WHO’S DOING WHAT, WHERE: BEST PRACTICES
RISKY BUSINESS—BUILDING PARTNERSHIPS TO FIGHT FRAUD

Preventing and detecting fraud in any business requires strong leadership and established partnerships. This session explores some of the real challenges that fraud professionals face as they try to lead, participate in, and influence fraud prevention and detection efforts. Participants will take away pragmatic tools and ideas to forge strong partnerships and manage their zones of risky business.

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Bethmara Kessler is the Managing Director of The Fraud and Risk Advisory Group, Inc., a firm that specializes in providing unique solutions for fraud and risk prevention and detection. Prior to her work with The Fraud and Risk Advisory Group, Ms. Kessler was the Senior Vice President of Enterprise Business Risk Management at Limited Brands, Inc. Her extensive experience also includes leadership roles in audit, risk management, information systems, and corporate investigations with EMI Group, Plc., Avon Products, Inc., RJR Nabisco, Inc., and Ernst & Young.

Ms. Kessler is an avid speaker who has also written on a variety of topics related to fraud and risk. Ms. Kessler contributed material on fraud risk assessments that was included in the Association of Certified Fraud Examiners (ACFE) 2010 Fraud Examiners Manual. She was a contributing author to the book Case Studies in Fraud: Lessons from the Bad Side of Business, and has written several articles that have appeared in Internal Auditor Magazine, The Journal of Accountancy, and other specialty publications. Ms. Kessler’s speaking engagements have included webinars and conferences sponsored by organizations such as the ACFE, Center for Governance and Risk Management, National Retail Federation, Audimation Services, Institute of Internal Auditors, and the Information System Audit and Control Association. She has also been a guest lecturer at various colleges.

Ms. Kessler earned her Bachelor of Business Administration in Accounting from Baruch College. She is a Certified Information Systems Auditor, a Certified Fraud Examiner, and a licensed private investigator.

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## RISKY BUSINESS—BUILDING PARTNERSHIPS TO FIGHT FRAUD

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<tr>
<th>What Is Fraud Risk?</th>
<th>NOTES</th>
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<td>The vulnerability an organization has to those capable of overcoming all three elements of the fraud triangle or all four elements of the fraud diamond is <em>fraud risk</em>.</td>
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<th>What Is the Zone of Risky Business?</th>
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<td>Everything is NOT black or white—there are many shades of GRAY, and that is where the zone of risky business lies.</td>
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Every business has one—do you know where yours is?
- The business that you are in
- The environment in which you operate
- The ethics and values of your company and its people
- The effectiveness of the company’s internal controls
- The company's risk culture
  - Hospitals:
    - Billing for services never rendered
    - Overcharging for services
    - Patient insurance scams
  - Supermarkets:
    - Theft of product—employees and customers
    - Check fraud
    - Price swapping
    - Vendor fraud
  - Banks:
    - Theft of cash—employees and customers
    - Identity and information theft
    - Forgery

## Fighting Fraud—How to Be a Partner

- To be treated like a partner you must BE A PARTNER.
- Words and actions must be in ALIGNMENT.
- When you speak—what do they HEAR? Remember—you can only influence people who will LISTEN to you.
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Lessons to Live By:
- Firm
- Fair
- Friendly

Are You Worthy of R.E.S.P.E.C.T.?
- Know YOUR zones of risky business
- Gain alignment and build AWARENESS
- Find STRONG sponsors, supporters, and advocates
- Speak the LANGUAGE of the BUSINESS
- Do GREAT work!

Be the EXPERT!
- Current and not-so-current events
- Water cooler talk
- Beware of Oniomaniacs, Egomaniacs, Kleptomaniacs . . .
- Network, Network, Network!

