



FRAUD & MISCONDUCT AWARENESS

Università degli Studi di Roma "Tor Vergata"

Msc in Business Administration - Course of Business Auditing

Prof. Fabio Accardi

November 30, 2022

Speakers:

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Agenda

1. KPMG Forensic Practice in Italy
2. What's fraud?
3. ACFE Survey
4. The Fraud Triangle
5. Case Study 1 - FTX
6. Case Study 2 - Theranos
7. Anti-Bribery and Corruption
8. Fraud Risk Management



KPMG Forensic Practice in Italy

KPMG Forensic in Italy

 founded in 1958



2 offices: Milan and Rome



2 Industrial and Financial Markets



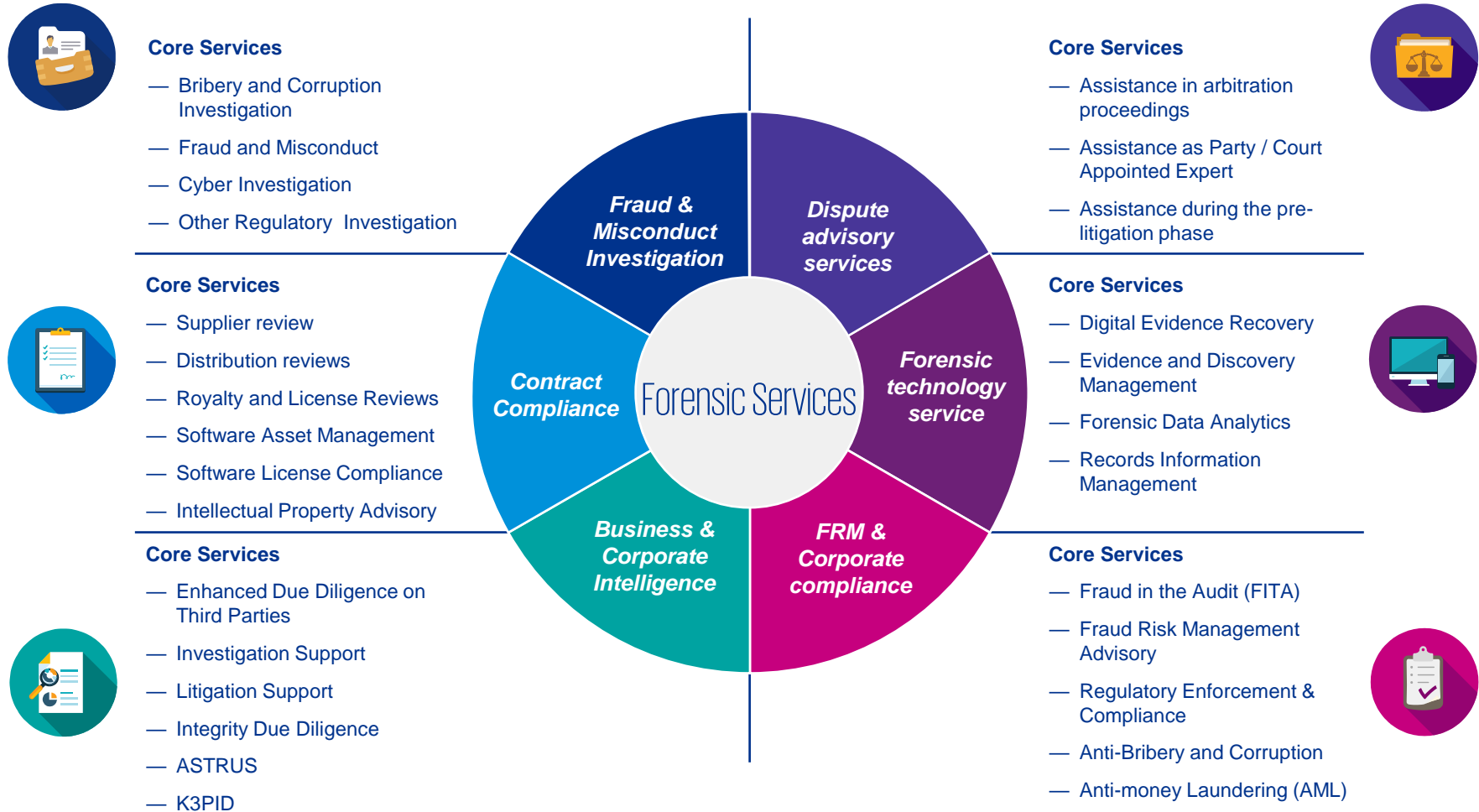
1 Partner



33 Forensic Professionals



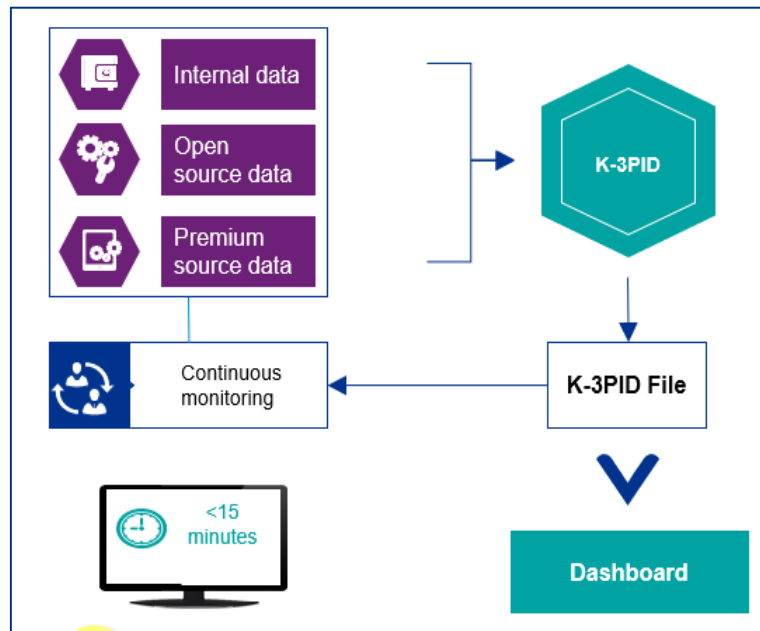
Overview of KPMG Forensic Services



Business & Corporate Intelligence (1/3)



KPMG Third Party Intelligent Diligence (“K-3PID”) is a cognitive computing platform that processes thousands of information provider sources (e.g. adverse press, corporate register, PEP, sanctions, etc.), issuing an instant business intelligence screening report – on individuals and legal entities – and providing risk rating details.



25 languages

+ 130 corporate registers

+ 9,500 english and local language media sources

Requesting Unit: _____ Request date: Aug 20, 2020	Submitted by: Mario Rossi Contact for info: xxx@kpmg.it Processed on: Nov 26, 2020
<div> <div></div> <div>OVERALL RATING</div> </div>	
Top Contributing Risks and Summary for Medium and High ratings	
Top Contributing Risk	
Adverse Reference	Reputational Issue
<small> Adverse Reference / Reputation Issue Alfa risulta coinvolta nella c.d. operazione "Rossa". I reati ipotizzati dal GIP sarebbero quelli di associazione a delinquere finalizzata alla corruzione e al riciclaggio, attuata nel campo della sperimentazione sanitaria e nella divulgazione scientifica per favorire le attività commerciali di imprese farmaceutiche nazionali ed estere, attraverso la commissione, altresì, dei reati di abuso d'ufficio, peculato, truffa aggravata e trasferimento fraudolento di valori (vicende del 2017). </small>	

Risk Category

Sanctions	State Owned Entities	Corruption	Adverse Web	Regulatory Web
Politically Exposed Person	Financial Crime	Terrorism	Watch List	Legal Web

Business & Corporate Intelligence (2/3)



CORPORATE INTELLIGENCE ACTIVITY

- Private company's shareholder information is **not public** in China
- Mr. **ORANGE** and Mr. **YELLOW** are **Directors** in **Box 1 Srl**, **Box 2 Srl** e **Box 3 Srl**
- Mr. **BLUE** is in charge as President of Gamma Holding and was former Director of Box 1, Box 2 and Box 3 from 2012 to 2019.

