

# What CEOs Need to Know About Corruption Prevention and Detection **The Eternal War**

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“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

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# TOP 10 LESSONS for CEOs

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- L** **Segregate Operations Management**  
from Scorekeeping
- E** **Segregate Finance**  
from Scorekeeping
- A** **Segregate Treasury**  
from Scorekeeping
- D** **Segregate Purchasing**  
from Operations
- E** **Segregate Personnel**  
from Payroll
- R** **Segregate Sales**  
from Sales Scorekeeping
- S** **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
- H** **Have All Oversight Functions**  
Internal Audit, Corporate Counsel, etc., Report Directly to the Owner/CEO
- I** **Know Your People**  
Do In-Depth Backgrounds and Update Them Every 2 to 4 Years for Critical Executives - Executives, Staff, Vendors, Customers & Partners
- P** **Rotate Staff**



## SHENANIGANS

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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

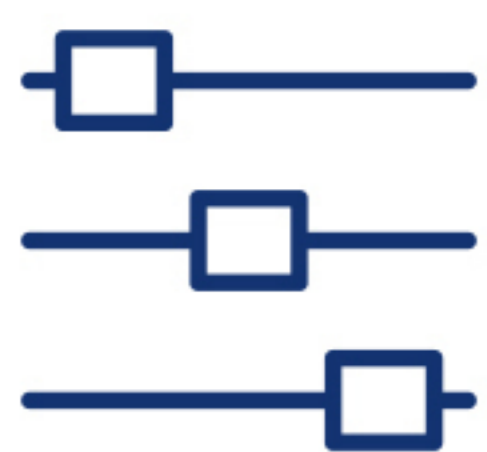
**Shifting future expenses** into the current period

# Practical Game Solutions

## THE CEO'S GAME

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# THE \_\_\_\_\_ **Visible** Leadership THREE \_\_\_\_\_ **Organizational Design** for "Checks & Balances" KEYS \_\_\_\_\_ **The Right** Staff, Tools & Tactics



## Executive Level Strategic Controls

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**Business strategy**, core skills and competitive position

**The roles of inside and outside auditors**, corporate security, corporate counsel, and other oversight functions

**Organizational style**, structure and culture and Staffing skills

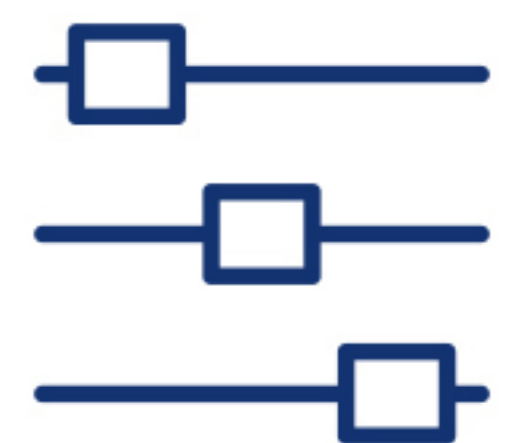
**Business processes**, policies, procedures, and systems

**Audit Committee** and Corporate Governance

**Internal audit** and security

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## Financial and Operational Controls



**Revenue** and sales processes

**Purchasing**, including supplier and subcontractor selection and controls

**Manufacturing** or service processes

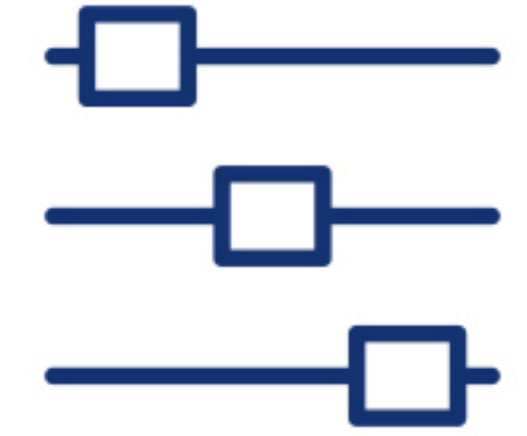
**Personnel** and payroll processes

**Warehousing**, logistic and inventory

**Treasury**, financial accounting and reporting systems

# THE KEY ELEMENTS OF BUSINESS CONTROLS

## Management and Financial Information Systems



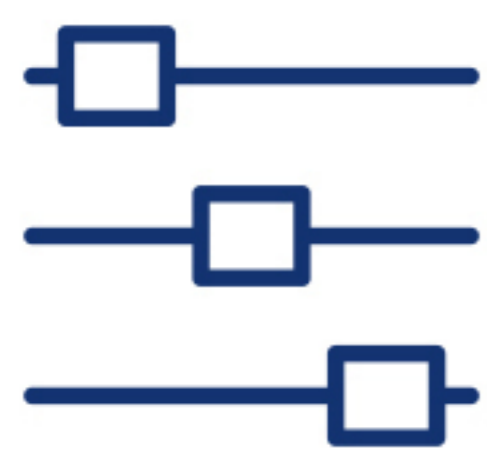
**Information** and intellectual property controls and security review