No Fraud Is NEW Fraud
- Learn about schemes that you are not familiar with
- Can this happen here? Why OR Why not?
- Tools:
  - Set up Google Alerts
  - ACFE Website, Fraud Magazine, FI-Newsletter
  - Fraud Talk—http://fraudtalk.blogspot.com/
  - FBI white-collar crime site—http://www.fbi.gov/whitecollarcrime.htm
  - Local and national newspapers
  - Old stories are good stories

Gain Alignment and Build AWARENESS
- TALK about FRAUD—What it can and does look like in YOUR company
- Develop ways of keeping people informed:
**Risky Business—Building Partnerships to Fight Fraud**

- Share RELEVANT current and not-so-current events
- Provide tips and lessons learned
  * Newsletters
  * Intranet site
- Lunch and learn roundtables

**Find Sponsors, Supporters, and Advocates**
- Cultivate and nurture those relationships
- Continually assess your effectiveness in those relationships

**Speak the Language of the Business**
- How can you be effective if people don’t understand what you are saying?
- It’s not always WHAT you say, it’s HOW you say it!
- Focus on what REALLY matters:
  - What do you want me to know?
  - Why should I care?
  - What do you want me to do about it?
  - Objective
  - Simple
  - MOST important
  - BIGGEST impact

**Do Great Work!**
- Delight and WOW!
- No same old, same old . . . they stop paying attention!

**Building Your Risky Business Tool Kit**

*A tool kit is ONLY as good as the tools IN IT!*
- Fraud risk assessments
- Hotline and complaint analysis
- Proactive fraud identification and monitoring
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- Discretionary spending reviews
- Internal fraud prevention workshops

#### Fraud Risk Assessments

- Power tool of your Risky Business tool kit
- Balance your assessment between culture and controls
- How the organization and its people behave or are perceived to behave
- What mechanisms the organization has in place to prevent or detect bad things
- Keep it SIMPLE and package it RIGHT!
- Find partners in the business to lend expertise and support—openly promote the process
- Use a methodology and framework that is culturally RIGHT for YOUR business
- Use it to begin a dialogue across the company
- Bring clarity to things that are unclear
- Emphasize the positive

#### Hotline and Complaint Analysis

- Do employees trust the system? Should they?
- The quality of the complaint is only as good as the information CAPTURED
- Check the quality of Reporting Systems:
  - Review complaint documentation and databases
  - Test the systems
  - Scrutinize complaints that are never investigated
- Look for common elements and patterns—provide regular analyses with ACTIONABLE recommendations
## Proactive Fraud Identification and Monitoring

**PURPOSE**

To proactively identify those places in the business where fraud, waste, or abuse is most likely to be occurring and determine if it is or if it is not

**OBJECTIVES**

- To identify the places where fraud, waste, or abuse are most likely to occur in the business
- To identify unusual activity that might potentially be an indicator of fraud, waste, or abuse
- To evaluate and investigate patterns of unusual activity to determine if fraud, waste, or abuse has occurred or if everything is really okay
- To work with the appropriate business partners to investigate and determine the appropriate outcome of the work

**STAKEHOLDER BENEFITS:**

- To give the Audit Committee a sense about what we are finding in this work.
  * High-level view of work we performed
  * Anything significant they should be aware of, including good messaging around what is working well
- To give the General Council (and possibly HR partner under GC direction):
  * Well documented set of facts and evidence
- Leadership team:
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NOTES

∗ Assessment of our risks and vulnerabilities tested/evaluated under our scope of work
∗ Themes, trends, and analyses they should care about (potentially including benchmarks for context)
∗ Lessons learned and any messaging needs
∗ Things that need to be actioned

Discretionary Spending Reviews

• Profile the discretionary spending of departments across the company—Triangulate A/P, T&E, and P-Cards
• Use technology to facilitate the review
• Look deeply into expenses that hit accounts or categories with the words ‘miscellaneous’ or ‘other’
• Scrutinize the backup:
  − Transactions that are odd (time, frequency, places, amount, sequence)
  − Descriptions that are too general or illogical
  − Document alterations
• Don’t ignore or rationalize red flags—trust YOUR gut!
• Create the WALK of SHAME!

Internal Fraud Prevention Workshops

• Make it REAL! Use real examples to teach the business.
• Show folks what it looks like in YOUR company—Find the fraud
• Let fraudsters know that you are on to THEM
• Keep the dialogue GOING . . .