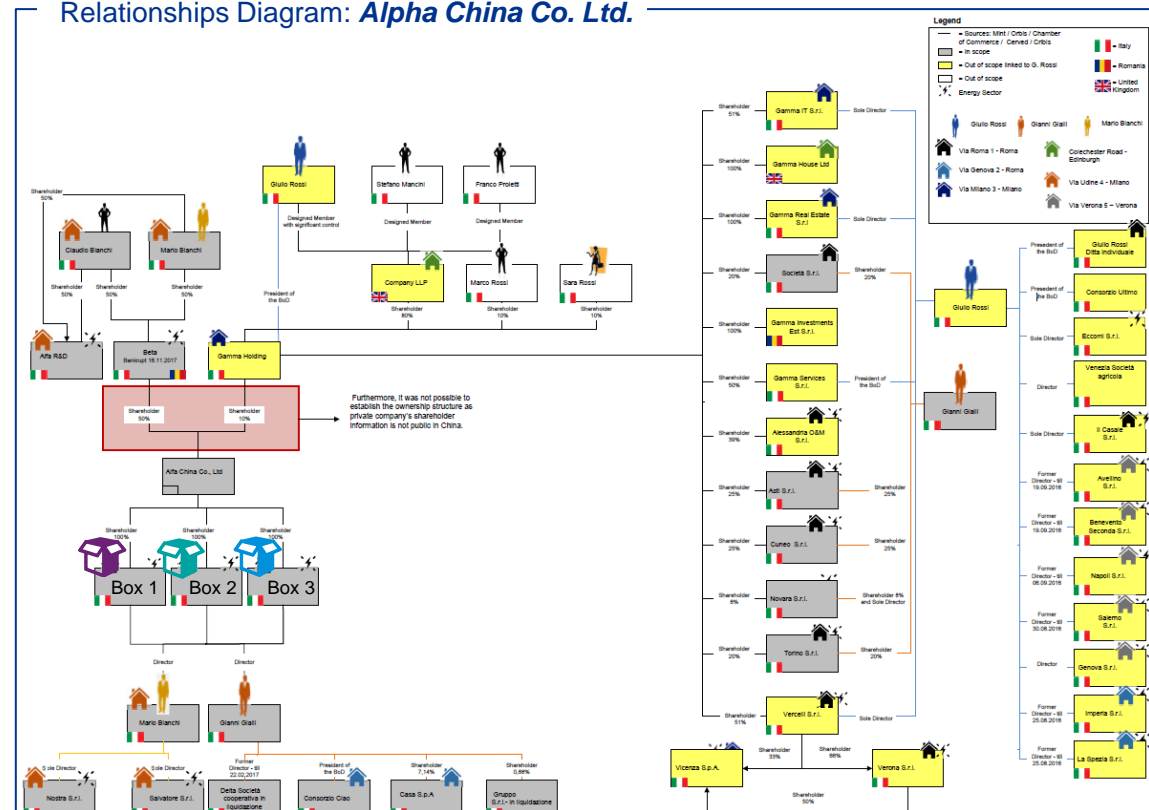
Investigation support



CONFLICT OF INTEREST ANALYSIS

- **8 companies** are connected to Mr. **ORANGE**
- **12 companies** are connected to Mr. **YELLOW**
- **28 companies** are connected to Mr. **BLUE**

Relationships Diagram: **Alpha China Co. Ltd.**



Business & Corporate Intelligence (3/3)



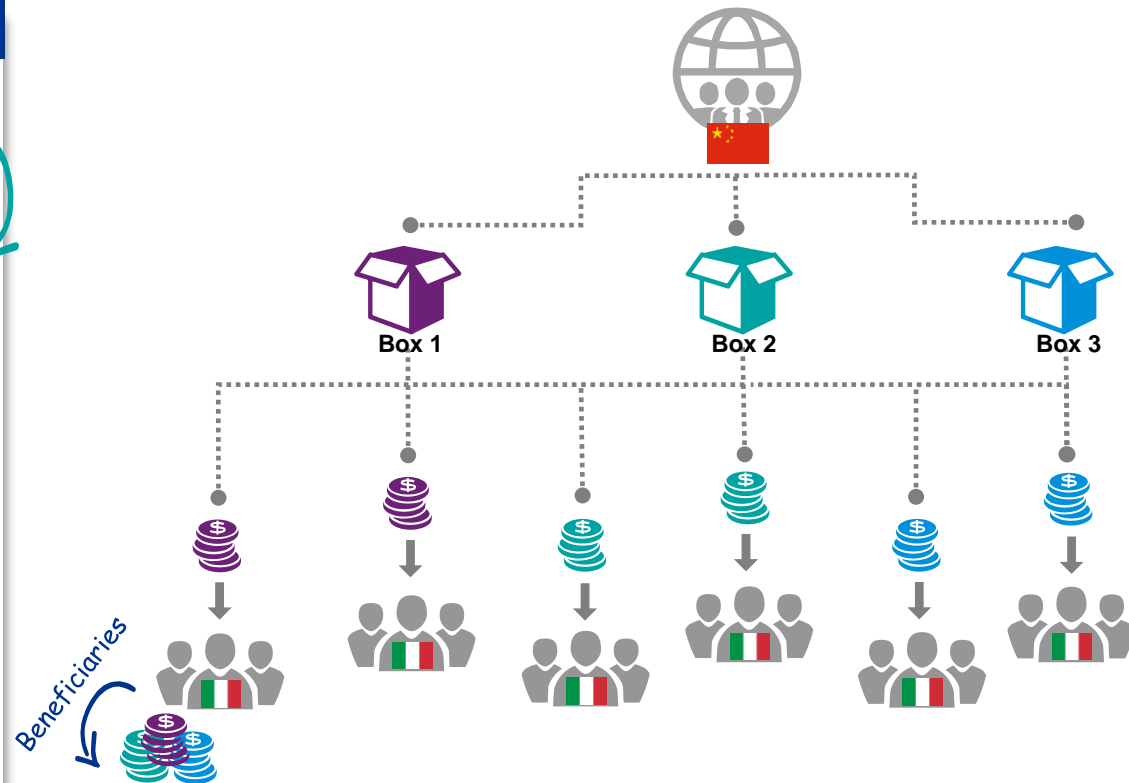
INVESTIGATION (RED FLAGS)

- 6 Italian companies would have received payments from **Box 1 Srl, Box 2 Srl e Box 3 Srl**, owned by the Chinese holding

Transaction Authorization Process:

1. Approval of Box 1, Box 2, Box 3
2. ...communicated to..
3. ...Mr **ORANGE** and **YELLOW** for final oral approval

- **No documentation** (e.g. contracts, invoices, proof of service), **supporting the expenses** incurred by Box 1, Box 2, Box 3.
- **No documentation** was provided to attest the performance of a tender involving multiple suppliers for the award of the activities covered by the contracts signed.



	2013	2019	2015	2016	2017	Total amount
Gamma Holding	53.491,42 €	12.003,50 €	480.300,00 €	109.000,00 €	-	654.794,92 €
Box 1 S.r.l.	18.978,90 €	-	252.400,00 €	38.400,00 €		309.778,90 €
Box 2 S.r.l.	23.756,11 €	12.003,50 €	119.700,00 €	37.650,00 €		193.109,61 €
Box 3 S.r.l.	10.756,41 €	-	108.200,00 €	32.950,00 €	-	151.906,41 €

Contract Compliance



Couture S.p.A. & Sunglasses S.p.A.'s Contract Clauses

Art. 8.2

Sunglasses implemented processes and internal controls to ensure that no **Couture** products were sold outside of this selective distribution network.

Art. 10.1

Couture boutique may return any Products within the limit of **14% of the number of Products** bought to **Sunglasses** during the 12 preceding months at their full invoiced price.

Art. 12.2

Sunglasses shall participate in an all image-building activities carried out by **Couture** by making a contribution of 2% of the Total turnover for the previous year.

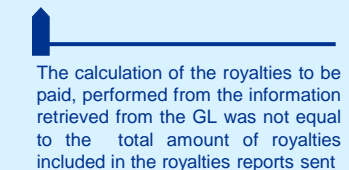
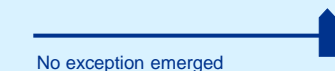
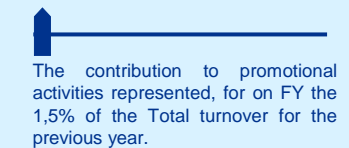
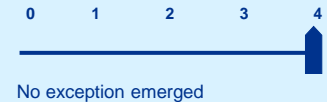
Art. 13.2

Sunglasses shall pay to Couture S.p.A. a royalty equal to **11% of Total Turnover on a quarterly basis**. Such amount shall not be less than the greater of i) 80% of the Total Turnover of **Sunglasses** generated in the immediate preceding calendar year and ii) the amounts listed for the year in question in the second column of the table included in page 27 of the contract.

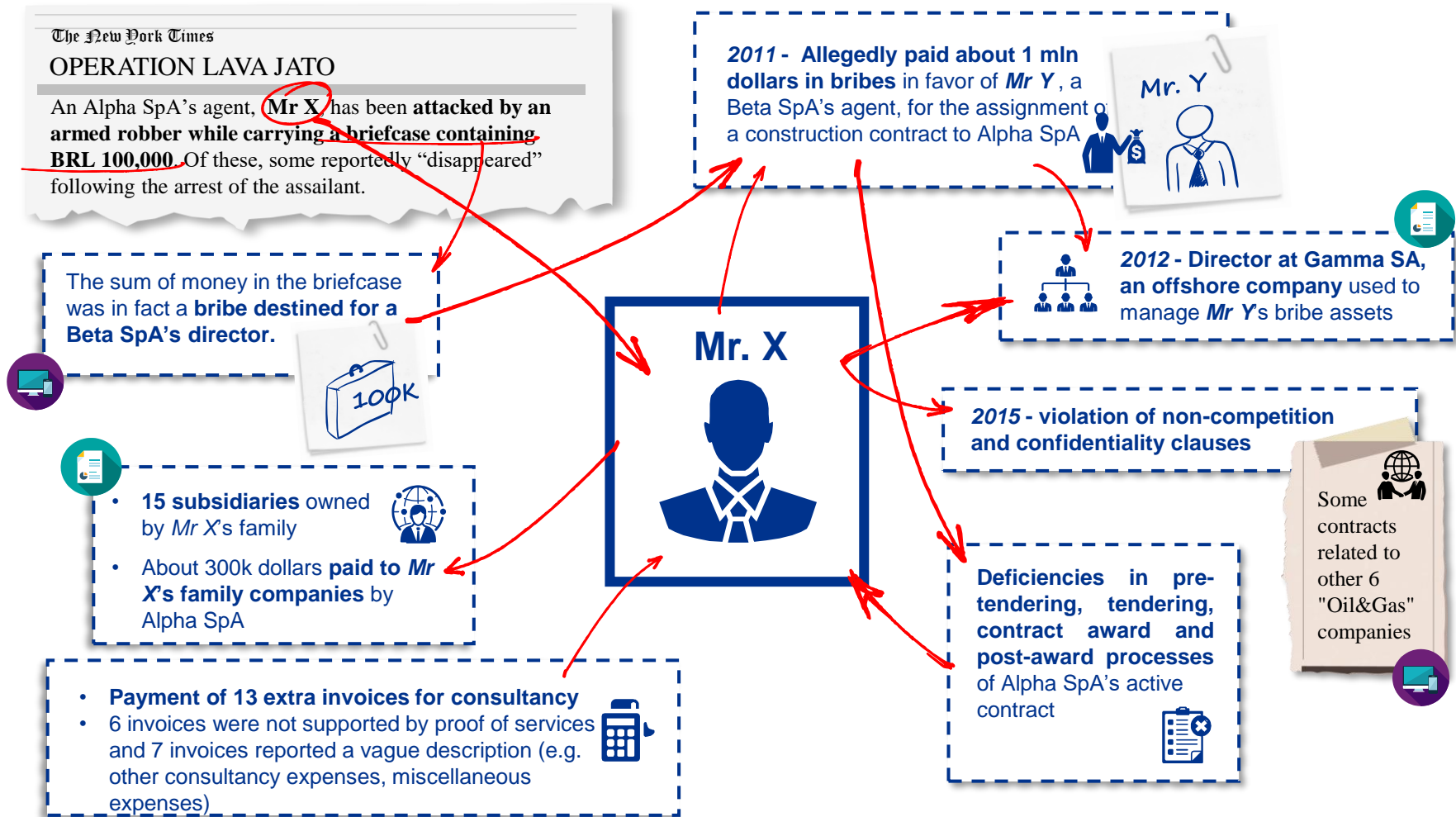
Art. 15.1

Total Turnover as presented to **Couture** in the quarterly reports is reconciled with no exception to the accounting system.

