What CEOs Need to Know About Corruption Prevention and Detection

The Eternal War

“How to Limit Opportunities for Internal and External Malfeasance”

THE TONE AT THE TOP

But What Does It Mean?

“I will not lie, cheat or steal and, most importantly, tolerate these behaviors in others.”

JOHN L. VERNA
Executive Director
Center for Strategic Business Integrity
TOP 10 LESSONS for CEOs

Segregate Operations Management from Scorekeeping
Segregate Finance from Scorekeeping
Segregate Treasury from Scorekeeping
Segregate Purchasing from Operations
Segregate Personnel from Payroll
Segregate Sales from Sales Scorekeeping

Create a Strong Board
with an Effective Audit Committee Skilled at Directing the Company’s Oversight Functions - Internal & External Audit, Corporate Counsel, Independent Whistleblowing Function, Security

Have All Oversight Functions
Internal Audit, Corporate Counsel, etc., Report Directly to the Owner/CEO

Know Your People
Do In-Depth Backgrounds and Update Them Every 2 to 4 Years for Critical Executives - Executives, Staff, Vendors, Customers & Partners

Rotate Staff

SHENANIGANS

Recording bogus revenue
Recording revenue too soon
Boosting income with one-time gains
Failing to record or disclose all liabilities
Shifting current income to a later period
Shifting current expenses to a later period
Shifting future expenses into the current period
Practical Game Solutions
THE CEO’S GAME

THE THREE KEYS

Visible Leadership
Organizational Design for “Checks & Balances”
The Right Staff, Tools & Tactics

Executive Level Strategic Controls

Business strategy, core skills and competitive position
Organizational style, structure and culture and Staffing skills
Audit Committee and Corporate Governance

The roles of inside and outside auditors, corporate security, corporate counsel, and other oversight functions
Business processes, policies, procedures, and systems
Internal audit and security

Financial and Operational Controls

Revenue and sales processes
Manufacturing or service processes
Warehousing, logistic and inventory

Purchasing, including supplier and subcontractor selection and controls
Personnel and payroll processes
Treasury, financial accounting and reporting systems
THE KEY ELEMENTS OF BUSINESS CONTROLS

Management and Financial Information Systems

Information and intellectual property controls and security review
Intellectual property and trade secret controls
Operational and communication systems integrity
Counter-intelligence program design
Internet systems

Corporate, Physical and Personnel Security

Strategies and policies
Executive and staff protection
Facilities design and access
Workplace safety and protection
Loss prevention tactics
Counter-terrorism strategies and Cybersecurity

Crisis Management and Response

Roles of management, key outsiders, etc.
Response to irregular business activity, natural disasters, terrorism and other corporate crises
Intelligence and reporting systems
Communications protocols and notification systems
Crisis simulations
Response strategies and team structures
EVALUATION TECHNIQUES

Evaluate organization’s existing business controls environment

Walk-throughs of operations, including interviews with management and operations personnel, review of documentation and penetration exercises

Review of prior incidents and identification of future threats to organization

Design control strategies, tactics and tools necessary to deter and/or detect business irregularities and threats

ROAD MAP TO PREVENTION

- The CEO must be the chief advocate for anti-corruption.
- It’s the CEO’s primary job to direct company’s executives and drive oversight of their activities.
- An independent and highly skilled audit committee is essential to maintain a robust system of “Checks & Balances” over all operations.
- To be truly effective, a system of “Checks & Balances” must be independent of those it is charged with watching.
- The CEO can use the company’s oversight functions to maintain a “Check & Balances” system. There is no substitute for personal, direct involvement.
- The CEO must be willing to direct inquiries into allegations of misconduct.
- Whistleblowers - One of the most effective compliance tools available to the CEO is the day-to-day vigilance of the company’s employees, vendors, partners and customers. All must be protected from retribution to avoid any possibility of corrupting the process.
- A zero-based budgeting process — requiring that the individual elements of the company’s budget be built from the bottom up, reviewed in detail, and justified.
- Background checks must include review of potential conflicts of interest.
- Analytics.

CHALLENGE OF THE GAME

Ken Lay,
Chairman Enron
Missing-in-Action