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.

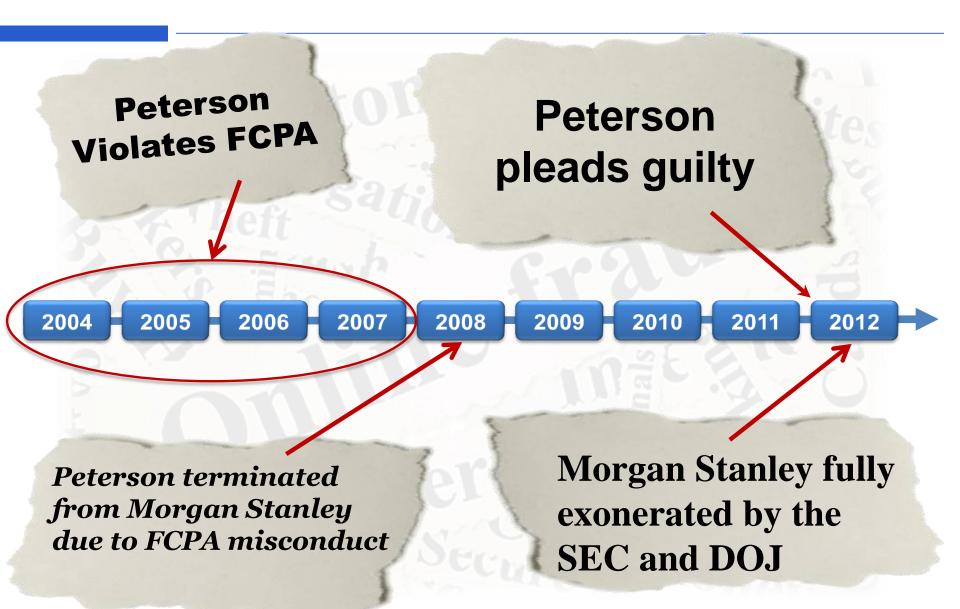
December 2008, NPR.org

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







Department of Justice Gives Credit for Best Practices in FCPA

DOJ cites 3 specific best practices

- Regularly updated policies
- Frequent training
 - Peterson was trained seven times
- Due diligence including ongoing transaction monitoring
 - Peterson was reminded 35 times about FCPA compliance



CONTACT: Patrick Crosby (404)581-6016 FAX (404)581-6160

FOR IMMEDIATE RELEASE Wednesday, April 25, 2012

FORMER MORGAN STANLEY MANAGING DIRECTOR PLEADS GUILTY FOR ROLE IN EVADING INTERNAL CONTROLS REQUIRED BY FCPA

WASHINGTON - A former managing director for Morgan Stanley's real estate business in China pleaded guilty today for his role in a conspiracy to evade the company's internal accounting controls, announced Assistant Attorney General Lanny A. Breuer of the Justice Department's Criminal Division; U.S. Attorney Loretta E. Lynch for the Eastern District of New York; and Janice Fedarcyk, Assistant Director in Charge of the FBI's New York Field Office.

Garth Peterson, 42, an American citizen living in Singapore, pleaded guilty to one-count criminal information charging him with conspiring to evade internal accounting controls that Morgan Stanley was required to maintain under the Foreign Corrupt Practices Act (FCPA). Peterson pleaded guilty in Brooklyn, N.Y., before Senior U.S. District Judge Jack B. Weinstein.

"Mr. Peterson admitted today that he actively sought to evade Morgan Stanley's internal controls in an effort to enrich himself and a Chinese government official," said Assistant Attorney General Breuer. "As a managing director for Morgan Stanley, he had an obligation to adhere to the company's internal controls; instead, he lied and cheated his way to personal profit. Because of his corrupt conduct, he now faces the prospect of prison time."

"This defendant used a web of deceit to thwart Morgan Stanley's efforts to maintain adequate controls designed to prevent corruption. Despite years of training, he circumvented those controls for personal enrichment. We take seriously our role in detecting and prosecuting efforts to evade those controls," said U.S. Attorney Lynch.