Compliance with contractual terms



Fraud and Misconduct Investigation



Dispute Advisory



Within the context of a **civil proceeding**, our Forensic team was engaged, as **Consulting Expert (“C.T.U.”)**, in performing an analysis on maintenance and managing costs requests of a sport center to an Italian University. Our work has been conducted by reconciling the claimed amount (around € 6 million in total) with the available documentation. Our conclusions resulted to be opposing to the Claimant’s ones.

C.T.U. CLAIMANT

1. 85 invoices and expenses documentation amounting to about € 4 mln maintenance costs

Description	Principal amount	Currency revaluation	Legal interests	Total
Green Gym	1.642.521,56	266.088,49	319.319,90	2.227.929,95
Orange Gym	1.488.815,53	241.188,12	289.438,15	2.019.441,80
Total				4.247.371,75

2. Costs for a total amount of about € 800k for the supply of technical material kits to students
3. Disbursements for contracts settled with 2 professors

C.T.U. DEFENDANT

Counter-claims/ Objections

1. Amounts inconsistent with the relevant documentation
2. Missing formal request for maintenance costs incurred
3. Simulation developed on the basis of incorrect and/or arbitrary data
4. Professors' payslips already paid by the University

Claimant
Dossier

C.T.U.
Reports

Defendant
Dossier

Civil
proceeding

Forensic Technology



Data identification
and analysis

Forensic data
collection

Advanced data
analysis

Data
transformation
and management

Data
presentation

Indexing process

Search criteria
per keywords,
date, file type

Email,
images,
attachments

Keywords
per 30
bridges

Explore keywords list '20200107-KW-30Viadotti

#	Keyword	
1	Bridge 1	'OR "1407209400"
2	Bridge 2	"OR "1608071700"
3	Bridge 3	OR "1407192700"
4	Bridge 4	'OR "3006013100"
5	Bridge 5	OR ("07.01.0584.0.1" OR
6	Bridge 6	OR "1201002800"
7	Bridge 7	'OR "1201003000"
8	Bridge 8	OR "2601001601"

Sample:

- 583 mail archives (8 investigated)
- 36 mail archives e 22.196 other files (1 investigated)
- 31.648 files from legal proceedings

The screenshot shows a forensic analysis interface. On the left, there is a sidebar with various filters: Chat Account, Recipient Count, Date, Type, Author, Content Analysis, Email Thread, Keyword List (highlighted), MD5 and Message Hash, Item ID List, Language, Size, and Duration. The main area displays a table of search results with columns: Item ID, Tagged, Location, Type, Size, Sut, File Name, Primary Date, and Family Date. The table shows 5,652 results. A specific item is highlighted with a blue box, showing details like '1823495', '1/PLO/ISM...', and 'Microsoft Word...'. A large gear icon with the text '204.170 Item' is overlaid on the table.

204.170 Item

- OCR conversion
- identification, exclusion of duplicate Items

Fraud Risk Management & Corporate Compliance



Fraud Risk Assessment

FRAUD Risks in Construction Ltd.	Administrative Direction	Fraudulent access to the information system by the company's management in order to manipulate/handle revenues (manual overrides)	✓ HIGH likelihood ✓ CRITICAL impact
	Credit lines, fixed assets, purchases	Support/incurance of higher costs for purchases made through an "instrumental" use of unique suppliers and/or absence of tender procedure outside the cases or methods provided by the procedure.	✓ HIGH likelihood ✓ CRITICAL impact
	Foreign supplies	Misappropriation of financial resources and/or incurring higher costs for purchases made by splitting requests and/or purchase orders to avoid higher authorization levels. (Applicable for purchases on site up to € 50.000)	✓ HIGH likelihood ✓ CRITICAL impact
	Foreign/Head of Coordination Manager	Supporting higher costs for purchases of: - goods and services at economic conditions "out of market"; - goods and services not inherent and/or not necessary to the company business. (Applicable for purchases in foreign yard)	✓ HIGH likelihood ✓ CRITICAL impact
	Administrative Management	Support of costs for "fraudulent" purchase transactions specifically recorded in Co.Ge. accounts not appropriate for the type of expenditure incurred and/or in Co.Ge. accounts that are poorly used	✓ HIGH likelihood ✓ CRITICAL impact

Fraud awareness training

UK Bribery Act

- Criminalizes all types of bribery, including bribery of officials, and companies
- The bribery does not require the company to have a direct relationship with the authorities to have a bribery offence
- Punishes both the individuals and the companies

Company Anti-Bribery Policy: Third Parties' Compliance

Before establishing a relationship with a third party, sufficient due diligence must be performed to ensure the commitment to ethical business practices and standards.

Any arrangement with a third party must be consistent with anti-bribery laws and company policy.

Particular care should be taken in any interactions with government officials or services on behalf of Company.

Global Compliance Learning

FY 2020 Anti-Bribery and Corruption Training

Gap analysis

ID	Procedure	Gap	Recommendations
1	Policy 1 Rev. 3 «Suppliers management»	Lack on monitoring Due Diligence activities on third party	Implement an yearly monitoring Due Diligence process, in order to have third party's updated reputational and financial information.
2	Policy 2 Rev. 2 «Third Party Event sponsorship»	Lack of segregation of duties between the authorizer and the issuer of the payments.	Identify two different individuals for authorizing and issuing the payment (four eyes principle)
3	Policy 3 «Hospitality»	No threshold limit for hospitality has been set	Define a "reasonable" limit for hospitality and entertainment, as mentioned in Medtech Code.


Detection and Fraud Audit

Invoice n.	Company	Total Amount	Date
18	Company Eta	19.032,00 €	23/04/2019
19	Company Eta	11.712,00 €	23/04/2019
20	Company Eta	55.144,00 €	23/04/2019
21	Company Eta	11.712,00 €	23/04/2019
23	Company Eta	9.516,00 €	06/06/2019
24	Company Eta	5.856,00 €	06/06/2019
25	Company Eta	27.572,00 €	06/06/2019
26	Company Eta	5.856,00 €	06/06/2019
27	Company Eta	11.224,00 €	06/06/2019

Regulatory Enforcement & Compliance



I. Compliance Test

	Total Controls	Controls with positive results	%	Controls with negative results	%
Consulting Contract Analysis	53	45	85%	8	15%
Sponsorship Contract	45	39	87%	6	13%
Negotiation	25	19	76%	6	24%
Remuneration	11	3	27%	8	73%
National and International Events	175	171	98%	4	2%
Loan for use Contracts	25	7	28%	18	72%
Total	334	284	85%	50	15%

II. Remedial Plan
Organizational
Model under law
Decree 231

Action Plan



Implement an integrated system to track the assets given on loan for use to third parties, and the related contracts

Target due date: **January 2021**

2. Update the prevention protocol 2.5 "Loan for use Contracts"

Target due date: **October 2020** ✓

3. Formalize a single procedure for the management of the loan for use Contract

Target due date: **December 2020**



What's Fraud?

What's fraud?

ISA 240: “Fraud is an intentional act by one or more individuals among management, those charged with governance, employees, or third parties, involving the use of deception to obtain an unjust or illegal advantage”.

