
CORPORATE GOVERNANCE FAILURE, FRAUD, & SCANDAL

DATA SPOTLIGHT

David F. Larcker and Brian Tayan
Corporate Governance Research Initiative
Stanford Graduate School of Business

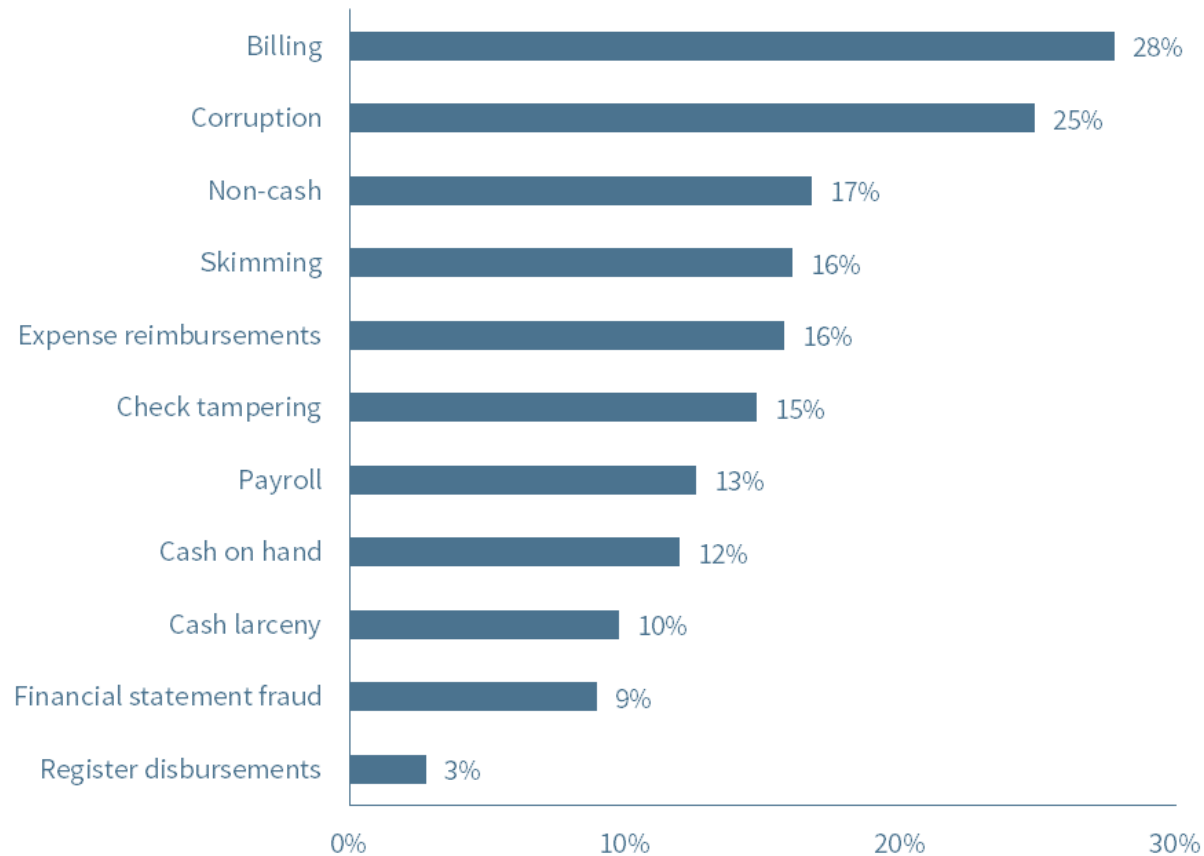
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OCCUPATIONAL FRAUD

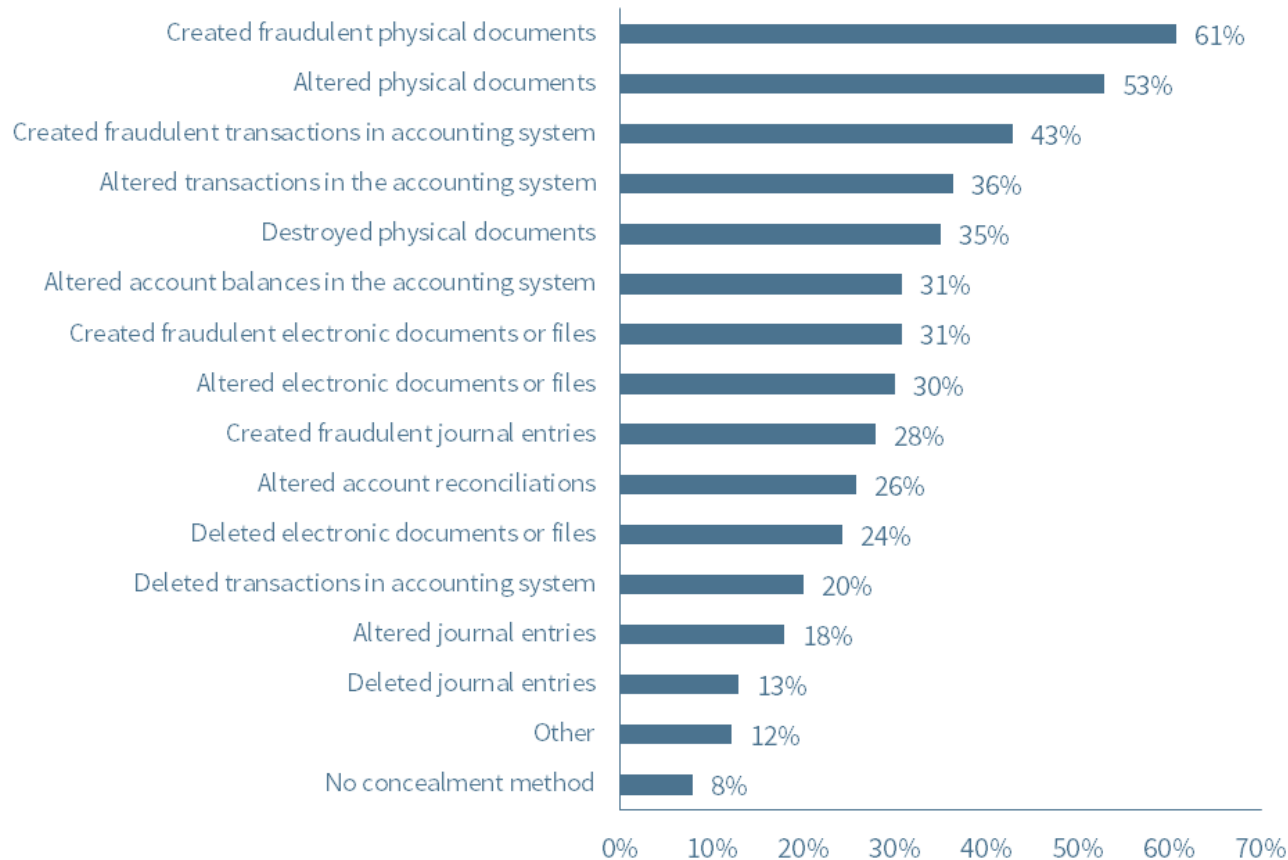
Employees engage in a number of fraudulent activities each year.



