanan and Chandra Holt meet at Walmart; both rise through executive ranks
- 2017–2019: Buchanan becomes Holt’s boss at Sam’s Club
 - Their personal relationship reportedly begins during this period.
- 2020: Buchanan becomes CEO of Michaels
 - Files for divorce shortly after moving to Texas
 - Holt separates from her husband; later finalizes divorce in 2024



Timeline

- 2022: Holt launches coffee startup Incredibrew
 - Incredibrew begins selling products in Michaels stores—Buchanan does not disclose relationship
- January 2025: Buchanan officially becomes CEO of Kohl's



Timeline

- Early 2025: Kohl's prepares to stock Incredibrew products.
 - Buchanan allegedly dictates terms (which were “unusual” and favorable to the vendor) of the deal without disclosing ties to Holt.
- Buchanan also facilitates a multi-million dollar consulting contract between Kohl's and Boston Consulting Group.
Issue?
 - Holt is an advisor at BCG



The unraveling

- April 30, 2025: Kohl's board and legal counsel confront Buchanan; he admits to the relationship.
- May 1, 2025:
 - Buchanan is fired for cause.
 - Repays portion of \$2.5M signing bonus and forfeits equity awards
 - Chairman Michael Bender steps in as interim CEO.
 - BCG terminates Holt's consulting contract.
- How did it unravel?
- As part of the normal process of vetting a new vendor, a Kohl's employee raised concerns

High-risk programs

Refocus / Kyros Scandal

- Refocus Recovery –a nonprofit
- Worked with those in recovery (peers) to provide services to others
- Minnesota law change to make these services payable through Medicaid
 - Only if billed by a non-profit
- Contracted with for-profit company Kyros to provide the services. In theory, this is okay
- What issues would you be on the lookout for?

Form 990: 2022

	Prior Year	Current Year
8 Contributions and grants (Part VIII, line 1h)	0	0
9 Program service revenue (Part VIII, line 2g)	0	4,711,454
10 Investment income (Part VIII, column (A), lines 3, 4, and 7d)	0	0
11 Other revenue (Part VIII, column (A), lines 5, 6d, 8c, 9c, 10c, and 11e)	0	0
12 Total revenue—add lines 8 through 11 (must equal Part VIII, column (A), line 12)	0	4,711,454
13 Grants and similar amounts paid (Part IX, column (A), lines 1–3)	0	0
14 Benefits paid to or for members (Part IX, column (A), line 4)	0	0
15 Salaries, other compensation, employee benefits (Part IX, column (A), lines 5–10)	0	370,633
16a Professional fundraising fees (Part IX, column (A), line 11e)	0	0
b Total fundraising expenses (Part IX, column (D), line 25) <u>▶36,404</u>		
17 Other expenses (Part IX, column (A), lines 11a–11d, 11f–24e)	0	4,934,804
18 Total expenses. Add lines 13–17 (must equal Part IX, column (A), line 25)	0	5,305,437
19 Revenue less expenses. Subtract line 18 from line 12	0	-593,983
	Beginning of Current Year	End of Year
20 Total assets (Part X, line 16)	11,614	1,010,920
21 Total liabilities (Part X, line 26)	0	1,957,037
22 Net assets or fund balances. Subtract line 21 from line 20	11,614	-946,117

Form 990: 2022

Section B. Independent Contractors

1 Complete this table for your five highest compensated independent contractors that received more than \$100,000 of compensation from the organization. Report compensation for the calendar year ending with or within the organization's tax year.

(A) Name and business address	(B) Description of services	(C) Compensation
KYROS STAFFING LLC 401 2ND AVE N STE 500 MINNEAPOLIS, MN 55401	PEER SERVICES	2,397,155
KYROS SERVICES LLC 401 2ND AVE N STE 500 MINNEAPOLIS, MN 55401	ADMIN MANAGEMENT	2,137,982

Form 990: 2022

SCHEDULE O (Form 990)

Department of the Treasury
Internal Revenue Service

Supplemental Information to Form 990 or 990-EZ

Complete to provide information for responses to specific questions on Form 990 or 990-EZ or to provide any additional information.