2001 – Fraudulent Bankruptcy



2018 – Elizabeth Holmes charged of fraud and investors lost more that



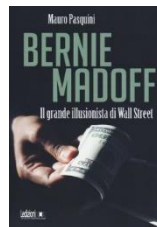
2003 – Fraudulent bankruptcy and stock manipulation



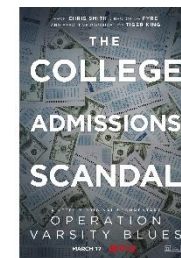
2020 - \$ 1.9 Billion accounting scam, for inflated costs



2008 – Bernard Madoff's \$65 Billion Ponzi scheme



2022 – criminal conspiracy to influence undergraduate admissions decisions at top American universities

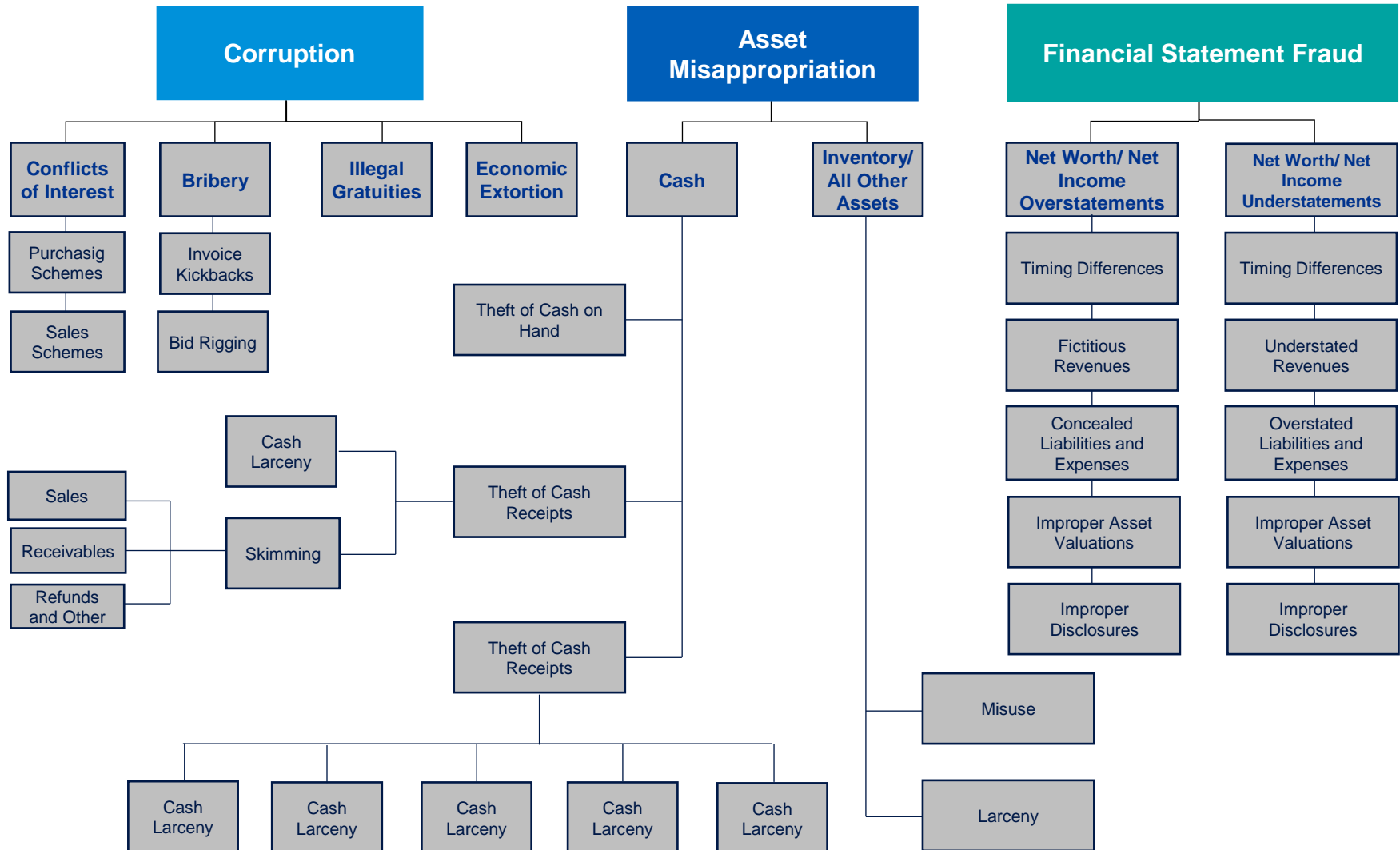


- Dishonesty
- Deception
- The intention of obtaining an undue benefit
- Avoiding an obligation
- Misrepresenting the company's financial position
- Removal of funds
- Causing loss to another party

The diagram illustrates the three main types of financial statement fraud, each with its own category and associated assets or methods:

- Asset Misappropriation** (Blue box):
 - Icon: A person carrying a box.
 - Assets: Cash, Inventory/All Other Assets.
- Corruption** (Blue box):
 - Icon: Two people, one handing a bag of money to the other.
 - Methods: Conflicts of Interest, Economic Extortion, Bribery, Illegal Gratuities.
- Financial Statement Fraud** (Teal box):
 - Icon: A person standing next to several filing cabinets.
 - Methods: Net Worth/ Net Income Overstatements, Net Worth/ Net Income Understatements.

ACFE Classification System (Fraud Tree)



Asset Misappropriation

Asset misappropriation fraud can happen when people who are entrusted to manage the assets of an organisation steal from it.

Asset misappropriation schemes include both the theft of company assets, such as cash (cash on hand, skimming or larceny and fraudulent disbursement), and the misuse and theft of inventory and other company assets.

Example: major Steel Mill company

- same assets coded with different inventory codes (Pic. 1);
- same assets categorized into different product classes;
- same assets with different counterfeited coded tag (Pic.2 – Pic. 3);
- counterfeit encodings managed in "understock" mode with automatic reordering when the minimum inventory threshold was reached (Pic. 4);
- same assets purchased at higher prices (i.e. 1:10) from different suppliers (most of them distributors);
- the suppliers were connected to the same administrator who is an exponent of local organized crime.

Pic. 1



Pic. 2



Pic. 3



Pic. 4

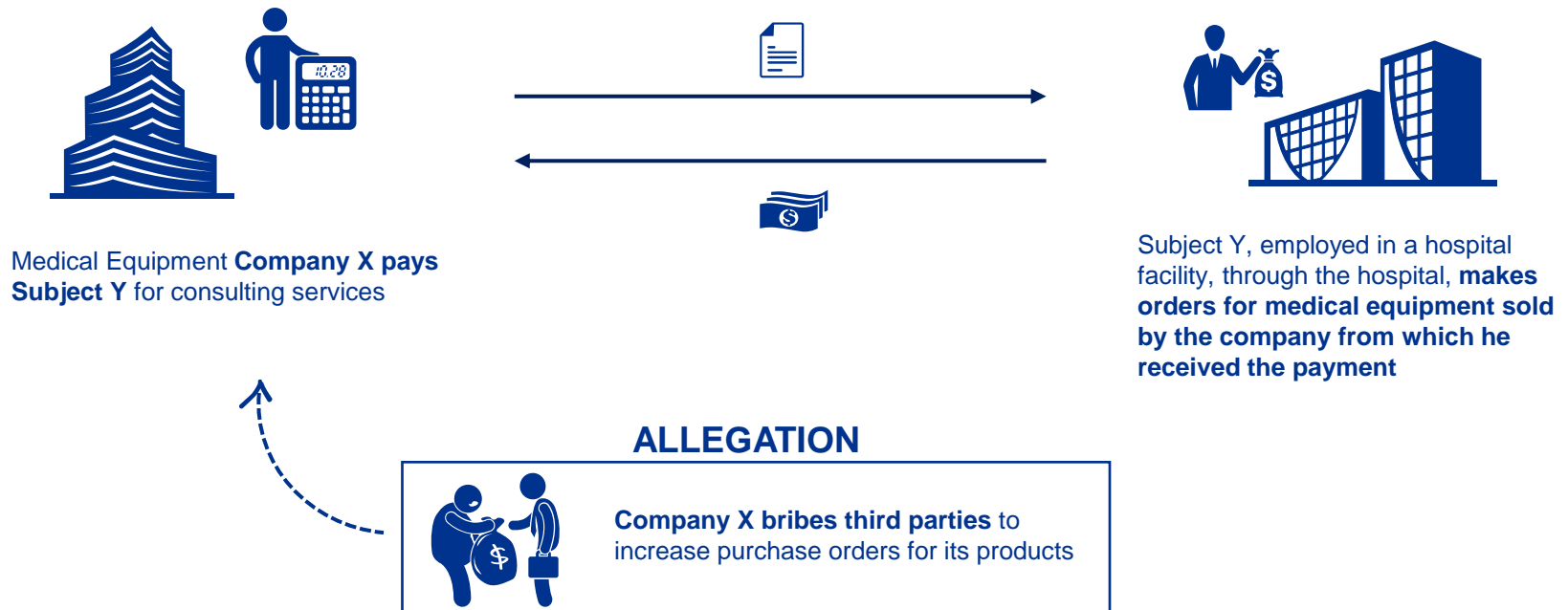


Corruption

Corruption occurs in various forms, including bribery and kickbacks, illegal gratuities, economic extortion and conflicts of interest.

The recipients of these schemes range from staff resources to CEOs or public officials. Corrupt payments may occur as food and beverage gifts or as cash payments. In any case, corruption creates an “unhealthy” situation for businesses.

Example: major Pharmaceutical company



Financial Statement Fraud

Financial statement fraud relates to the voluntary misrepresentation of the financial condition of an enterprise accomplished through the intentional misstatement of amounts or disclosures to deceive financial statement users.

There are many types of financial statement fraud such as fictitious revenue, improper asset valuations, concealed liabilities, timing differences and improper disclosure.

The standardized procurement process provides for the qualification of the supplier (onboarding phase) according to which the company requests and/or search for supplier's specific personal / financial / reputational details. The registration in the vendor master file allows to start the business relationship with the supplier and the accounting registration of the transactions occurred with it.

	D	C
Accounts Payable		122
Machinery	100	
VAT account	22	



	D	C
Accounts Payable	122	
Bank Account		122



A potential "fraudster", could avoid the due diligence process and the registration in the vendor master file through the so-called "cost-to-bank transaction" (including the VAT credit component in the machinery cost).