Sample includes 2,410 cases of occupational fraud between January 2014 and October 2015.
Source: Association of Certified Fraud Examiners (2016).

OCCUPATIONAL FRAUD

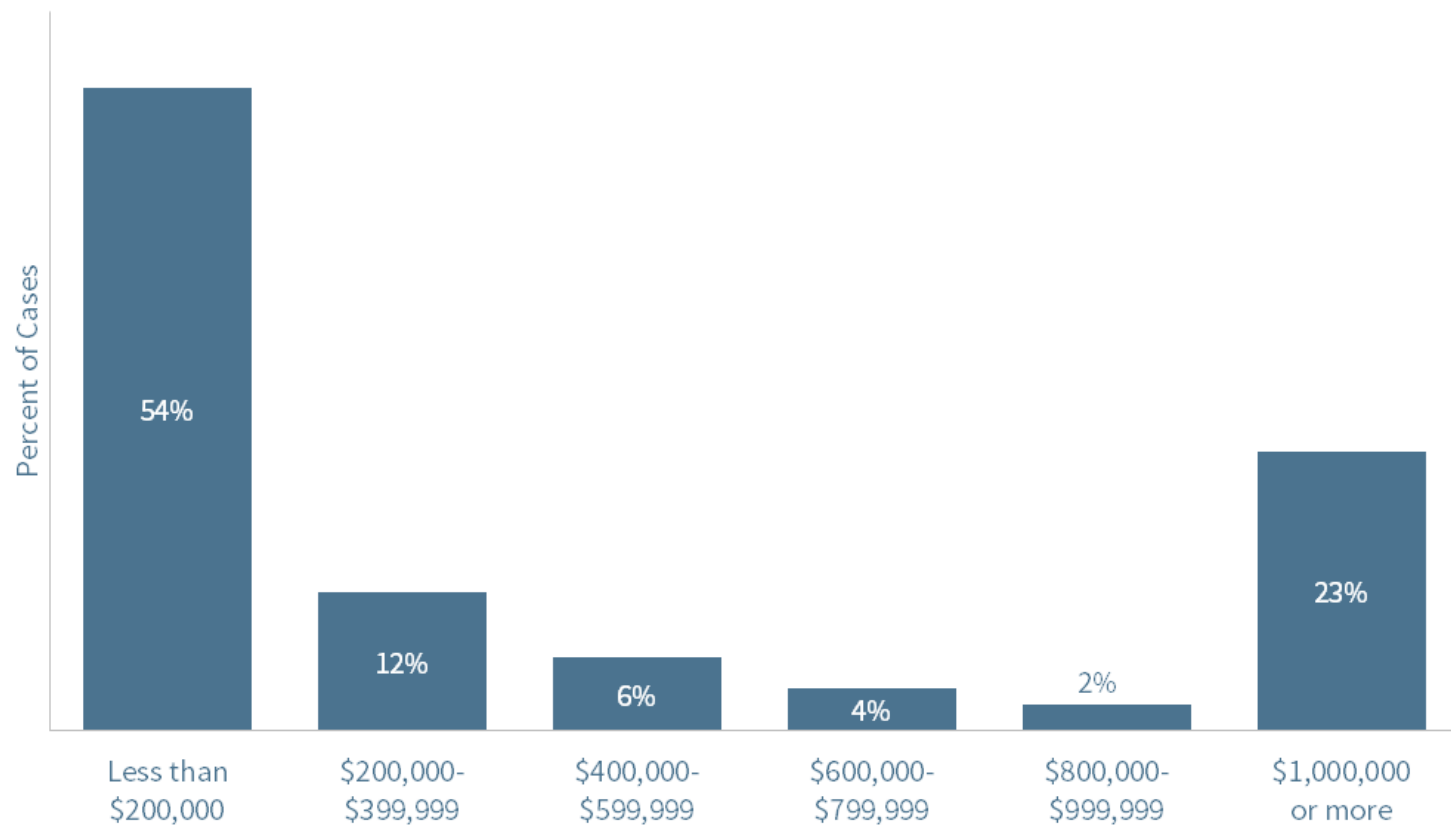
They employ a variety of tactics to conceal these activities.



Sample includes 850 cases of corruption between January 2014 and October 2015.
Source: Association of Certified Fraud Examiners (2016).

