Oversight

Continuous Monitoring – Creating an Operational Anti-Corruption Program

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Company Overview

- Founded 2003
  Global Headquarters in Atlanta

- Leader in Continuous Transaction Analysis – $1.5 Trillion+ Reviewed Annually
  Clients Include Global 1000 and U.S State & Federal Agencies

- Deployment Options Include On-Premise or Oversight hosted
  ROI Calculations Ranging from 8 Weeks to 6 Months

- Technology agnostic, heterogeneous solution
Incidents of Anti-Corruption violations cost millions of dollars

Japanese-based Marubeni Corporation has agreed to pay $54.6 million for its participation in a decade-long scheme to bribe Nigerian government officials to obtain engineering, procurement, and construction contracts.

FBI.gov, January 2012

Tyson foods agreed to pay more than $5 million to settle SEC charges for making illicit payments to two Mexican government veterinarians responsible for certifying its Mexican subsidiary’s chicken products for export sales.

SEC.gov, February 2011

Siemens paid record fine of $800 million to settle bribery allegations.

December 2008, NPR.org

Technip SA, Europe’s second-largest oilfield-services provider, will pay $338 million to resolve civil claims that it bribed Nigerian officials to win $6 billion in construction contracts.

Bloomberg Businessweek, December 2010
2012 Morgan Stanley: The Peterson Precedent

PetersonViolatesFCPA

Petersonpleadsguilty

Peterson terminated from Morgan Stanley due to FCPA misconduct

Morgan Stanley fully exonerated by the SEC and DOJ
Department of Justice Gives Credit for Best Practices in FCPA

DOJ cites 3 specific best practices

1. Regularly updated policies
2. Frequent training
   - Peterson was trained seven times
3. Due diligence including ongoing transaction monitoring
   - Peterson was reminded 35 times about FCPA compliance
FCPA: You have the Basics Covered

- Written FCPA Policy
- Training
- Whistleblower Hotline
- Global Financial System Controls
- Vendor Validation
- FCPA Audit Program
Not a Black & White Issue

The state owns 39 of the 42 Chinese companies in the F500
It’s all about the Gray

EXCESSIVE ENTERTAINMENT
USUAL AND CUSTOMARY
FACILITATION PAYMENTS
AGENTS
UNUSUAL SALES DISCOUNTS
OPEN CREDITS
EXTENDED TERMS
EXCEPTIONAL MARGINS
SITE VISITS TO VEGAS
IMPROPER BOOKS AND RECORDS
MANUAL CHECKS
CONSULTANTS
DONATIONS
OUT OF COUNTRY BANK ACCOUNTS
Global, Complex Systems Create the Gray

Order to Cash

- Customer Maintenance
- Sales Order
- Order Fulfillment
- Invoices
- Credit
- Cash Applications
- RMA
- Return Receipts

General Ledger

- Automated Journal Entries
- Create Manual Journal Entries
- Approve Journal Entries
- Post to General Ledger
- Reconcile Trial Balance
- Close Accounts
- Close Accounting Period

PARTNERS

CONTRACTORS

EMployees

AGENTS

VENDORS

Travel & Expense

Procure to Payment

Procure to Payment

Global Risk
Anti-Corruption Risk Areas Addressed by Oversight

- Significant T&E expenses in entertainment, donations, gifts, sponsorships
- Rogue Actors
- Suspicious purchases
- Outstanding credits not reported
- Out-of-pocket suspicious expenses
- Excessive cash advances and personal spend
- Misclassified expenses
- Suspicious keyword match

- Unusual postings to high risk GL accounts
- Suspicious keyword match
- Unusual Manual GL entries
- Unusual GL account pairings
- Unusual patterns of revenue and expense bookings

- Unusual payments to small sized agents, contractors, resellers
- First time payments to vendors in high risk GL accounts
- Excessive sales discounts
- Manual checks issued off-cycle
- Out of norm commissions to agents
- Changes to remit-to addresses and bank accounts
- Suspicious keyword match
- Monitoring vendor on-boarding process
- Vendor or customer match to PEP list

- Fictitious employee with unusual benefits, pay rate, and address
- Employee relationship to vendor
- Unusual paycheck, commissions or bonus payouts
- Employee match to PEP list
Transaction Coverage: Correlation of Individual Tests to Draw More Precise Conclusions

High Risk Invoice Check

- Suspicious Vendor Type
- Remit-to Country ≠ Bank
- Round Dollar Amount
- Suspicious Keyword
- OFAC SDN
- Payment Frequency
- High Risk GL Account
- Dow Jones Anti-corruption
- World Check
- CPI High Risk

Conclusion

Non-compliant

Exception Created
Most Critical Component – Analysis

Analytics are sophisticated and comprehensive

• Boolean Logic
• Chaining
• Recurrence
• Format Outliers
• Similarity
• Clustering & Consolidation
• Temporal Analysis
• Aggregation
• Numerical Statistics
• Meta Reasoning

and should be readily extensible.

• All ERP systems
• Spreadsheets
• External data
• Unstructured data

Multiple domains of Analytics

• Conflict minerals are part of Dodd Frank
• Partnerships are required to cover all the domains.

Focus on delivering insights for immediate action to create value
Transaction centric view

High Risk Suspicious Event Detected  
High Alert Email Notification to Compliance/Internal Audit Team  
Email contains link for further investigation

Transactions

Suspicious but Immaterial One Time Event Detected  
Automated email notification to employee  
Event detection & notification are logged

Transactions

Reminder of Corporate Compliance Policy

No Action Required
Longitudinal view to ID the Actors
Operational FCPA - Building the Defense

• There are No Guarantees
  • Don’t underestimate a “bad actor’s” ability to circumvent controls

• Reduce risk and build a defense
  • What have you done?
    • Solid Policy from the Top
    • Established Controls
    • Regularly Trained
  • Continuous Monitoring to
    • Identify suspicious activity
    • Communicate to reinforce tone at the top, middle and front lines
    • Remediate high risk transactions
    • Investigate suspicious actors
    • Automatically documented
Thank you.

Insight.

Action.

Advantage.