Conflicts of Interests

Corruption















	D	C
Machinery	122	
Bank Account		122



Asset Misappropriation



Red flags - examples

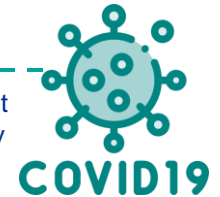
 Customer insists on using a particular third party	 Payments redirected to third parties other than retained consultants
 Fees / Commissions paid up front or inconsistent with the going rate	 Unusual bonuses paid to sales personnel
 Inflated invoices	 Unusual cash disbursements or suspicious journal entries
 Unrecorded transactions	 Lavish meals, gifts or entertainment to/from customers or third parties
 Request for cash payment or offshore wire transfers	 Operating in regions with significant history of corruption
 Refusal to provide anti-corruption representations	 Supporting documents do not match payment request
 Family or business relationships with foreign government official	 Government official requests a contribution

Fraud on the new frontier



Environmental, Social, and Governance (ESG) issues are becoming increasingly popular, characterizing the strategies and communication of companies. The **pressure** in achieving these ESG goals has generated an environment conducive to the development of new types of fraud.

*DWS, Deutsche Bank's asset management arm and Goldman Sachs's asset management division are being investigated by the SEC for allegedly claiming **to have greener funds than they actually do**. This behavior, known as "greenwashing," can mislead investors and other stakeholders.*



The most widespread and impactful frauds of the last years were directly connected to the coronavirus. By the beginning of August, Reuters reported that U.S. losses related **to coronavirus fraud had reached \$100 million**, with a large swath of cases originating in identity theft.

*In May, the city attorney of Los Angeles sued Wellness Matrix Group for selling coronavirus testing kits they claimed had been approved by the FDA and a "virucide" that purportedly killed the virus. The company "attached **false government registration numbers** to these products and fabricated phony scientific studies and white papers"*

"Keeping up with the new types of fraud"

Fraud in federal programs is getting bigger more complex and more ambitious. **Millions of dollars** had already been streaming **from government programs**

*Law enforcement officials estimate that **fraudsters stole between \$87 billion to \$400 billions of the \$900 billions Pandemic Unemployment Assistance program** alone, with nearly half of that amount going to foreign crime syndicates*



GOVERNMENT



ACFE Survey

ACFE Survey



“**Report to the Nations on occupational fraud and abuse**” is based on data compiled from a study of 2,110 cases of occupational fraud that were investigated between January 2020 and September 2021, from 133 countries. This is a tiny fraction of the number of frauds committed each year against millions of businesses, government organizations, and nonprofits throughout the world.

5%

CFEs estimate that organizations lose **5%** of revenue to fraud each year

\$117k

The median loss caused by the occupational fraud cases is **\$117,000**

12

Frauds lasted a median of **12 months** before being detected

42%

Frauds are much more likely to be detected by **tips** rather than by any other means (42% of frauds are detected by tips)

\$3.6B

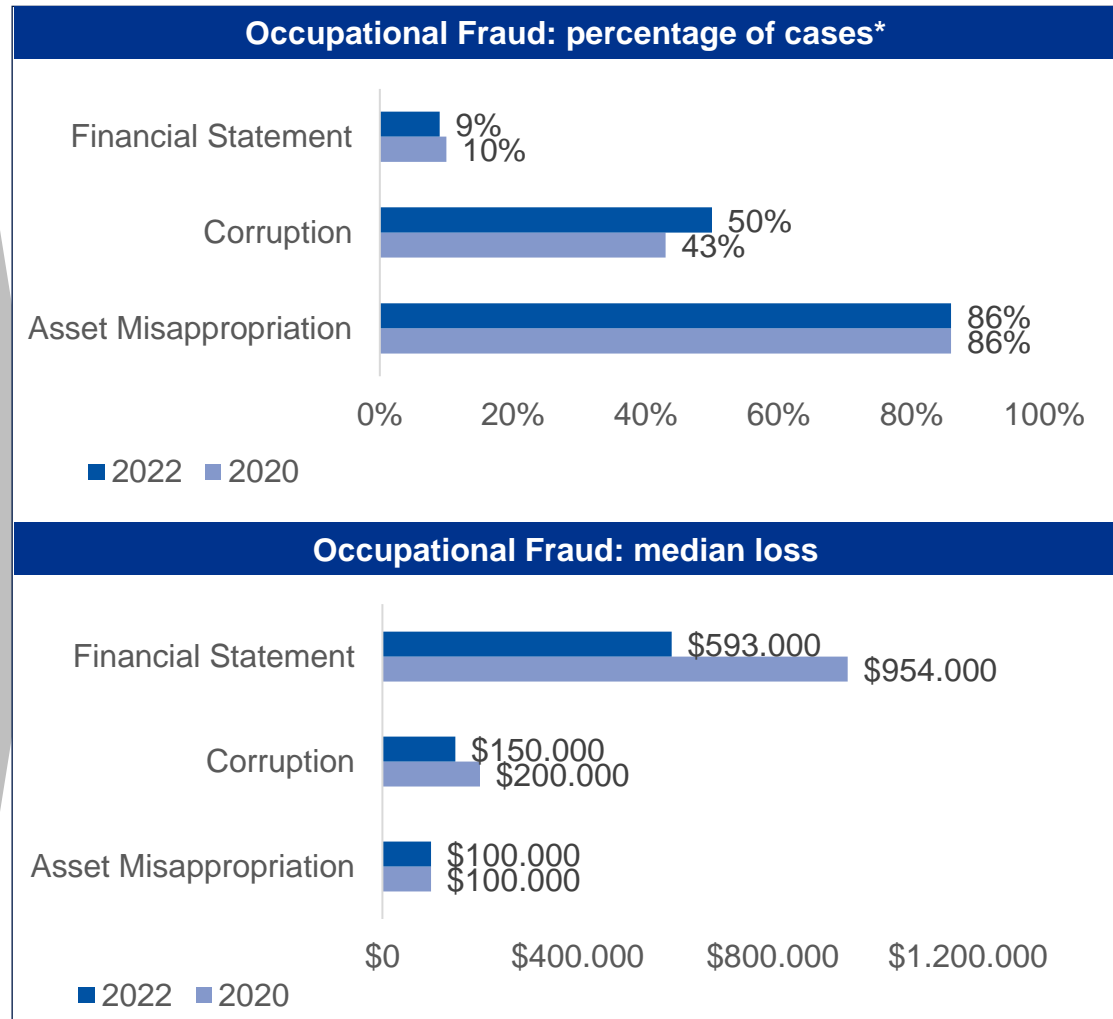
The Global cost of fraud causing total losses of more than **\$3.6 Billion**

ACFE Survey

From 2020 to 2022, **Asset Misappropriation** occurs in a large amount of the cases investigated (i.e. 86% both in 2020 and 2022). However, this type of occupational fraud causes a lower impact in terms of median loss (USD 100,000 both in 2020 and 2022).

In addition, **Corruption** schemes increased in 2022 from 43% to 50% of the cases causing a median loss of 150,000.

Lastly, the **Financial Statement Fraud** is the least common category (9% as shown in the graphs), but costliest, generating a median loss of USD 593,000 (in 2022).

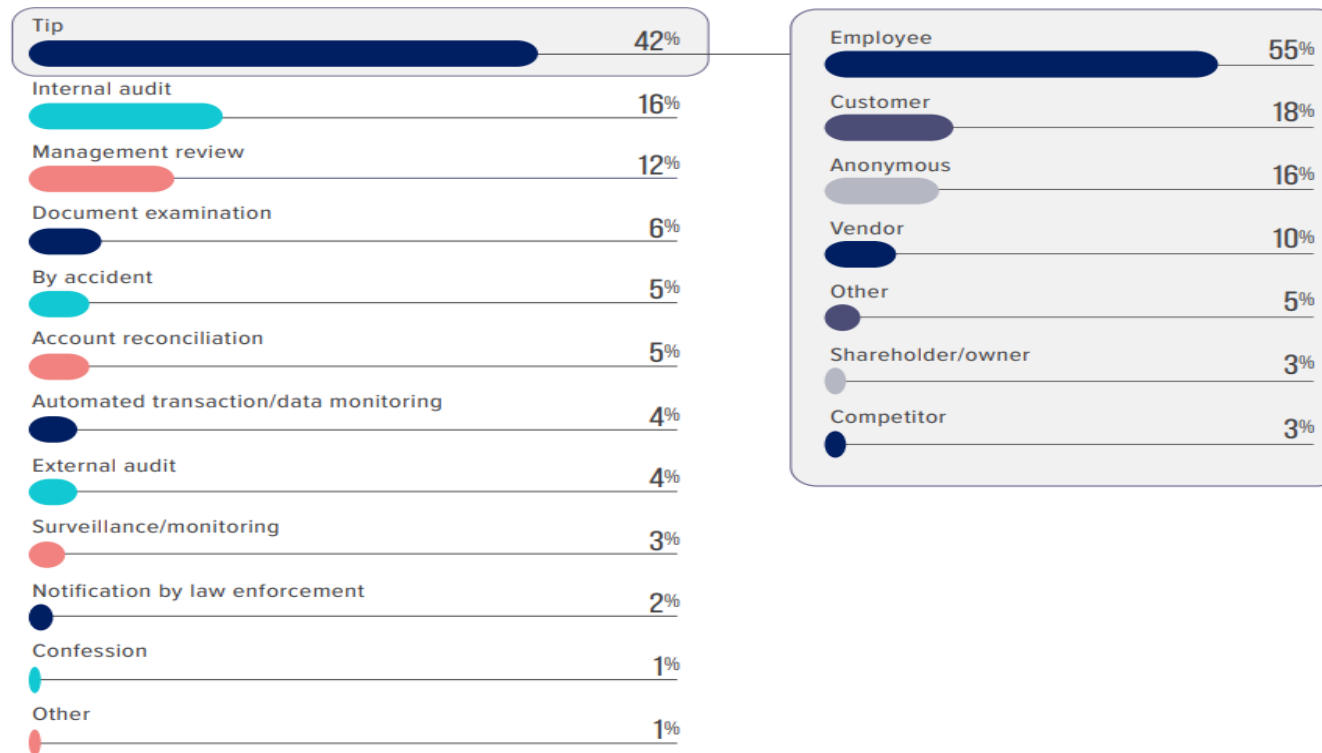


* Overlap of Fraud Schemes: many of the cases analysed, involved more than one of the categories of occupational fraud

ACFE Survey

The following figure shows how frauds have been detected in the cases investigated. Furthermore, it further breaks down the sources of tips, as the major source of fraud detection. More than half of all tips came from employees, while nearly a third of tips came from outside parties, including customers, vendors, and competitors.