OCCUPATIONAL FRAUD

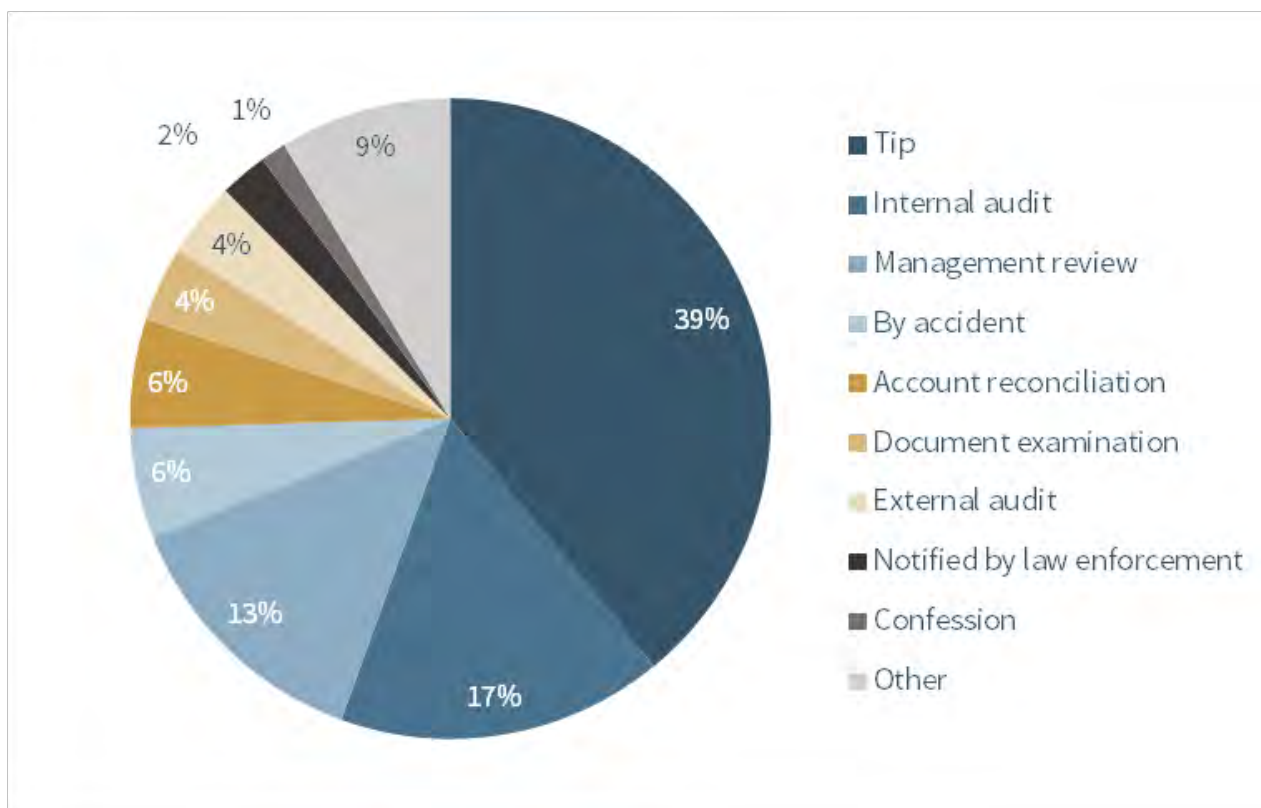
The majority of fraud cases involve relatively small dollar amounts.



Sample includes 2,410 cases of occupational fraud between January 2014 and October 2015.
Source: Association of Certified Fraud Examiners (2016).

OCCUPATIONAL FRAUD

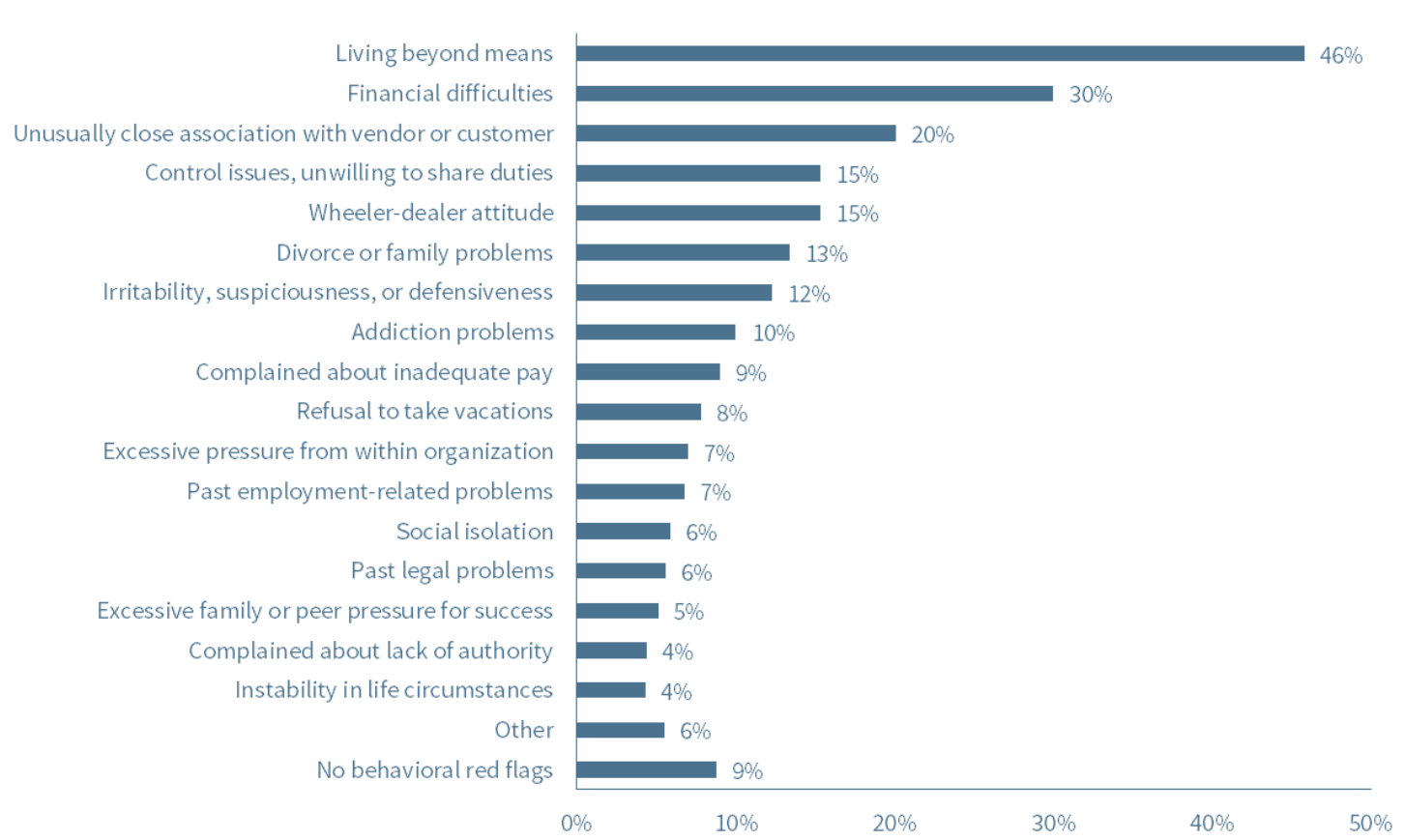
Fraud is detected by a variety of control mechanisms.



