

Emphasis on ethics must come from the top

By Tom Barry
CONTRIBUTING WRITER

Companies of any size can be victimized by fraud and other forms of white-collar crime, which can cripple operations and even put a company out of business.

Ask Diann Cattani what the biggest mistake smaller companies make on the ethical front and she doesn't hesitate.

"They're too trusting," she said. "They just don't question things. There's that naiveté that [wrongdoing] won't happen to them."

Josh Kenyon says managers often set a poor ethical example, not realizing that their employees watch closely and may adjust their behavior accordingly.

"Even if you manage only one employee, you have to set the right ethical tone," he said.

Some might argue that Cattani and Kenyon are the last people on Earth to talk about wrongdoing in the workplace. Others would ask: who better?

Cattani was convicted of mail fraud after embezzling more than \$400,000 from a small Atlanta company over a five-year period. She spent 15 months in federal prison (released in January 2004) and now works for an investigative accounting company in Marietta. Services include probing financial fraud.

In a high-profile government corruption case, Kenyon — chief of staff to former Fulton County Commission Chairman Mitch Skandalakis — served

ETHICS BY THE NUMBERS

- ▶ **\$127,500:** Amount the average scheme costs a small business in losses
- ▶ **\$97,000:** Amount the average scheme costs a larger company
- ▶ **93:** Percent of fraud perpetrators who are first-time offenders
- ▶ **18 months:** Average time scheme lasts before detection

Source: Association of Certified Fraud Examiners

six months in federal prison for accepting \$14,000 in bribes. He was released in October 2004. (Skandalakis was convicted of lying to a federal agent in the corruption investigation.)

Today Cattani and Kenyon participate in corporate seminars on ethics conducted by Marietta-based Oliver G. Halle and Associates Inc.

The programs discuss ethical issues and how fundamentally honest people can succumb to temptation.

"A lot of very good people get into trouble," said Halle, who was an FBI agent for 28 years, the last 17 spent fighting corruption in Atlanta, including in the administration of former Mayor Bill Campbell.

"My program is for the honest person, the person who would prefer to do the right thing," Halle said. "But because of various pressures — divorce, financial problems, huge health



Halle

Oliver G. Halle
and Associates Inc.

issues — they sometimes do wrong."

Workplace corruption can exact a fierce financial price.

In a 2006 report, the Austin, Texas-based Association of Certified Fraud Examiners (ACFE) estimated fraud costs

U.S. organizations 5 percent of their revenue, or \$652 billion, annually.

"It's absolutely imperative that a company's ethical tone be set at the top," said Halle, who wrote a book on the topic titled "Taking the Harder Right."

The book's title is drawn from the cadet prayer at West Point — "Make us to choose the harder right instead of the easier wrong, and never to be content with a half truth when the whole truth can be won" — and also is the name of his seminar. The program's thrust is to prevent financial loss by encouraging, or scaring, employees into taking the high moral ground.

"When I was with the FBI, I saw so many people get into trouble because either the wrong tone was set at the top or an indifferent one," said Halle, 61, whose firm is part of a marketing organization memorably named The Halle Barry Group. "Leadership is crucial."

While small companies lack the resources of large corporations, they can still put policies in place to

minimize temptation and expose wrongdoing when it occurs.

"Probably the biggest step is to separate responsibilities," Cattani said. "You can't have the same person entering invoices, cutting checks, signing checks and reconciling accounts. It's so easy to enter a dummy invoice and make a check payable [to a fictitious company]. But a lot of small and mid-sized companies don't separate those functions."

Dana Hermanson, an accounting professor at Kennesaw State University who has had Halle and Cattani speak to his forensic accounting class, said lack of segregation is a continual problem for smaller businesses.

Hermanson urges business owners and top executives to assess where the fraud risks are and either put formal controls in place or do a lot of day-to-day monitoring.

Also critical is creating a system in which employees can report wrongdoing without fear of reprisal.

Halle said employees sometimes become afraid, especially if they see the boss doing something that shouldn't be done.

They fear that if they report it, the boss will deny it and they will end up losing their jobs because the company will take the boss' side. In fact, according to the ACFE, the most common method of detecting fraud is tips — from employees, vendors, customers and anonymous sources.