▶ Attach to Form 990 or 990-EZ.

▶ Go to www.irs.gov/Form990 for the latest information.

OMB NO. 1545-0047

2022

Open to Public
Inspection

Name of the organization
REFOCUS RECOVERY

Employer identification number

87-0955028

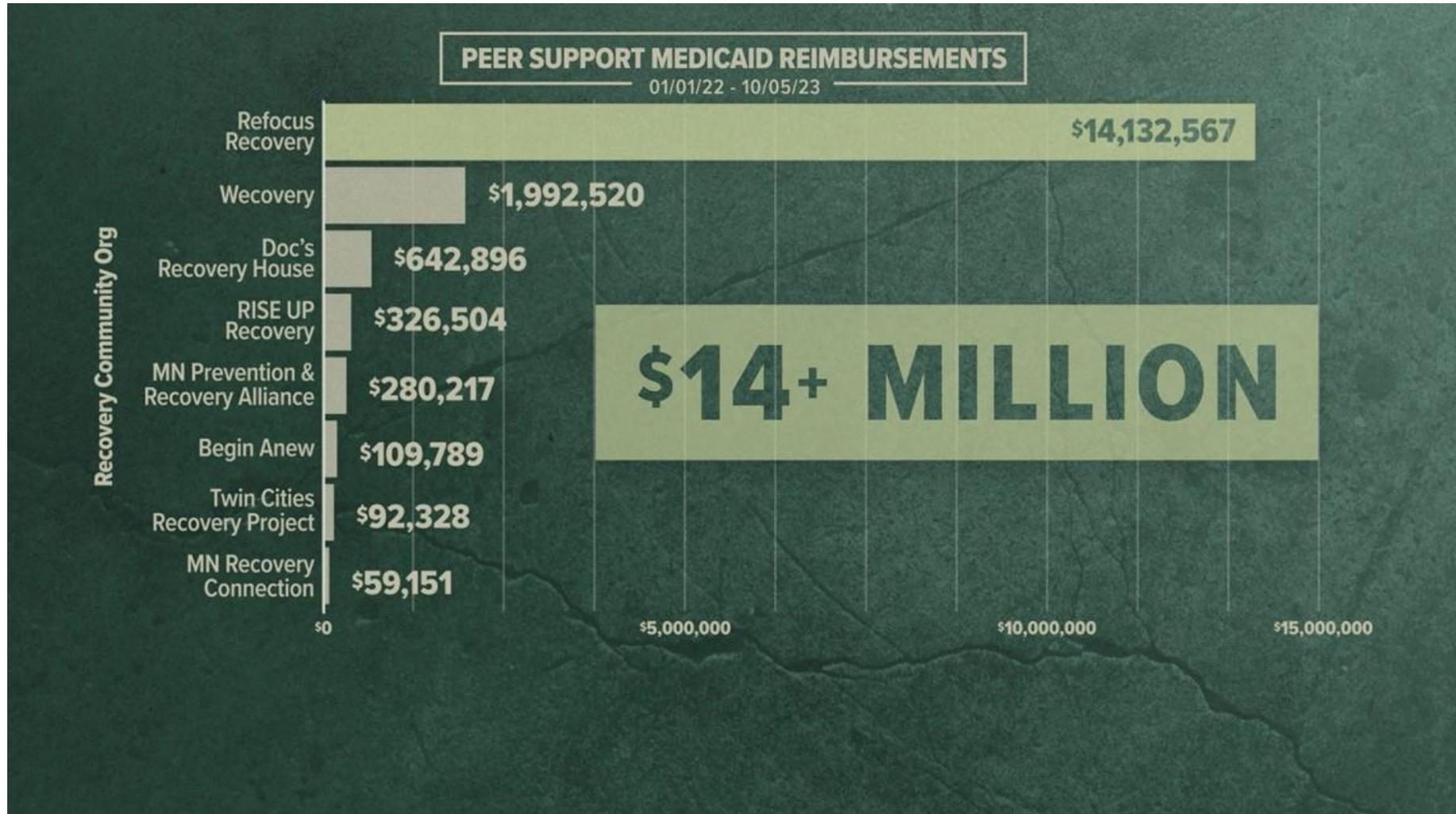
Return
Reference

Explanation

FORM 990,
PART VI,
SECTION A,
LINE 2

DANIEL LARSON IS A DIRECTOR OF REFOCUS RECOVERY AND CEO AND DIRECTOR OF KYROS CARE PBC. DANIEL OWNS GREATER THAN 35% OF KYROS CARE PBC. DUE TO THE CONFLICT OF INTEREST DANIEL LARSON IS REMOVED FROM ANY DECISION MAKING OF THE REFOCUS RECOVERY BOARD OF DIRECTORS THAT DIRECTLY INVOLVES THE BUSINESS RELATIONSHIP WITH KYROS.