Sample includes 2,410 cases of occupational fraud between January 2014 and October 2015.
Source: Association of Certified Fraud Examiners (2016).

OCCUPATIONAL FRAUD

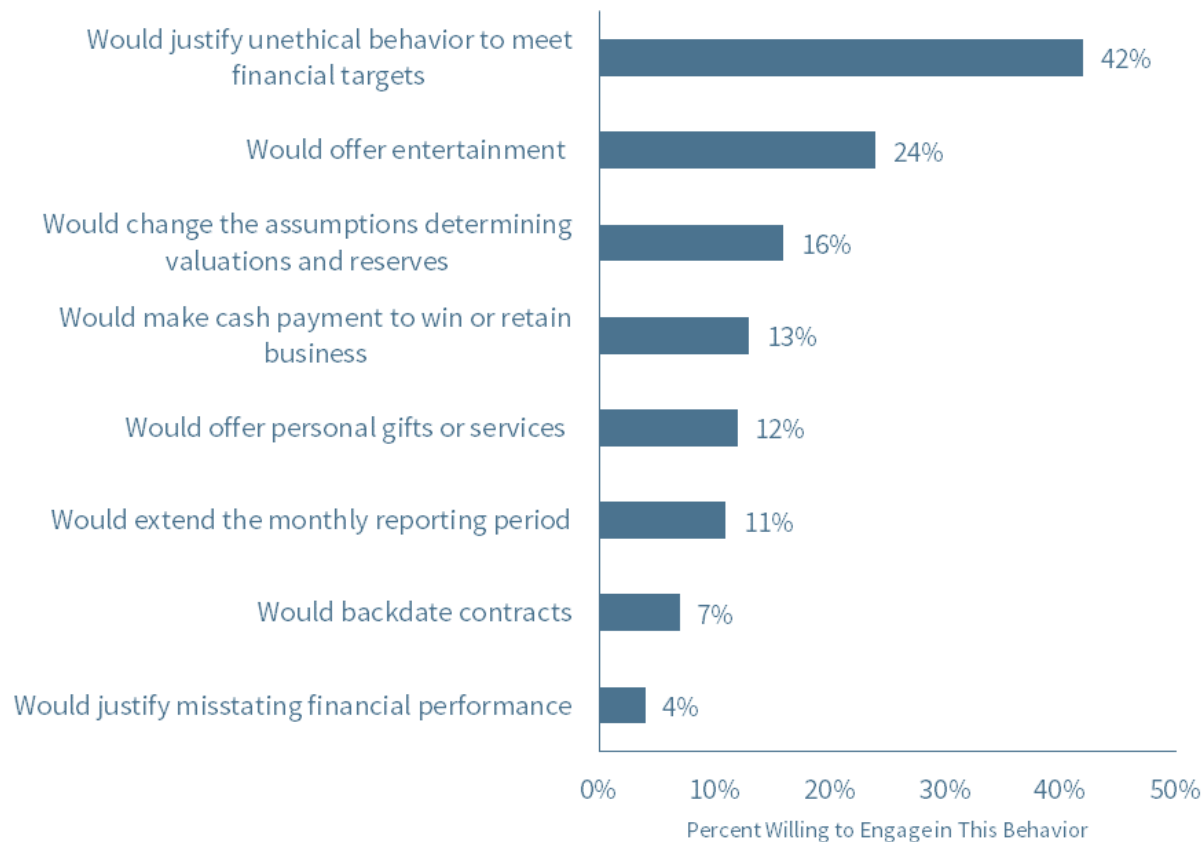
Behavioral cues can serve as a “red flag” to indicate fraud.



Sample includes 2,410 cases of occupational fraud between January 2014 and October 2015.
Source: Association of Certified Fraud Examiners (2016).

UNETHICAL BEHAVIOR

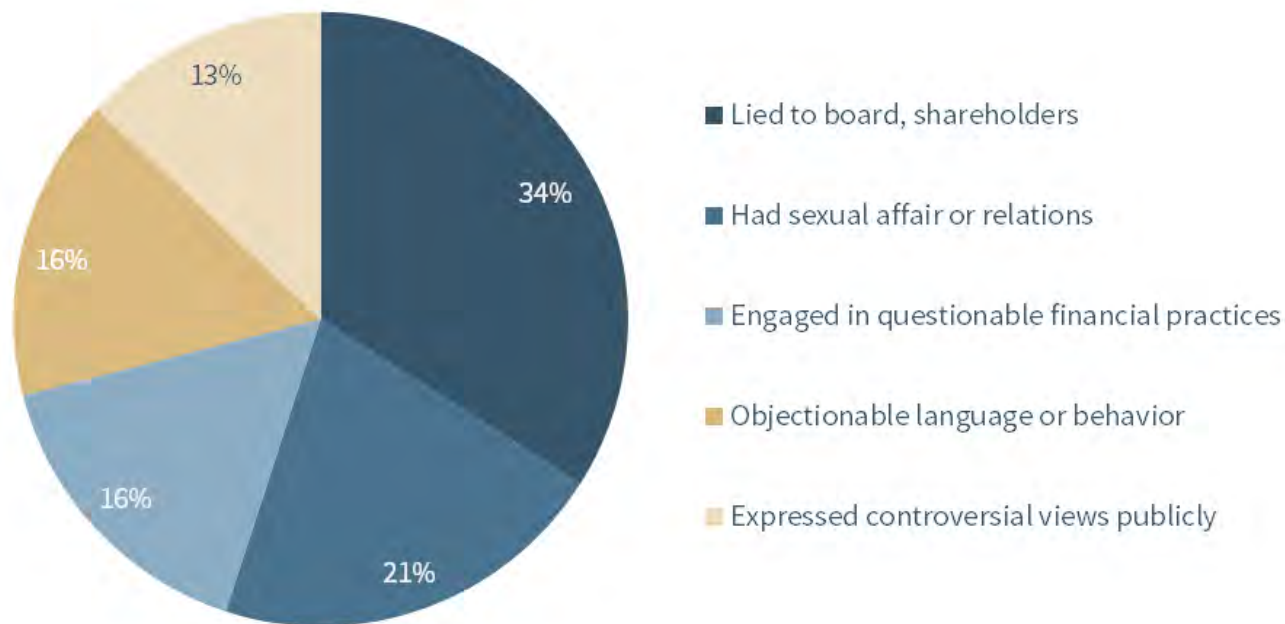
Executives are willing to engage in unethical activities to meet financial targets.