These findings demonstrate that anti-fraud education and the communication of designated reporting mechanisms should target both internal staff and external parties.



Cryptocurrency schemes

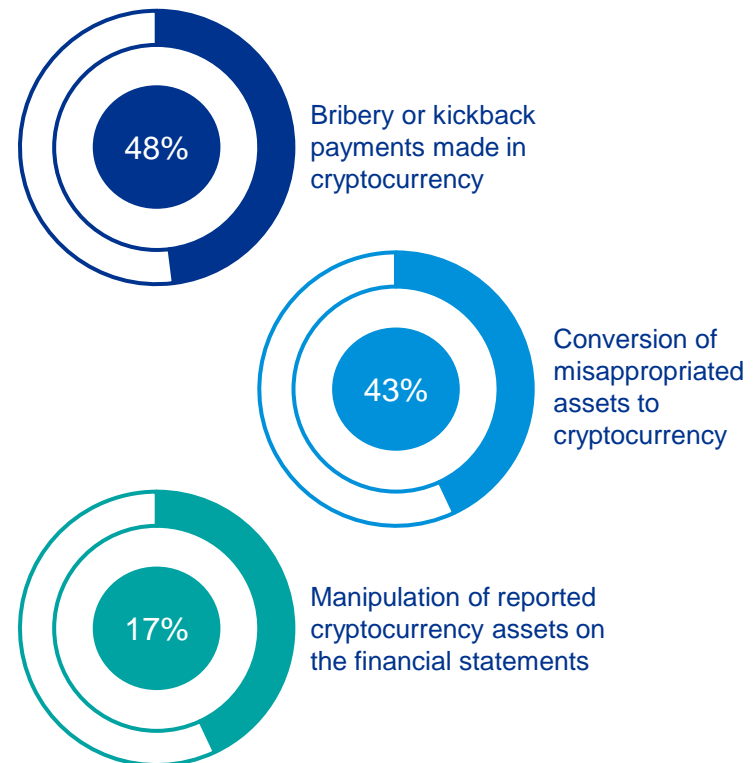
A cryptocurrency is a digital currency, which is an alternative form of payment created using encryption algorithms. Cryptocurrencies are still relatively new, and the market for these digital currencies is very volatile. Unlike the U.S. dollar or the euro, there is no central authority that manages and maintains the value of a cryptocurrency. The rise of blockchain technology, along with more organizations incorporating the use of cryptocurrency into their regular operations, creates another opportunity for individuals to perpetrate fraud.

According to the survey conducted by ACFE, only **8%** of the frauds detected involved the use of cryptocurrency (though anecdotal evidence suggests this number will rise in future years).

Among those cases, the most common ways cryptocurrency was utilized were:

- making **bribery and kickback** payments in cryptocurrency (48%), or
- **converting misappropriated assets** to cryptocurrency (43%).

8% of fraud cases
involved **THE USE
OF CRYPTOCURRENCY**

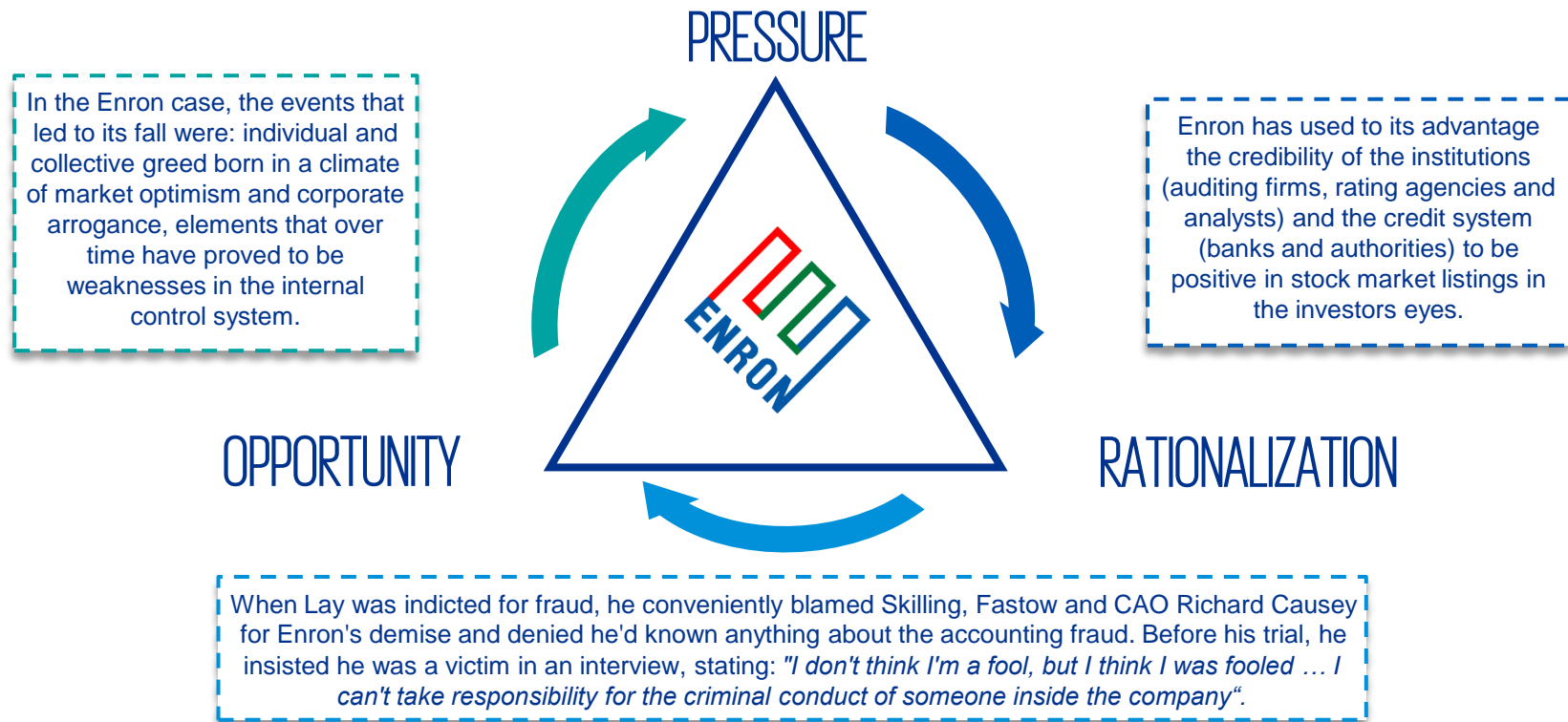




The Fraud Triangle

The Fraud Triangle – Enron Corporation Case

Donald R. Cressey developed in 1953 a hypothesis that has come to be known as the Fraud Triangle. Cressey's Fraud Triangle teaches that there are 3 interrelated elements that enable someone to commit fraud: the motive or **pressure** that drives a person to want to commit the fraud, the **opportunity** that enables him to commit the fraud, and the ability to **rationalize** the fraudulent behavior. The vulnerability that an organization faces from individuals capable of combining all three elements of the Fraud Triangle is fraud risk, coming from both internal and external to the organization.



The Fraud Triangle

MARKET CONDITIONS (input)

- Pressure on top management to produce results
- Targeting new markets and pressure to obtain/retain Contracts
- Change in strategic direction
- Increasing geographical spread
- Aggressive costing cutting and restructuring
- Staff retrenchments
- Increase in inventory theft and shrinkage

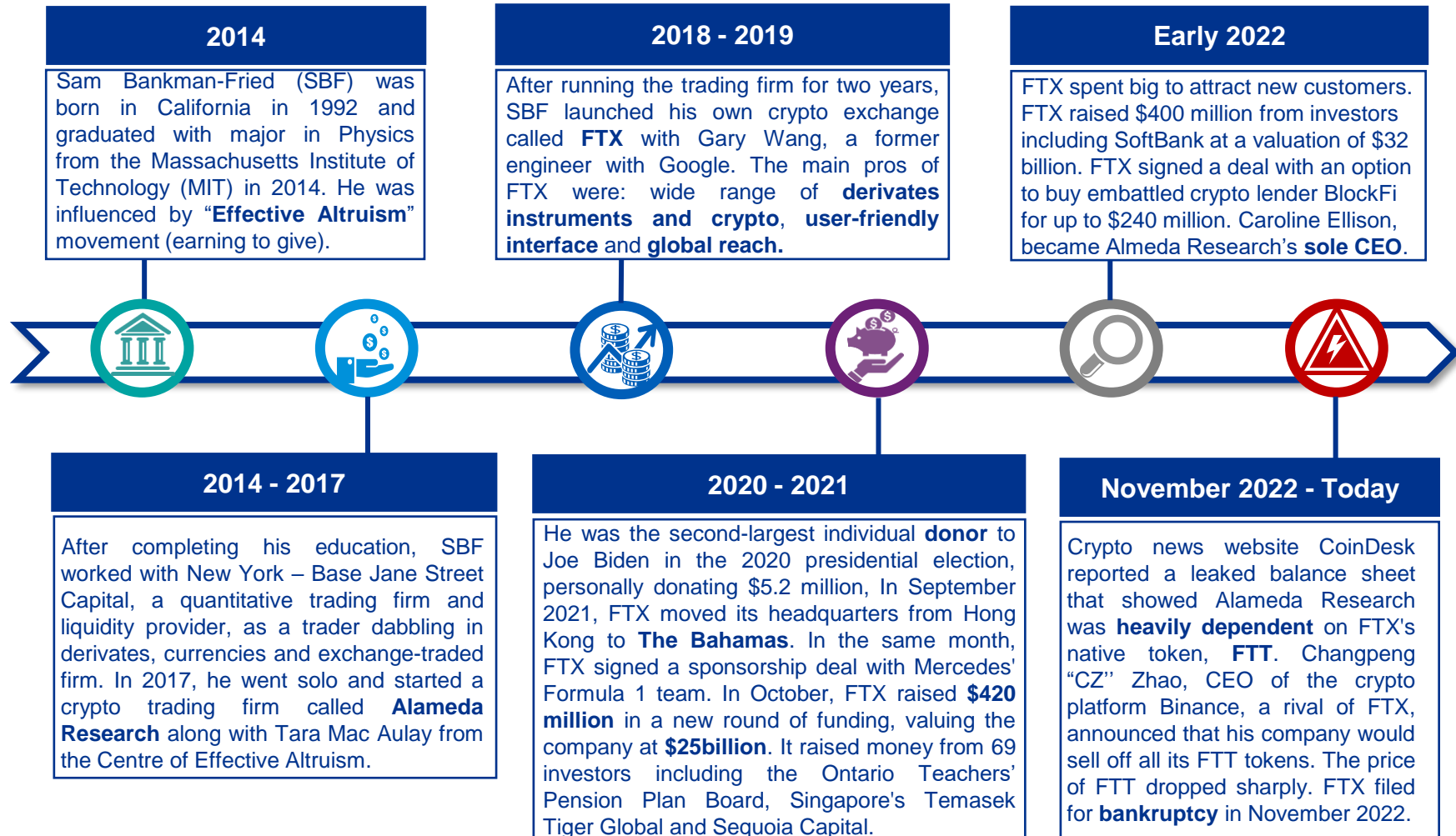
POTENTIAL CONSEQUENCES (output)

