

Oversight

Continuous Monitoring – Creating an Operational Anti-Corruption Program



Patrick Taylor – CEO

January 16th, 2013





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

**Peterson
Violates FCPA**

**Peterson
pleads guilty**

2004

2005

2006

2007

2008

2009

2010

2011

2012

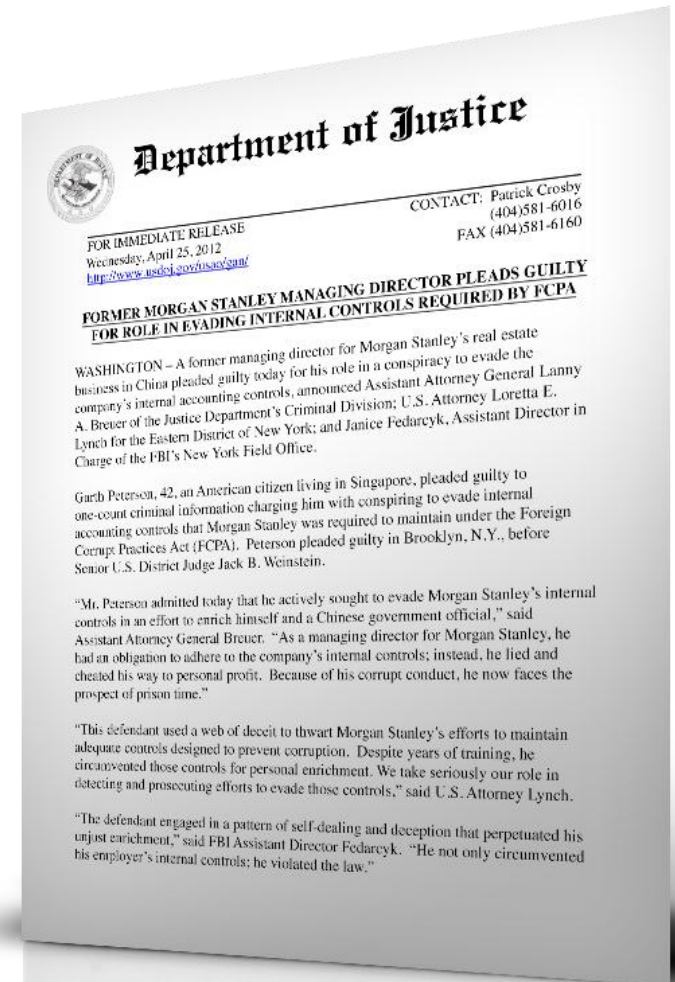
*Peterson terminated
from Morgan Stanley
due to FCPA misconduct*

**Morgan Stanley fully
exonerated by the
SEC and DOJ**

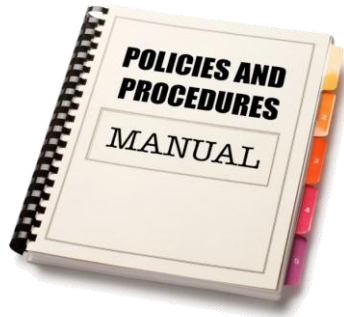
Department of Justice Gives Credit for Best Practices in FCPA