Kyros and Refocus dominated the peer support market



Refocus / Kyros Issues

- Services were excessive or did not occur
- Refocus appeared to be not much more than an intermediary for Kyros
 - In 2022, Refocus took in \$4.7M and paid \$4.5M to Kyros
- Kyros kept nearly 60% of government payments for itself

What do you think: Which of the following are permitted peer recovery support services under Minnesota's Medicaid program?

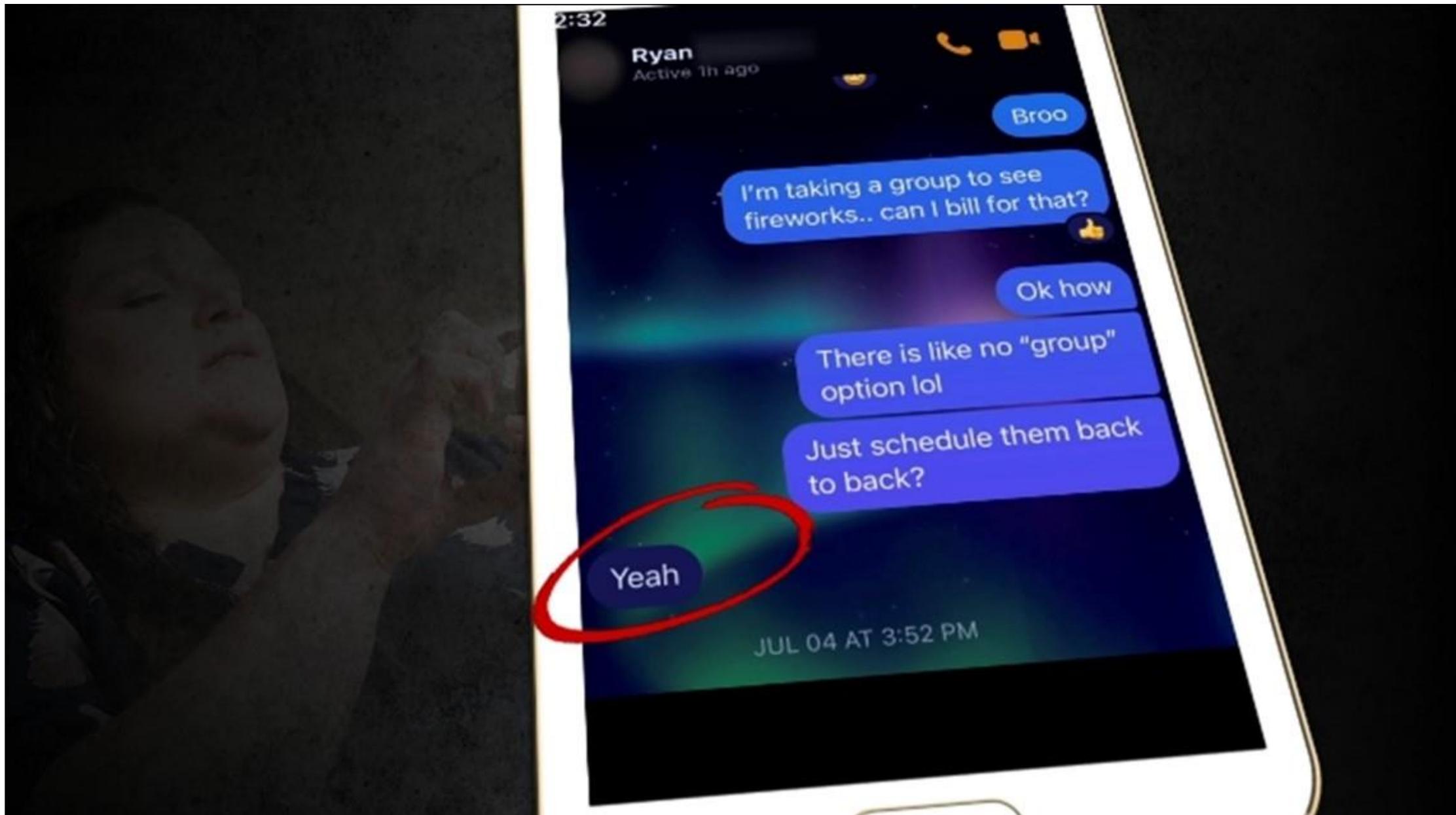
- a. Group meetings
- b. Individual meetings
- c. Movie nights
- d. Phone calls