- Increase in fraud and misconduct incidents
- Increase potential for corruption in new markets and contracts
- Potential for account manipulation to achieve results
- Weaker control environment due to cost cutting
- Impact of retrenchments on staff moral

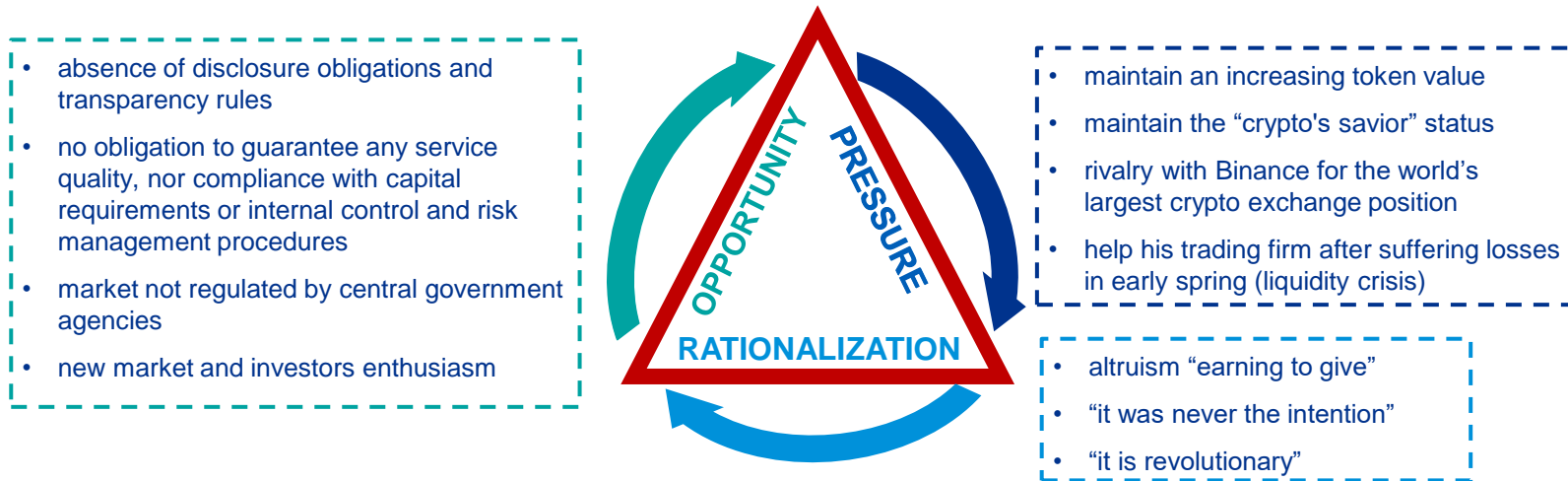


Case study 1

The rise and fall of Crypto Exchange FTX



The rise and fall of Crypto Exchange FTX



What did go wrong?



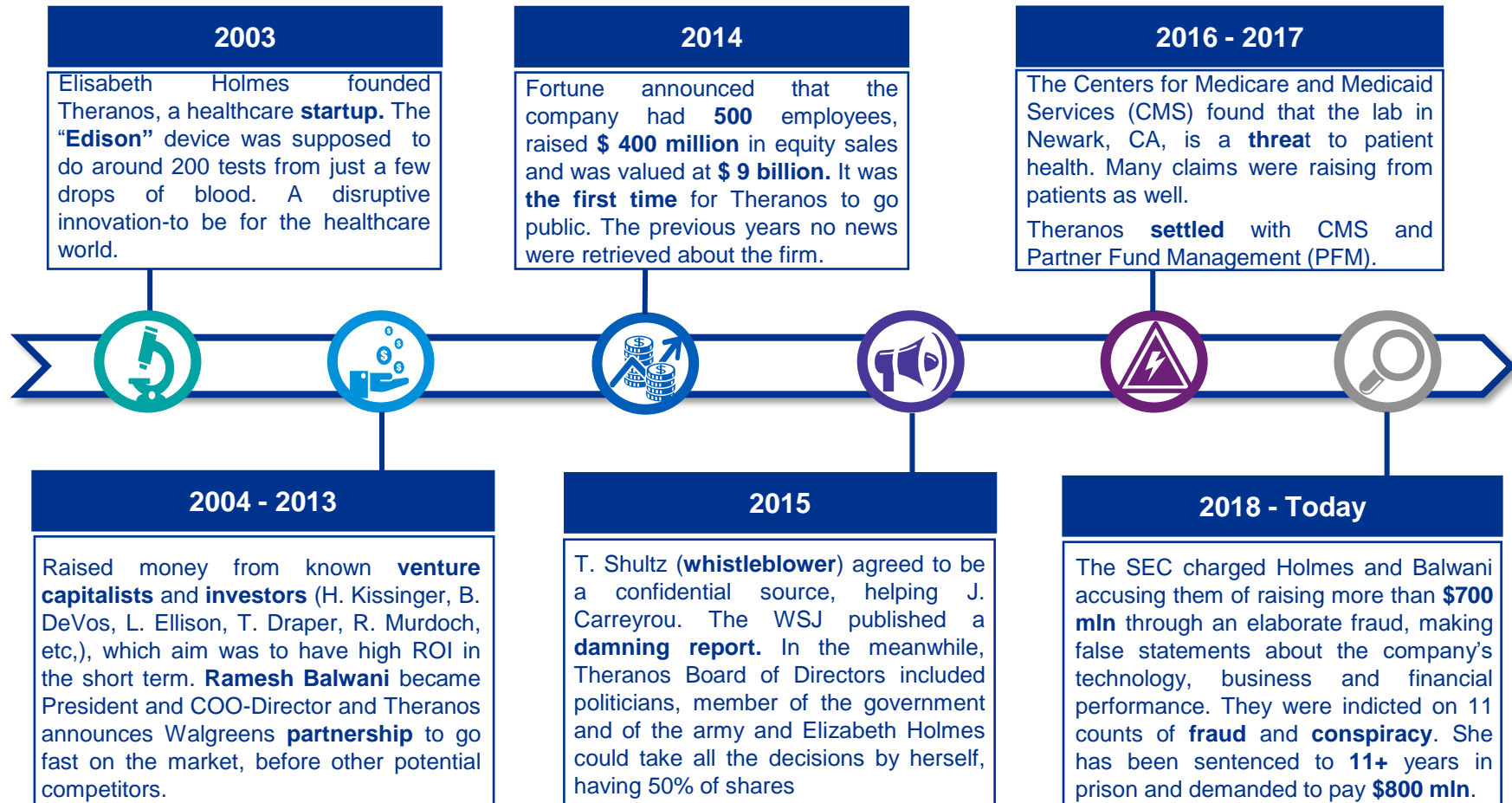
- Many of the companies in the FTX Group, especially those organized in Antigua and the Bahamas, did not have appropriate **corporate governance**. It appears that many entities, for example, never had board meetings.
- The FTX Group did not maintain **centralized control of its cash**. Absence of an accurate list of bank accounts and account signatories, as well as insufficient attention to the creditworthiness of banking partners around the world.
- **Unclear organization chart**. The FTX Group’s approach to human resources combined employees of various entities and outside contractors, with **unclear records and lines of responsibility**.
- Lack of **disbursement controls**. For example, employees of the FTX Group submitted payment requests through an on-line ‘chat’ platform where a disparate group of supervisors approved disbursements by responding with personalized emojis.
- **Lack of Digital Asset Custody**, the FTX Group did not keep appropriate books and records, or security controls, with respect to its digital assets.
- **Lack of Information and Retention of Documents**, absence of lasting records of decision-making. SBF often communicated by using applications that were set to auto-delete after a short period of time, and encouraged employees to do the same.
- The FTX Group received audit opinions on consolidated financial statements from **two accounting firms**, one for the U.S. subsidiaries (Armanino LLP) and one for the Caribbean subsidiaries (Prager Metis)





Case study 2

Out for Blood in Silicon Valley: from Theranos to Thanatos



Out for Blood in Silicon Valley: from Theranos to Thanatos

- dominant CEO and 50% stake;
- Supported by well known investors;
- low profile adopted at the beginning did not raise any concern for about 10 years;
- board of Directors included politicians and military advisors rather than professionals and medical experts.



