

Crossing the Ethical Boundary



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OUR GOALS FOR TODAY

1

Introduction to BKD and FVS Services

2

ACFE Report to the Nations

3

Ethical Decision Making

4


Ethical Culture





Personalized service with a global reach

Our trusted advisors offer solutions for clients in all 50 states & internationally. With 40 offices in 18 states, BKD & its subsidiaries combine the insight & ideas of multiple disciplines to provide solutions in a wide range of industries



SOLUTIONS

How BKD can help

Forensic & Valuation Services

- Computer Forensics
- Data Analytics
- Investigations
- Integra Report
- Litigation Support/Expert Witness Services
- Valuation Services



POLLING QUESTION

- Have you ever hired a forensic accountant to investigate allegations of fraud?
 - Yes
 - No
 - I don't know
 - I hope not!

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REPORT TO THE NATIONS®

2020 GLOBAL STUDY ON OCCUPATIONAL FRAUD AND ABUSE

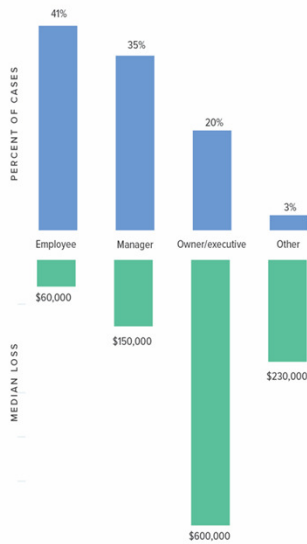


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ACFE REPORT TO THE NATIONS

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FIG. 27 How does the perpetrator's level of authority relate to occupational fraud?

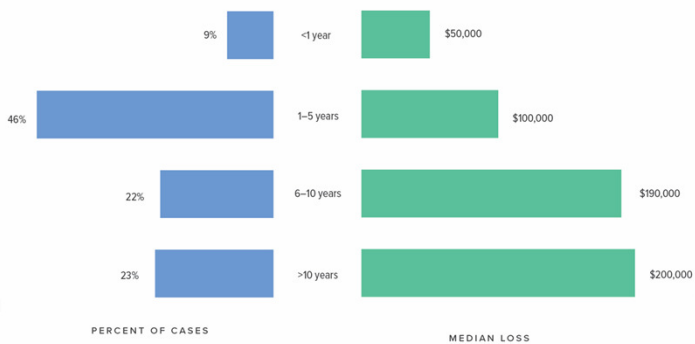


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FIG. 29 How does the perpetrator's tenure relate to occupational fraud?

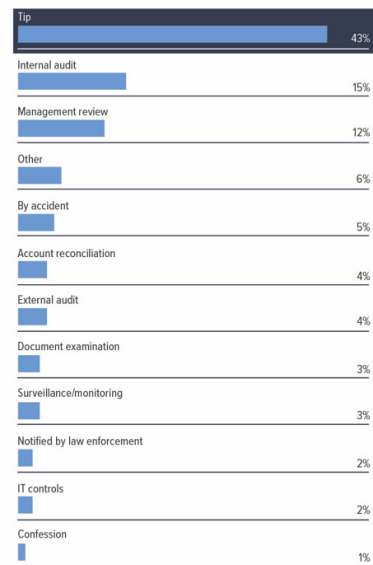


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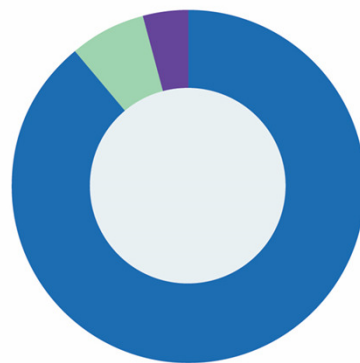
FIG. 9 How is occupational fraud initially detected?



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FIG. 39 Do perpetrators tend to have prior fraud convictions?