"The defendant engaged in a pattern of self-dealing and deception that perpetuated his unjust earlichment," said FBI Assistant Director Fedarcyk. "He not only circumvented his employer's internal controls; he violated the law."





FCPA: You have the Basics Covered

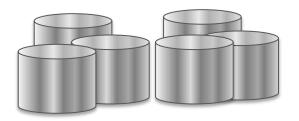








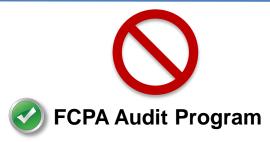








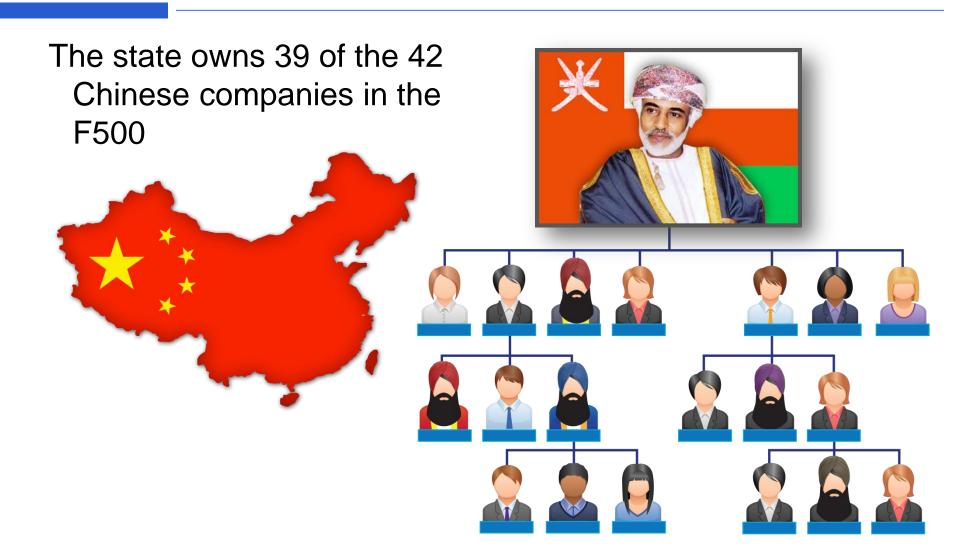








Not a Black & White Issue







It's all about the Gray

USHI HEADINS 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







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
- **RISK**
- Q

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

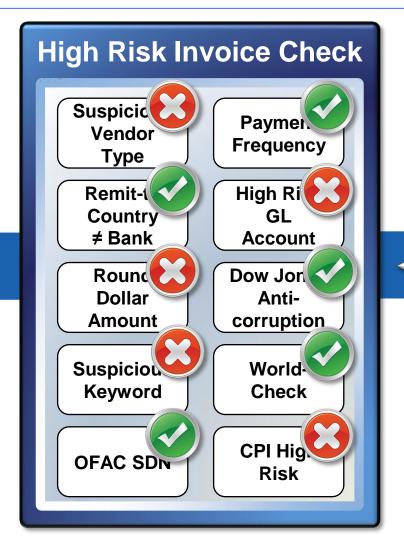




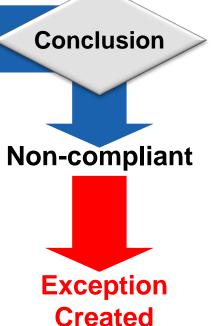
FCPA

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

High Risk Vendor Invoice

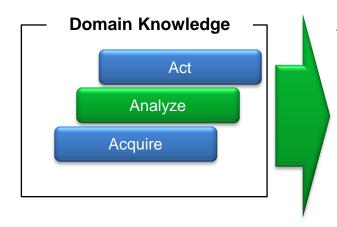


Compliant





Most Critical Component – Analysis



Analytics are sophisticated and comprehensive

- Boolean Logic
- Clustering & Consolidation

Chaining

- Temporal Analysis
- Recurrence
- Aggregation
- Format Outliers
- Numerical Statistics

Similarity

Meta Reasoning

and should be readily extensible.

- All ERP systems
- External data
- Spreadsheets
- 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.