- ventures capitalists, financial partners and investors who demanded hyper-growth and immediate value;
- maintain the “Silicon Valley hero” status;
- competitors trying to enter the new market.

- bringing a “world change”;
- democratize the American healthcare sector;
- she still declares she did nothing wrong

What did go wrong?



Theranos represents a story of **greed** and blind hope and should be a cautionary tale for risk managers and insurers.



The **corporate culture** was one of fear and secrecy, not one of transparency and commitment to a conversation around compliance. Employees who raised concerns were marginalized or fired.



Inaccurate test results of patients. **Misleading** demonstrations and information about technology developed to investors and stakeholders. Only 1 test approved by FDA



Lack of strong **Internal Controls**; **collusion** between the Founder and CEO Elisabeth Holmes and her ex-boyfriend, the COO Ramesh Balwani.



Example of why a strong **code of conduct** and a **speak-up culture** are important to help prevent a situation where one feels the need to be a whistleblower; Tyler Shultz decision to **blow the whistle** has been hugely important in the Theranos case.



Anti-bribery and corruption



FCPA Overview

The “Foreign Corrupt Practices Act” (FCPA) is an United States Federal Law and was enacted for the purpose of making it unlawful for certain classes of persons and entities to make payments to foreign government officials to assist in obtaining or retaining business.

Who is Covered by the FCPA?

- “Issuers” and their officers, directors, employees, agents, and shareholders;
- “Domestic concerns” and their officers, directors, employees, agents, and shareholders;
- Certain persons and entities, other than issuers and domestic concerns, acting while in the territory of the United States.

What is covered?

- Payments intended to induce or influence a foreign official to use his or her position “in order to assist ... in obtaining or retaining business for or with, or directing business to, any person”
- Examples: winning a contract, influencing the procurement process, circumventing the rules for importation of products, gaining access to non-public bid tender information, etc.)
- Exception: facilitation payments

«Anything of value»

- Bribes can come in many shapes and sizes and so the statute prohibits the corrupt “offer, payment, promise to pay, or authorization of the payment of any money, or offer, gift, promise to give, or authorization of the giving of anything of value to” a foreign official.

Criminal penalties

- Business entities up to 2million for each violation of the ABC provisions and up to \$25million for each violation of the accounting provisions
- Individuals up to \$250k and imprisonment for up to 5 years for each violation of the ABC provisions and up to \$5 million and imprisonment for up to 20 years for each violation of the accounting provisions

Anything of value



You cannot offer, pay, promise to pay, or authorize to pay or offer, money or “anything of value”.



Payments of personal travel expense



Making political contributions



Excessive entertainment expenses



Offering employment for relatives of the official



Lavish gifts



Making tuition payments for the benefit of the official or his/her relatives



Extending favorable loan terms



Doing personal favour



Making charitable contributions at the request, or in the name of an official



Other employee opportunities



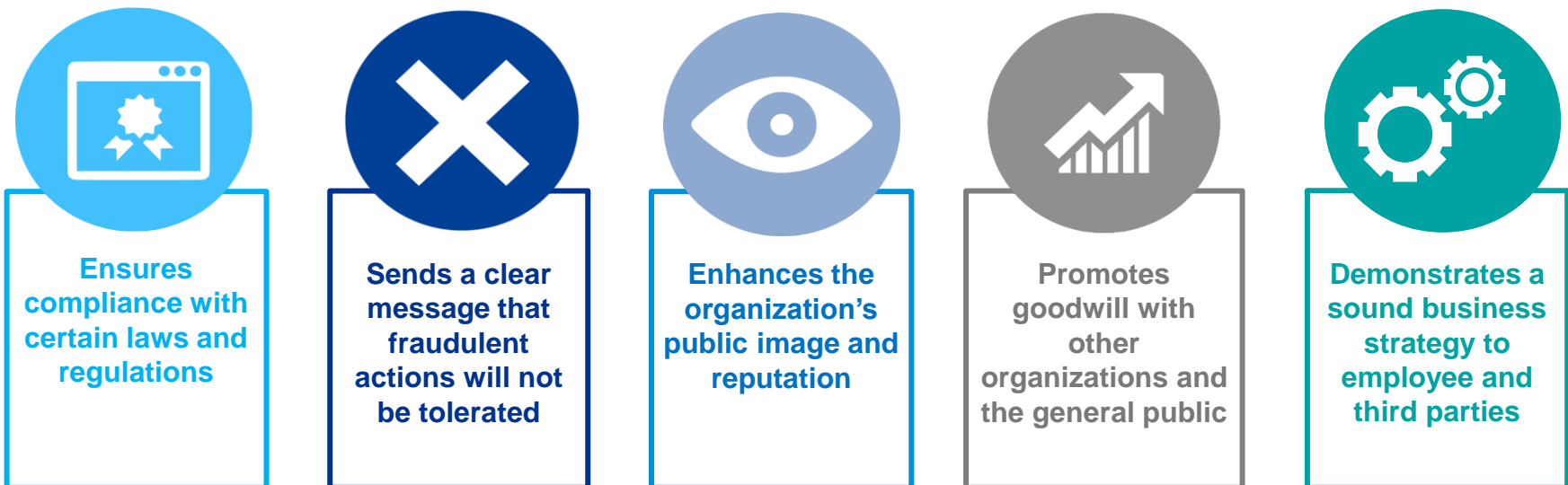
Fraud Risk Management

Fraud Risk Management: strategic objectives

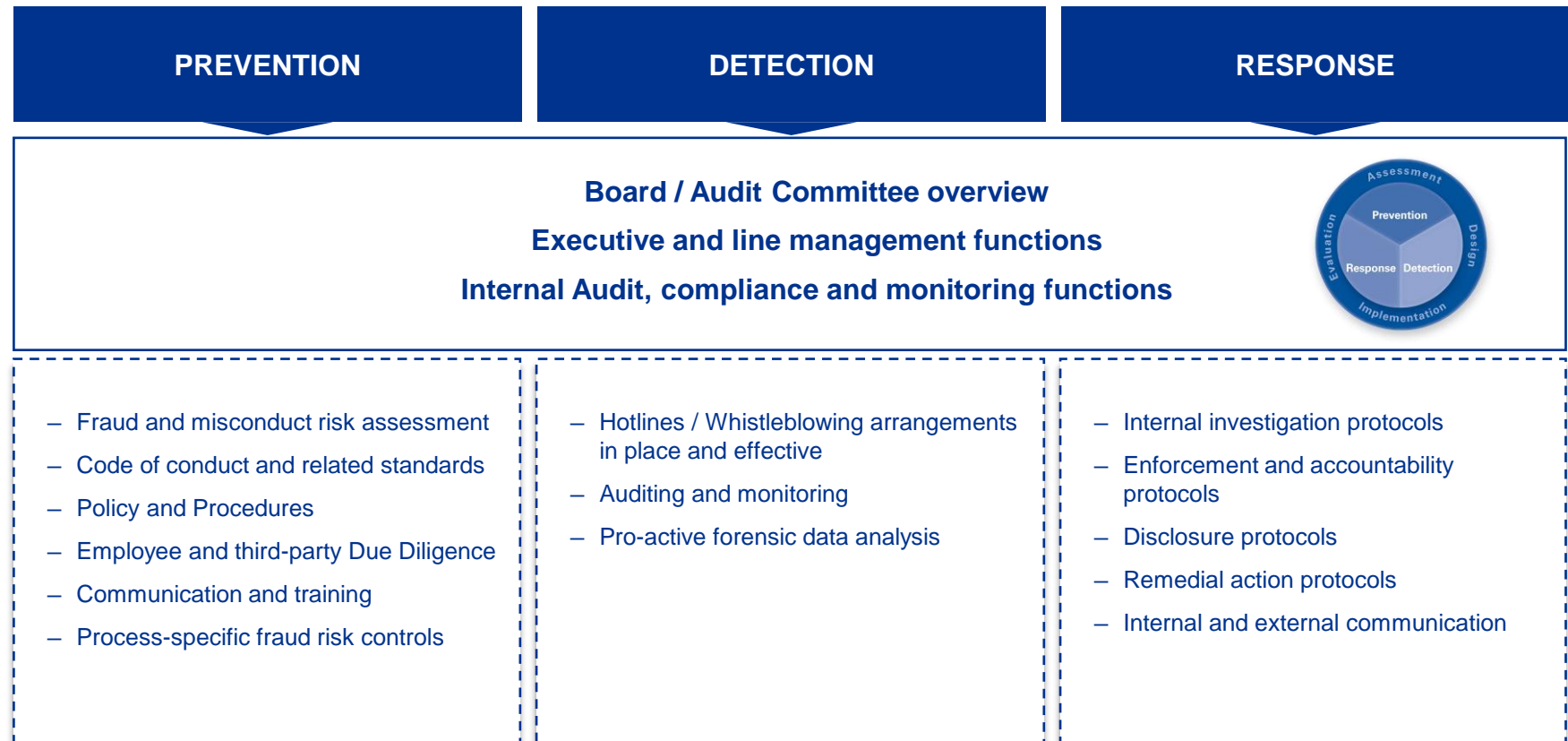


Risk Management is “a process...designed to identify potential events that may affect the entity, and manage risk to be within its risk appetite, to provide reasonable assurance regarding the achievement of entity objectives” (COSO ERM-Integrated Framework: Executive Summary,2004). It involves:

Effective Fraud Risk Management:



Fraud Risk Management: Prevention, Detection and Response





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