- Never charged or convicted (89%)
- Charged, but not convicted (7%)
- Had prior convictions (4%)

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POLLING QUESTION

- Does your firm have an anonymous tip hotline and/or email inbox to report suspicious behavior?
 - Yes
 - No
 - I don't know
 - We need one!

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Profile of a Fraud Perpetrator

- Male
- Long-term employee
- Well educated (university degree or higher)
- No prior criminal history
- Lifestyle clues

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- Legitimate financial need is an increasing concern
- Other basic reasons employees steal
 - Low morale
 - Feel employer has mistreated or “wronged” them
 - Feel underpaid and/or under appreciated
 - Consequences of theft are minimal
 - Lack of preventative measures

WHY DO EMPLOYEES STEAL?

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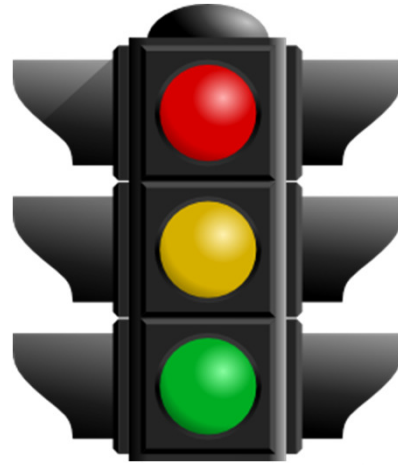
ETHICAL DECISION MAKING

Definition of “Ethics”

- Discipline to deal with what is good & bad with moral duty & obligation
- Set of moral principles: theory or system of moral values
- Principles of conduct governing individual or group
- Guiding philosophy
- Consciousness of moral importance

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ETHICAL DECISION MAKING

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POLLING QUESTION

- Does your firm have a code of ethics?
 - Yes
 - No
 - I don't know
 - We need one!

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ETHICAL DECISION MAKING

Meet Caroline Bemby

- Medical Manager Corporation Assistant Corporate Controller
- Participated in a financial statement fraud two years into her career
- Key witness at trial

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ETHICAL CULTURE



|Code|of
Ethics

July, 2000

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ETHICAL CULTURE

Excerpt from Enron's Ethics Policy

- Employees of Enron Corp., its subsidiaries, and its affiliated companies (collectively the "Company") are charged with conducting their business affairs in accordance with the highest ethical standards. An employee shall not conduct himself or herself in a manner which directly or indirectly would be detrimental to the best interest of the Company or in a manner which would bring to the employee financial gain separately derived as a direct consequence of his or her employment with the Company...

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POLLING QUESTION

- How often does your firm offer compliance related training?
 - 1 – 3 times per year
 - 4 or more times per year
 - I don't know
 - We don't have compliance training

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ETHICAL CULTURE

A Culture of Compliance

- Tone at the Top
- Compliance Ownership
- A Code of Ethics
- Have A Compliance Plan and Controls
- Training and Communications

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ETHICAL CULTURE

The Cost of Non-Compliance



\$204 BILLION

Banks have paid more than **\$204 billion in fines and settlements** since the financial crisis.¹



\$185 MILLION

A New York bank was fined \$185 million for **failing to comply with rules intended to protect client assets** in 2015.²



\$18 BILLION

A German car manufacturer is now facing fines up to \$18 billion for **allegedly cheating on emissions tests** in a scandal that erupted in 2015.³



\$60 MILLION

A Japanese-based electronics and industrial company, was hit with a record \$60 million dollar fine for an **accounting scandal** in 2015.⁴

legal.thomsonreuters.com/en/insights/infographics/a-culture-of-compliance

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CASE STUDY #1

Financial Manager of a \$20+ Million Real Estate Development

- Paying personal expenses
- Funding other investments
- Ponzi-esque investment scheme
- Social media savvy

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CASE STUDY #2

72 Year Old Cookie Company Crumbles

- Private Equity Acquisition in 2005
- Make the Quarterly Numbers
- Multiple Schemes to Inflate Earnings
- Common Knowledge Throughout the Company
- Declared Bankruptcy 3 Years Later

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Thank You!

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