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



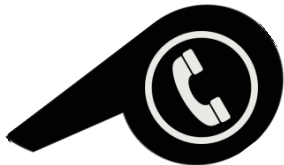
FCPA: You have the Basics Covered



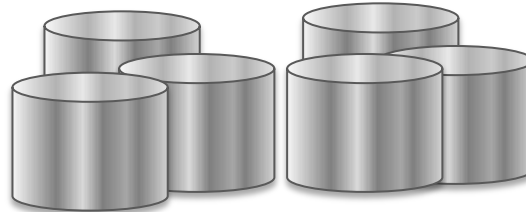
Written FCPA Policy



Training



Whistleblower Hotline



Global Financial System Controls



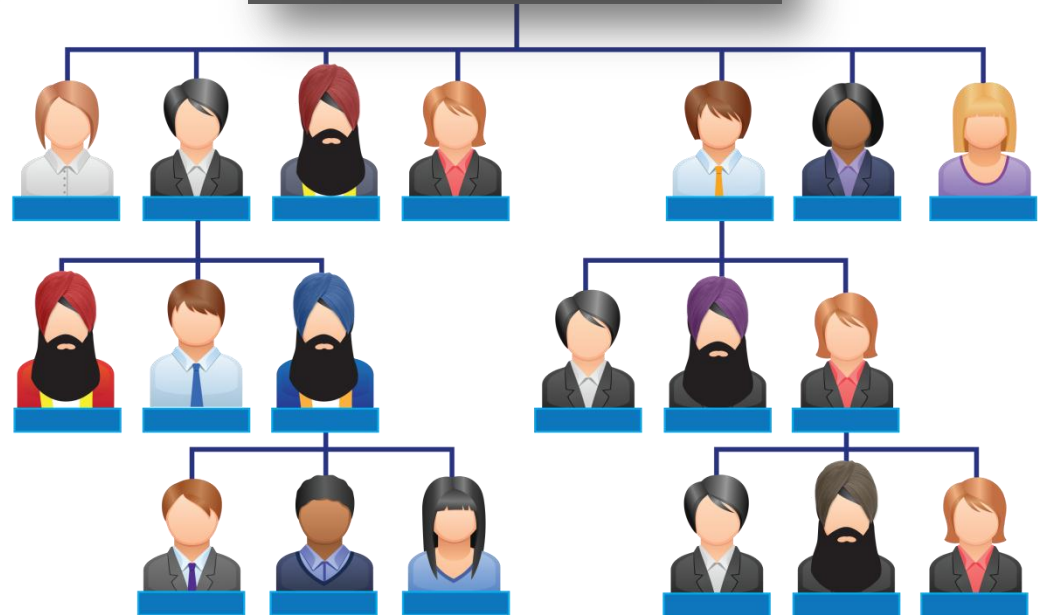
Vendor Validation



FCPA Audit Program

Not a Black & White Issue

The state owns 39 of the 42 Chinese companies in the F500

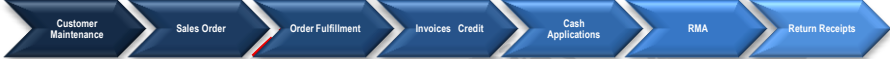


It's all about the Gray

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

Global, Complex Systems Create the Gray

Order to Cash



General Ledger



PARTNERS

CONTRACTORS

EMPLOYEES

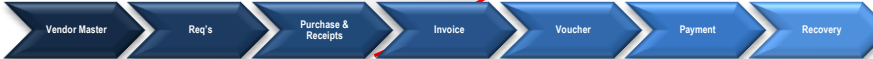
AGENTS

VENDORS

Travel & Expense



Procure to Payment



Global Risk

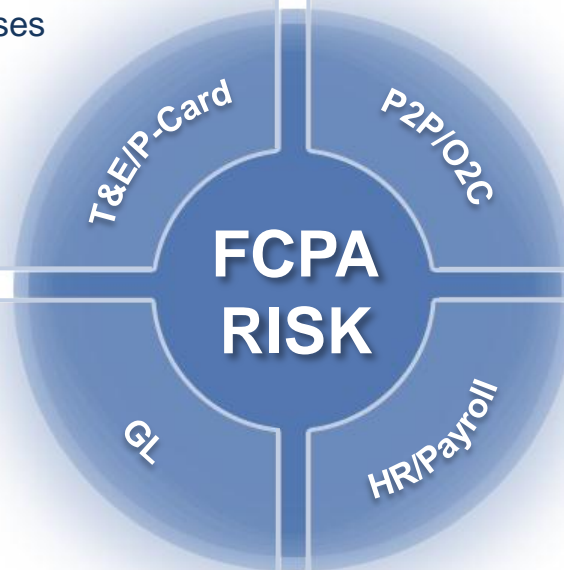
Anti-Corruption Risk Areas Addressed by Oversight