**Intellectual** property and trade secret controls

**Operational** and communication systems integrity

**Counter-intelligence** program design

**Internet** systems



## Corporate, Physical and Personnel Security

**Strategies** and polices

**Executive** and staff protection

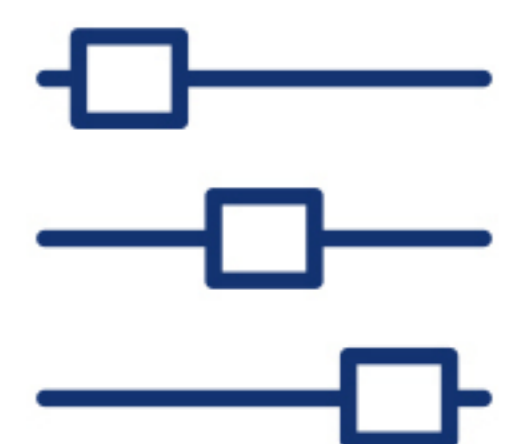
**Facilities design** and access

**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

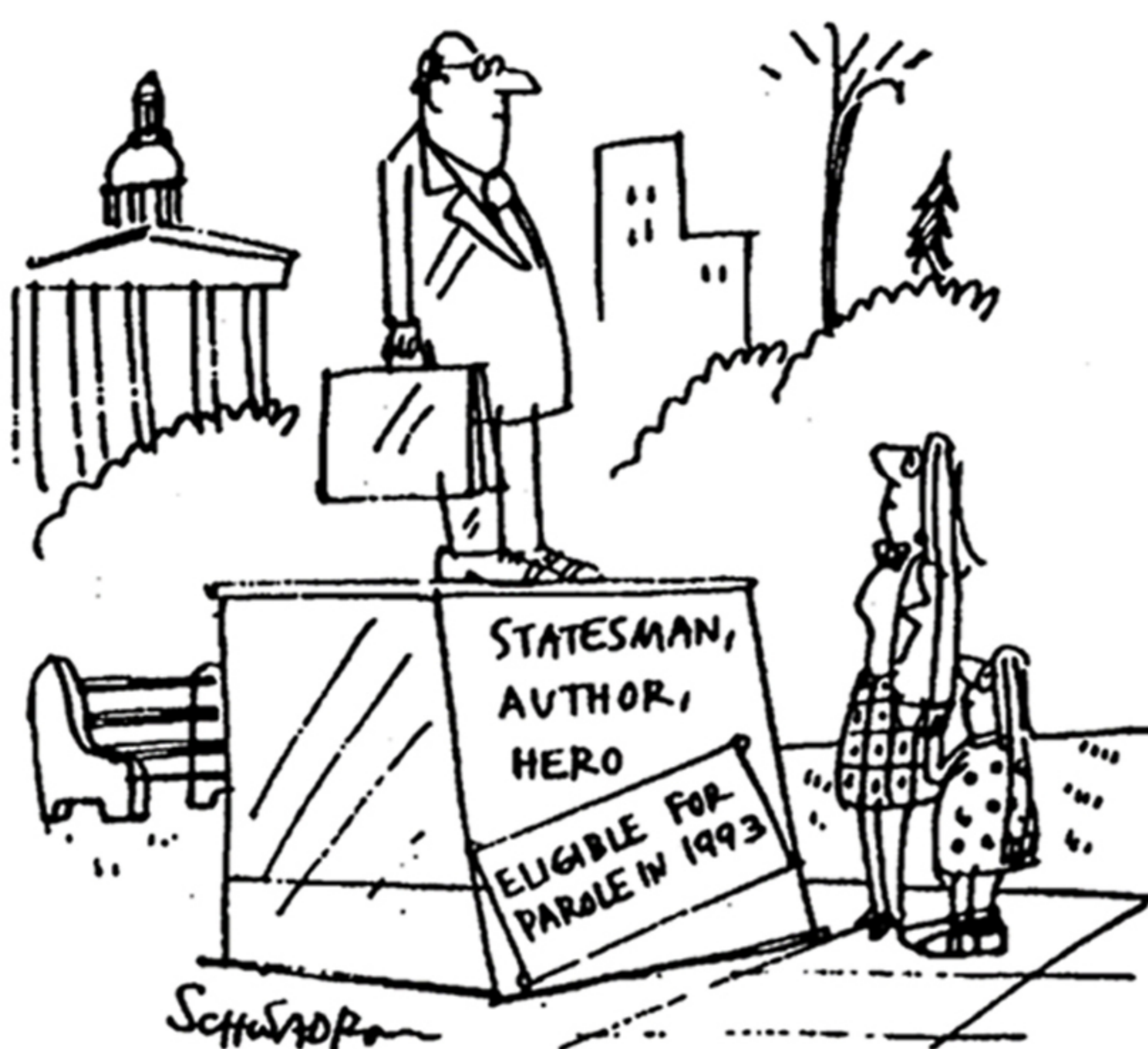
**Walk-throughs** of operations, including interviews with management and operations personnel, review of documentation and penetration exercises

**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



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