Sample includes 2,825 finance executives worldwide.
Source: EY 14th Global Fraud Survey (2016).

UNETHICAL BEHAVIOR

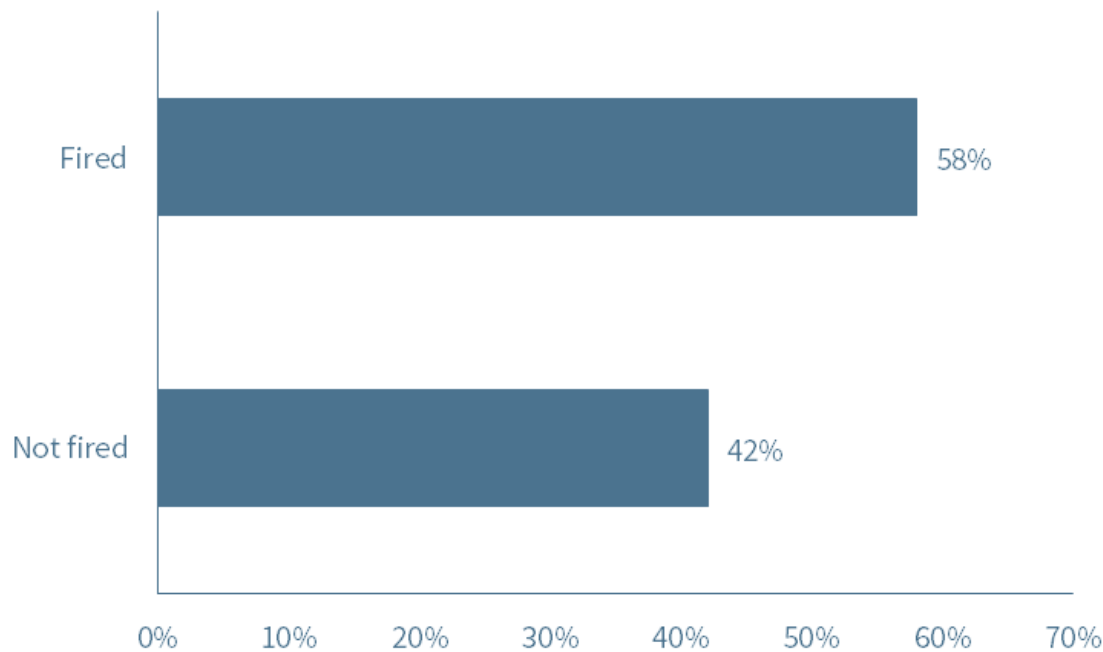
Questionable behavior can take many forms....



Sample includes 38 incidents ethically or morally questionable behavior.
Source: Larcker and Tayan (2016).

UNETHICAL BEHAVIOR

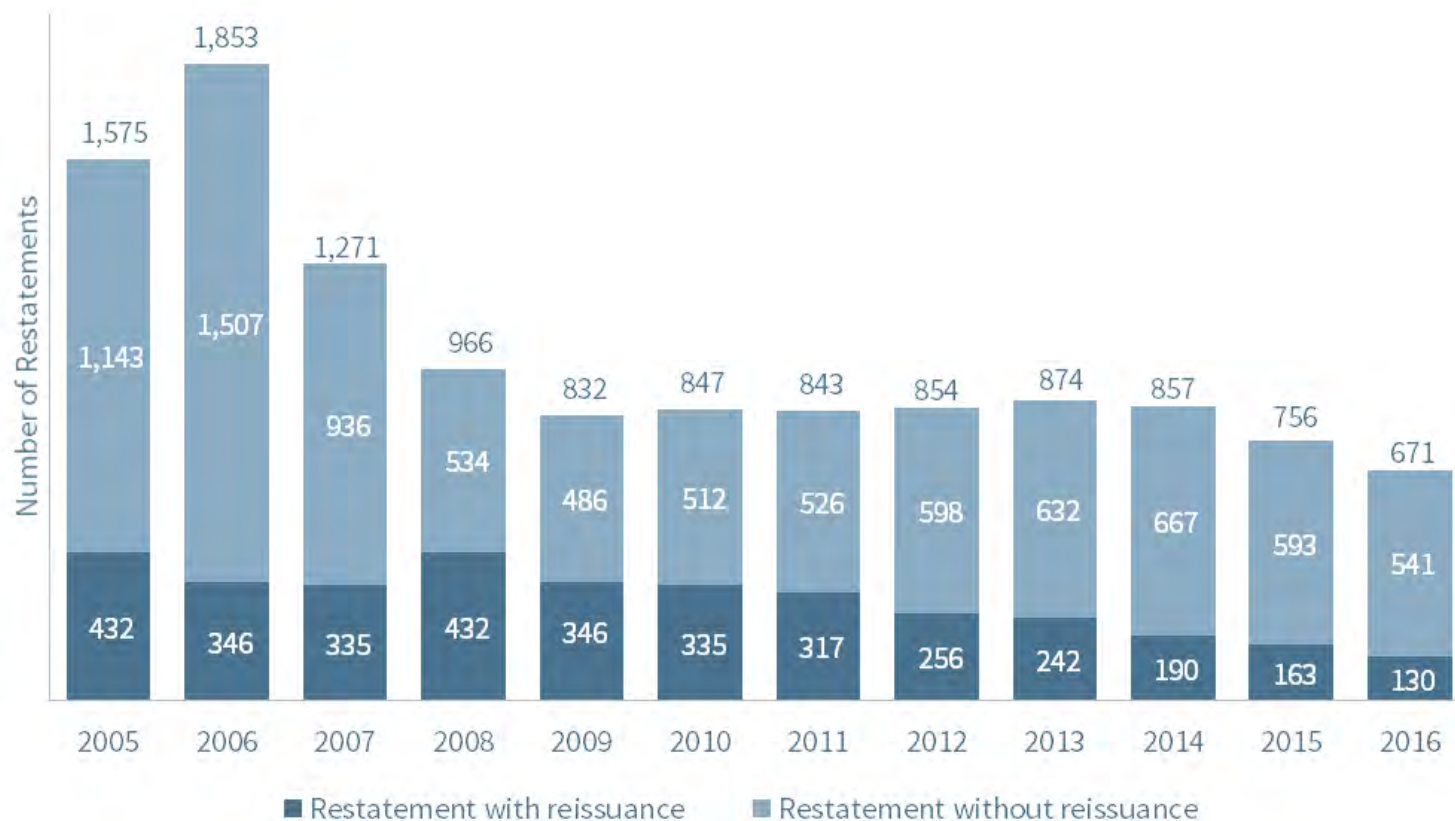
... The majority of CEOs that engage in such behavior are fired.