- 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

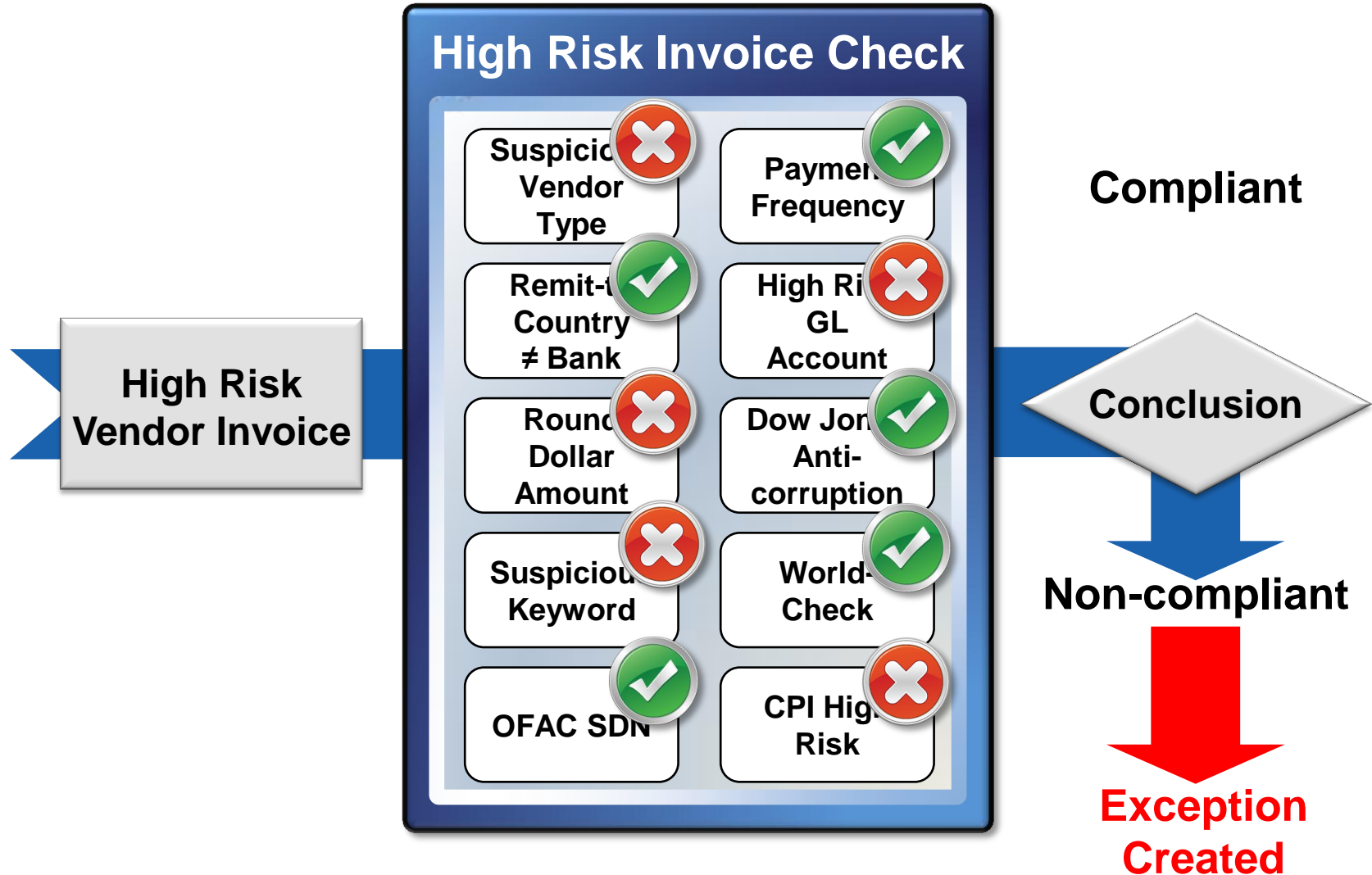
- Unusual payments to small sized agents, contractors, resellers
- First time payments to vendors in high risk GL accounts
- Excessive sales discounts
- Manual checks issued off-cycle
- Out of norm commissions to agents
- Changes to remit-to addresses and bank accounts
- Suspicious keyword match
- Monitoring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

- 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

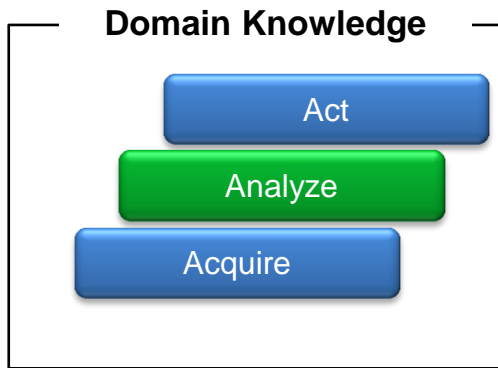
- Fictitious employee with unusual benefits, pay rate, and address
- Employee relationship to vendor
- Unusual paycheck, commissions or bonus payouts
- Employee match to PEP list



Transaction Coverage: Correlation of Individual Tests to Draw More Precise Conclusions



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

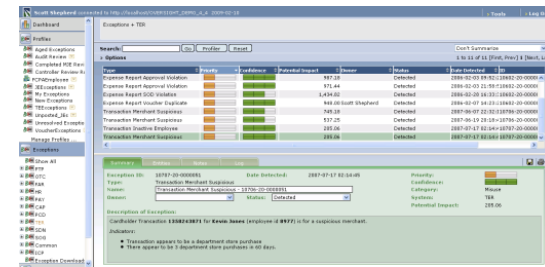
High Risk Suspicious Event Detected



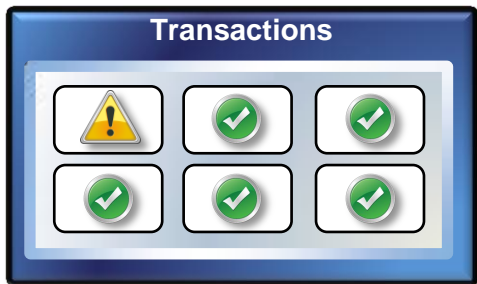
High Alert Email Notification to Compliance/Internal Audit Team