Issue: Movie Nights!

- Kyros would host movie nights and encourage peers to bring multiple clients, but...
- Movie nights don't count
- Can't group bill

Issue: Group billing

- Not allowed
- Must meet with clients one-on-one
- How would Refocus get around this?



2:32

Ryan

Active 1h ago

Broo

I'm taking a group to see fireworks.. can I bill for that?



Ok how

There is like no "group" option lol

Just schedule them back to back?

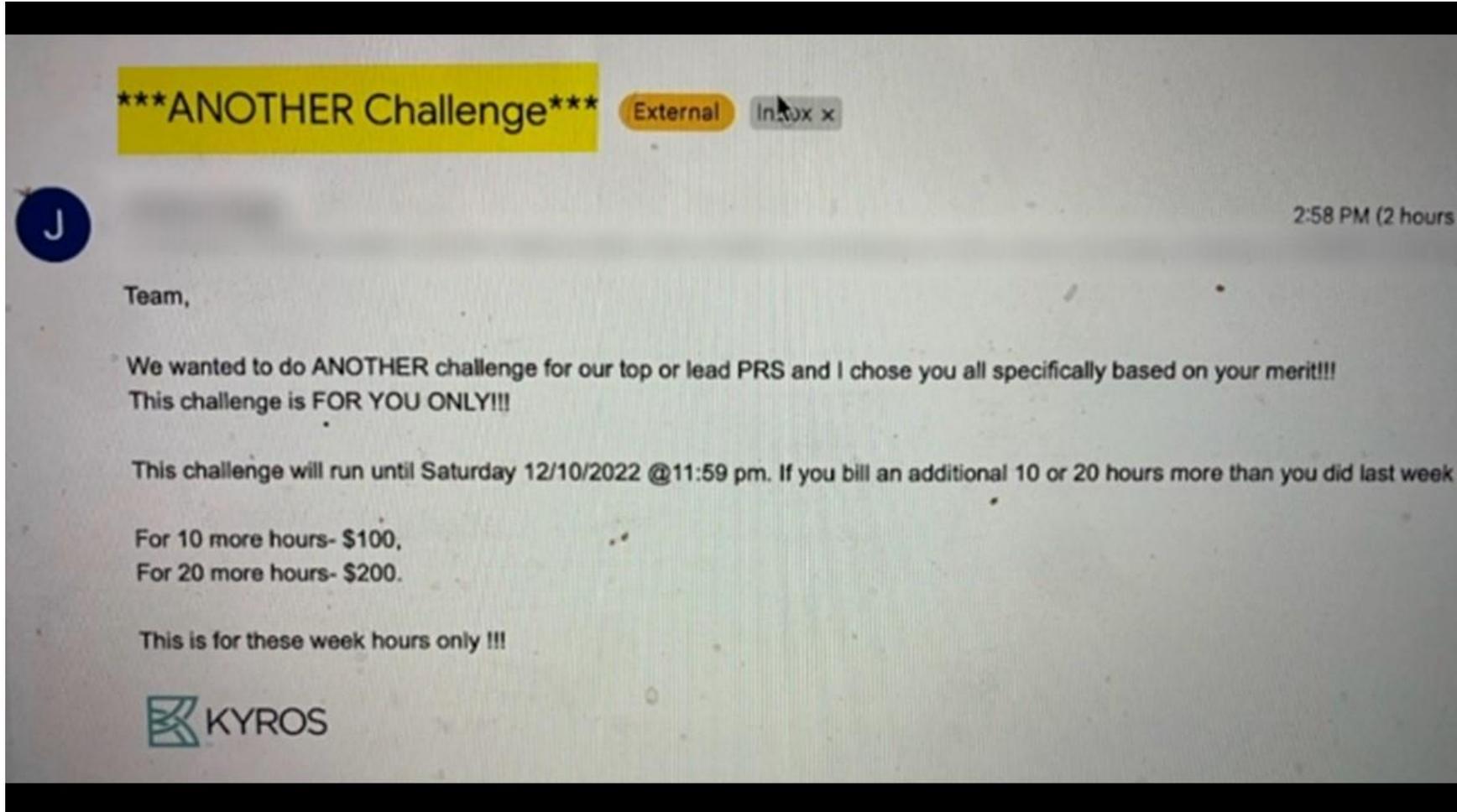
Yeah

JUL 04 AT 3:52 PM

Issue: Overbilling

- One client was asked if he was really provided with 47 hours of service in a month
- He said it was “at best, 10 hours”

In accounting, billable hours are good! They are also good at Kyros!



Issue: Phone Calls

- Kyros: “Did you know that having phone calls with a client qualifies for service hours?”
- “Keep your clients hours up and incorporate some client calls this week!”
- Under state regulations, peer provider phone calls can be billed to Medicaid only when an appointment is made ahead of time, or the client calls the provider in an emergency
 - Not explained to the Peers

Yesterday 8:55 PM

What's your understanding of Kyros instructions on what phone calls can be billed for?

Anything

They've said any phone call should be billed

Didn't need to be pre scheduled?

No

Hmm. Law says only calls made by client in emergency or prescheduled

Well they definitely don't tell you that

Regulation

- Accreditation standards needed to be met
- Granted in 2021, but not in 2022
 - Due to partnership between Refocus and Kyros and suspected fraud
 - Reinstated by DHS (Department of Human Services) after legislative reforms which would supposedly address gaps in oversight
- In September of 2024, Kyros shut down
- FBI and OIG investigations ongoing



Relief Fraud

Feeding our Future: Background

- US Dept of Agriculture established the Federal Child Nutrition Program
- USDA distributes funds to state governments
 - In MN, the MN Dept of Education (MDE) administers/oversees the program
- Sponsoring organizations submit applications for a site, and the site will provide the meals
 - Sponsoring organizations in charge of monitoring and seeking reimbursement
- USDA provides funds to MDE on a per meal basis
- MDE gives funds to sponsoring organization which keeps 10-15% as an administrative fee and then reimburses the sites

Aimee Bock

- Founder and executive director of Feeding our Future, a nonprofit sponsoring organization
- Feeding our Future employees recruited individuals/entities to open sites (about 250 sites)
- To this point, everything is fine. Where could this go wrong?