Sample includes 38 incidents ethically or morally questionable behavior.
Source: Larcker and Tayan (2016).

FINANCIAL RESTATEMENTS

The number of companies forced to restate their financials has fallen in recent years.

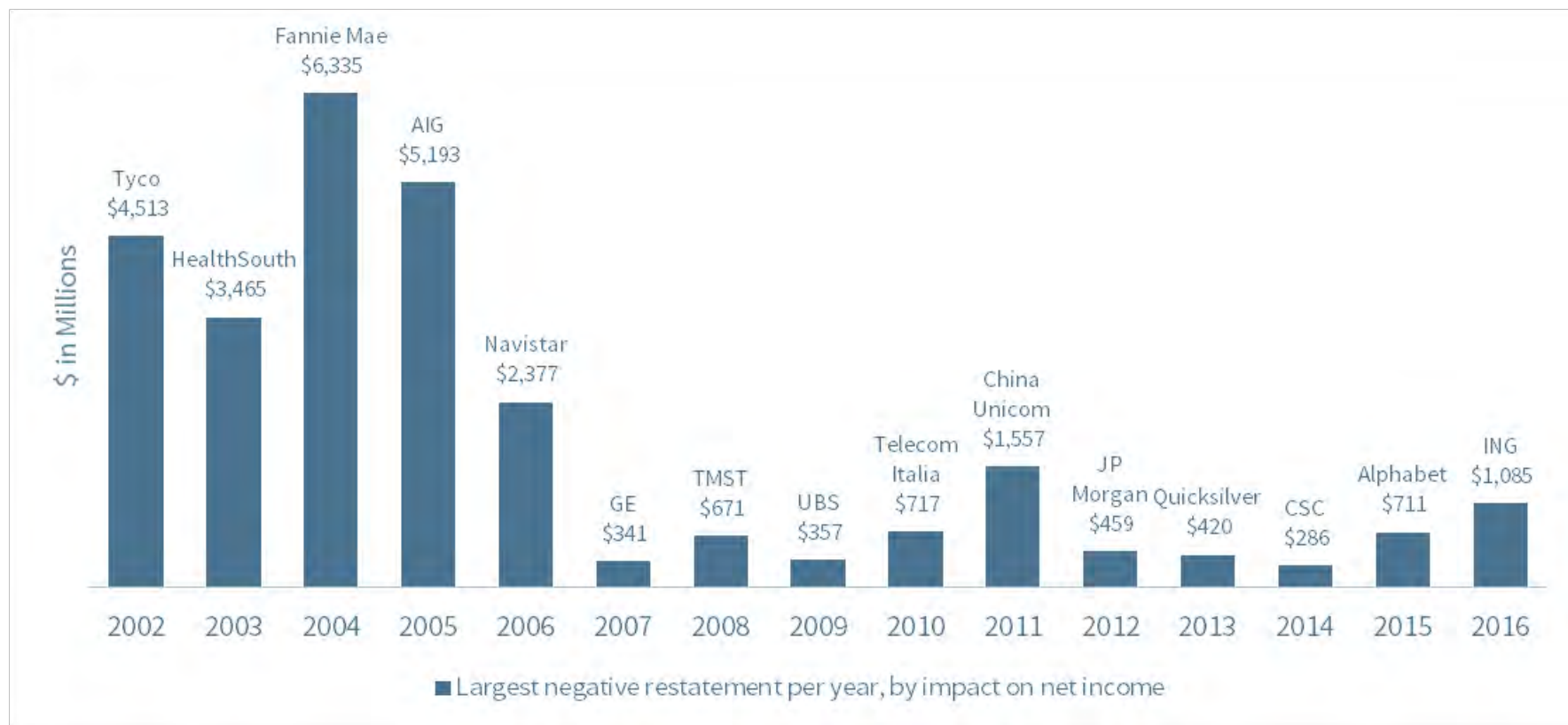


Reissuance restatements are disclosed in a Form 8-K, Item 4.02, and indicate that past financial statements can no longer be relied upon and indicate that the restatement was severe. Minor restatements require no reissuance.

Source: Audit Analytics (2017).