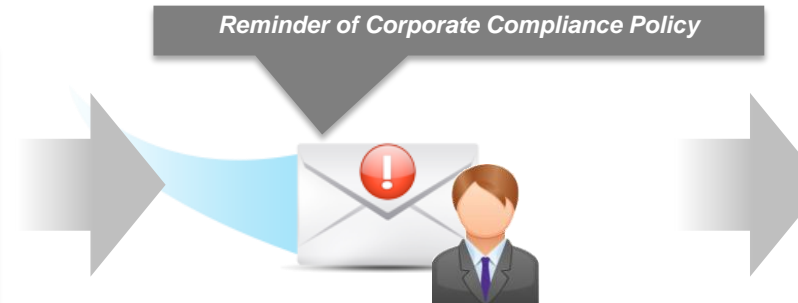
Email contains link for further investigation



Suspicious but Immaterial One Time Event Detected



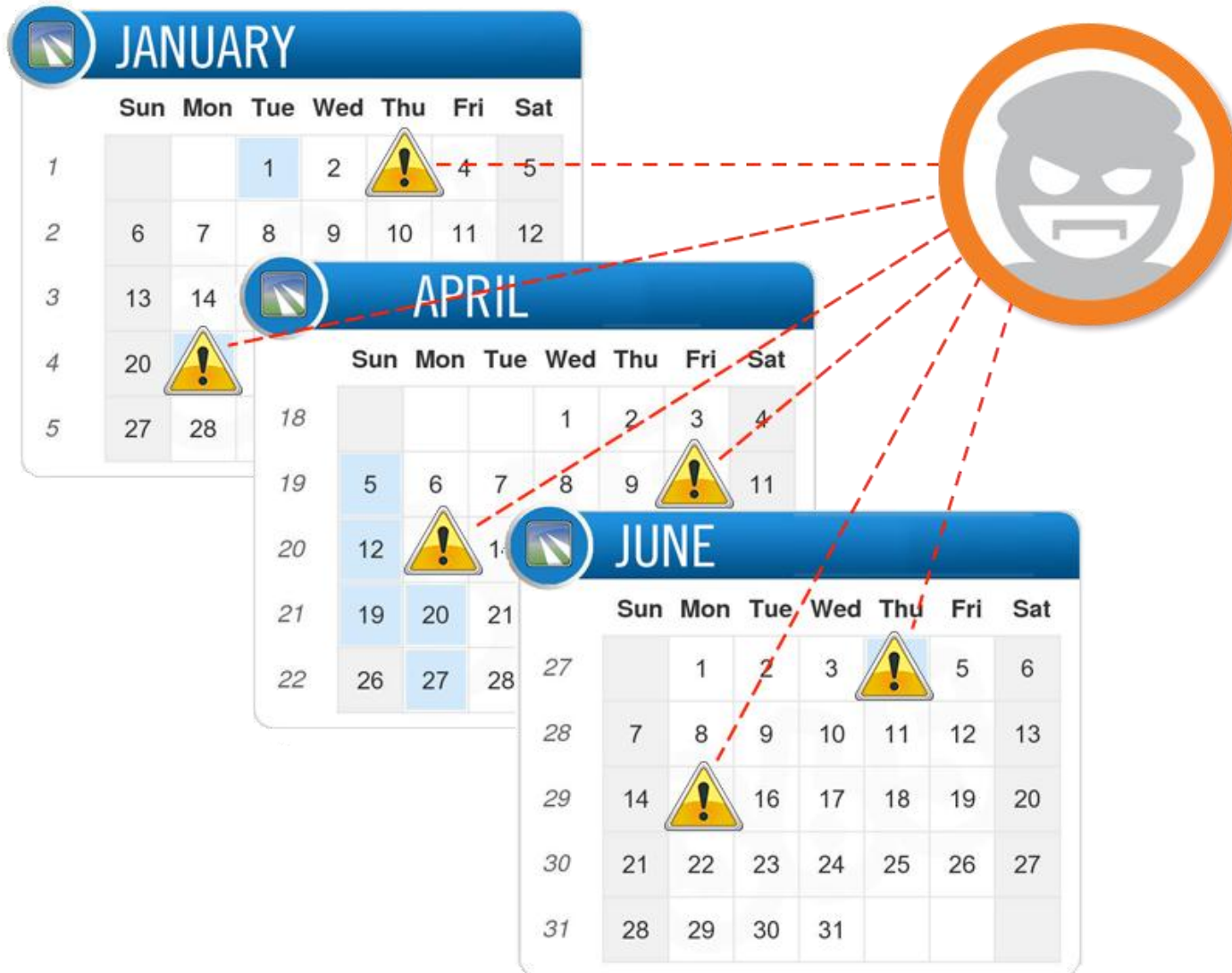
Automated email notification to employee



Event detection & notification are logged



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.