Initial Allegations

- Sites fraudulently claimed to be serving meals
- Dozens of shell companies formed to serve as sites or to launder money
- False documentation created/submitted
- 125 million false meal claims
- Alleged fraud was about \$250M
 - Went from \$3M of federal funds in 2019 to nearly \$200M in 2021

Poll #5: Why were 2 jurors removed in the first Feeding our Future trials?

- a. They fell asleep during the trial
- b. They had participated in the scheme
- c. They lied during *voir dire* (juror examination)
- d. They were offered bribes



Google Reviews

Feeding Our Future MN

2.9 ★★☆☆☆ 45 Google reviews

Food and beverage consultant in Saint Anthony,
Minnesota

Permanently closed

- “Defrauded taxpayers out of \$250 million. Money that was supposed to be used to feed children. Gross”
- “Jail isn’t good enough for creeps who steal \$ meant for children. Hope it’s a LONG TIME.”
- “Thieves who steal from the needy. The worst scum.”
- “The people involved in this organization should go into politics. They have what it takes to go far!”

What questions would you like to ask?

WHERE WAS THE
OVERSIGHT?????

Role of the auditors

- Feeding our Future's 2019 and 2020 financial statements, and the 2021 financial statements of several related entities, were audited by CPA Global Portfolio Consulting
 - Sole CPA was Charles Amevo
- Opined that financials complied with GAAP, whereas they did not
- An audit requires “obtaining audit evidence through inquiry, physical inspection, observation, third party confirmations, examination, analytical procedures, and other procedures.”
 - “Respondents did not undertake these processes.”
- Firm permit and CPA certificate were revoked. \$20,000 of civil penalties

MN's Office of the Legislative Auditor was asked to conduct a Special Review of MDE's Oversight of Feeding our Future

Report: Minnesota Department of Education's 'inadequate oversight' of Feeding Our Future opened door to fraud

A much-anticipated special review of the Minnesota Department of Education's oversight of Feeding Our Future found that the state agency "failed to act on warning signs."

OLA Findings

- Federal regulations required MDE to monitor and enforce Feeding Our Future's compliance with program requirements. MDE's responsibilities under federal law ranged from:
 - Providing guidance and training to Feeding Our Future staff
 - Terminating the organization's participation in the programs if warranted.
- “However, we found MDE's oversight of Feeding Our Future to be inadequate. In fact, we believe MDE's actions and inactions created opportunities for fraud.”

Other Findings

- MDE had identified concerns, which went unaddressed, but still approved program applications
- MDE should verify statements made by high-risk applicants
- MDE identified serious concerns during a 2018 review, but never did another review
- MDE received at least 30 complaints and by law must investigate
 - Often did not or the investigation was “inadequate”
- MDE twice found Feeding our Future “seriously deficient,” which is grounds for terminating the sponsor’s participation
 - MDE deferred all serious deficiencies

Commissioner of Education Rebuttal

- “MDE disputes the OLA’s characterization regarding the adequacy of MDE’s oversight”
- “MDE’s oversight of these programs met applicable standards and MDE made effective referrals to law enforcement.”
- “What happened with Feeding Our Future was a travesty – a coordinated, brazen abuse of nutrition programs that exist to ensure access to healthy meals for low-income children. The responsibility for this flagrant fraud lies with the indicted and convicted fraudsters.”

Updates

- Now up to a total of 73 defendants compared to an initial 47
- At least 50 have pled (or been found) guilty thus far
 - One at the very top recently sentenced to 28 years in prison
- Bock's testimony began on February 10, 2025
- In March, Aimee Bock was convicted on all accounts / Awaiting sentencing

Whistleblower

- Noticed members of the community flaunting cash and luxury items on social media.
- Noticed a bride receiving a tray of gold during a wedding in the Twin Cities.
- “All of a sudden, there was like a boom and people were buying very expensive homes and posting about those homes. Then people started showing off expensive cars, money, equipment and other things on Facebook and Snapchat.”

Thank you!

- Questions, comments, or to stay in touch with Boz:
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- <https://www.linkedin.com/in/bozbostrom/>