FINANCIAL RESTATEMENTS

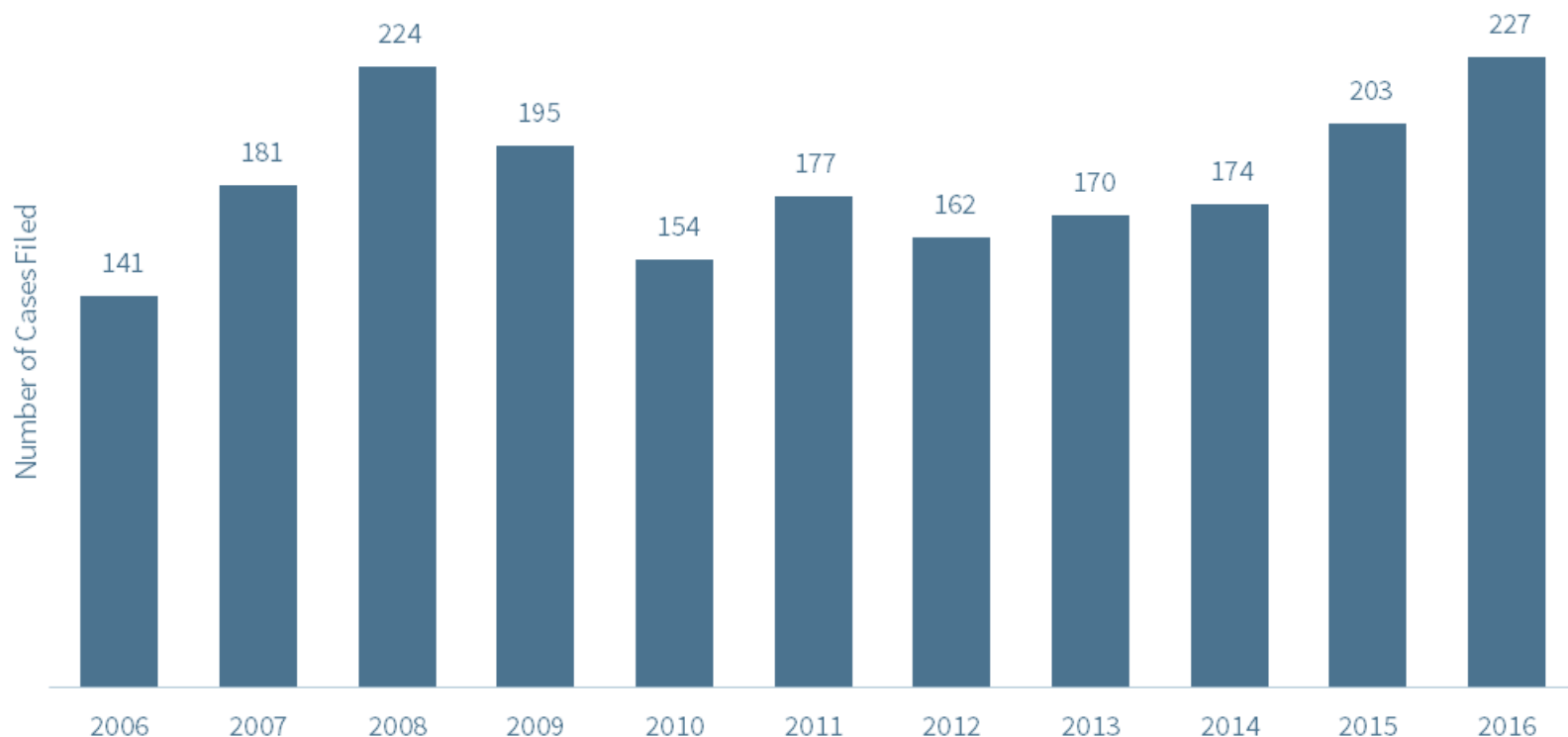
The size of restatements has also fallen in recent years.



Source: Audit Analytics (2017).

SECURITIES CLASS ACTION LAWSUITS

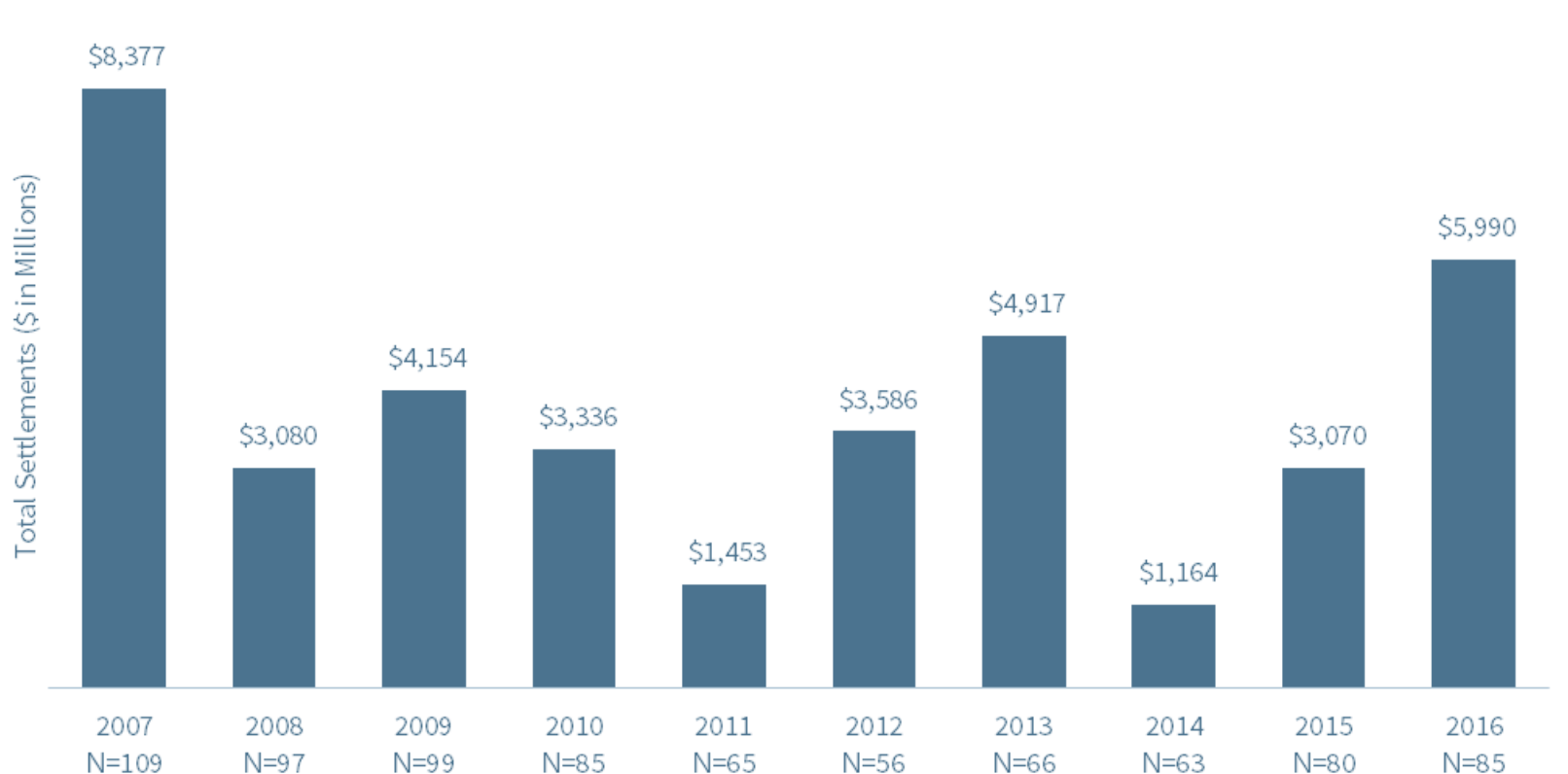
The number of securities class action lawsuits has remained fairly stable.



Includes cases filed in federal and state court.
Source: Advisen (2017).

SECURITIES CLASS ACTION LAWSUITS

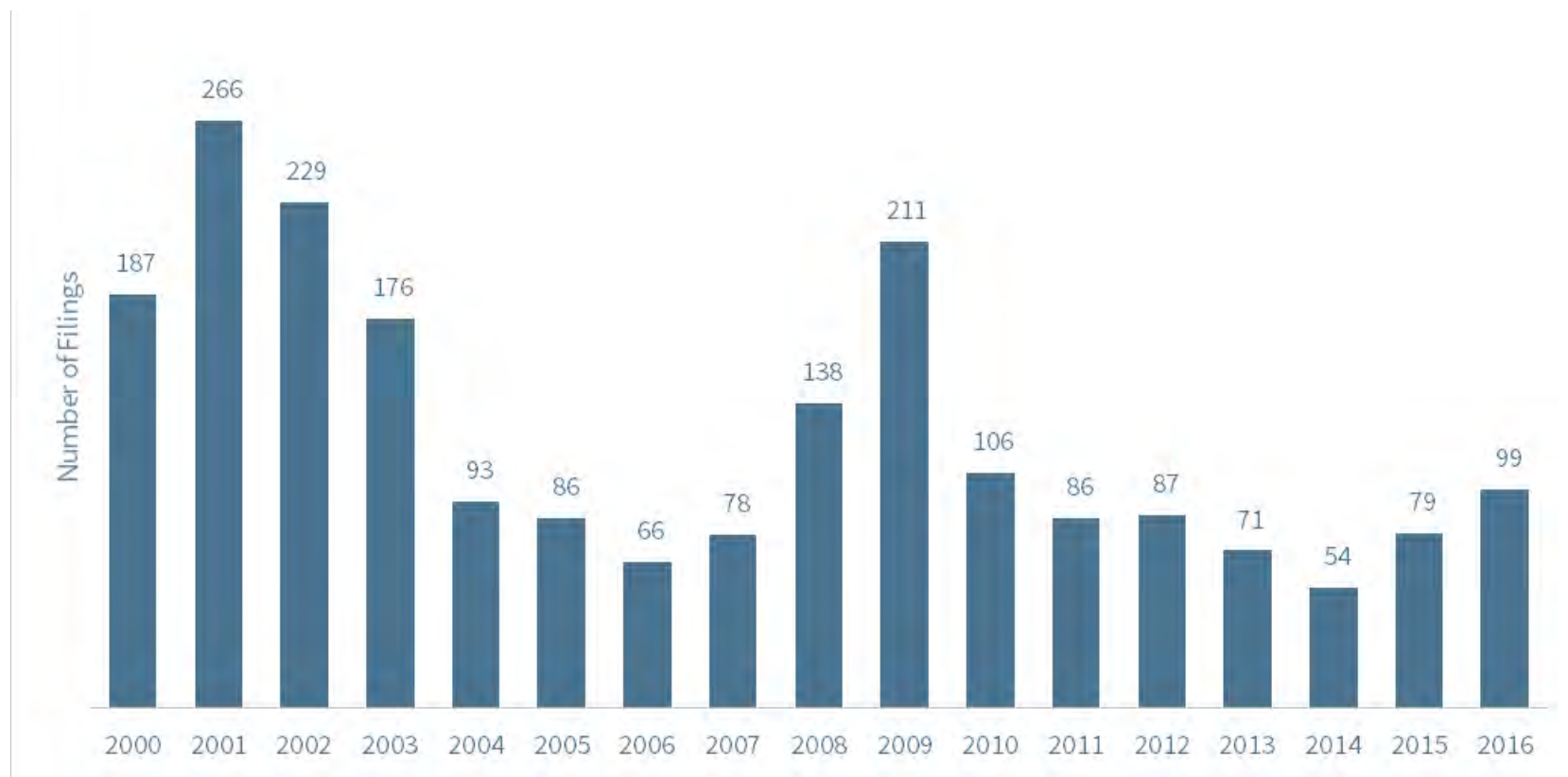
Settlement for these cases can be very large.



Source: Cornerstone Research (2017).

BANKRUPTCIES

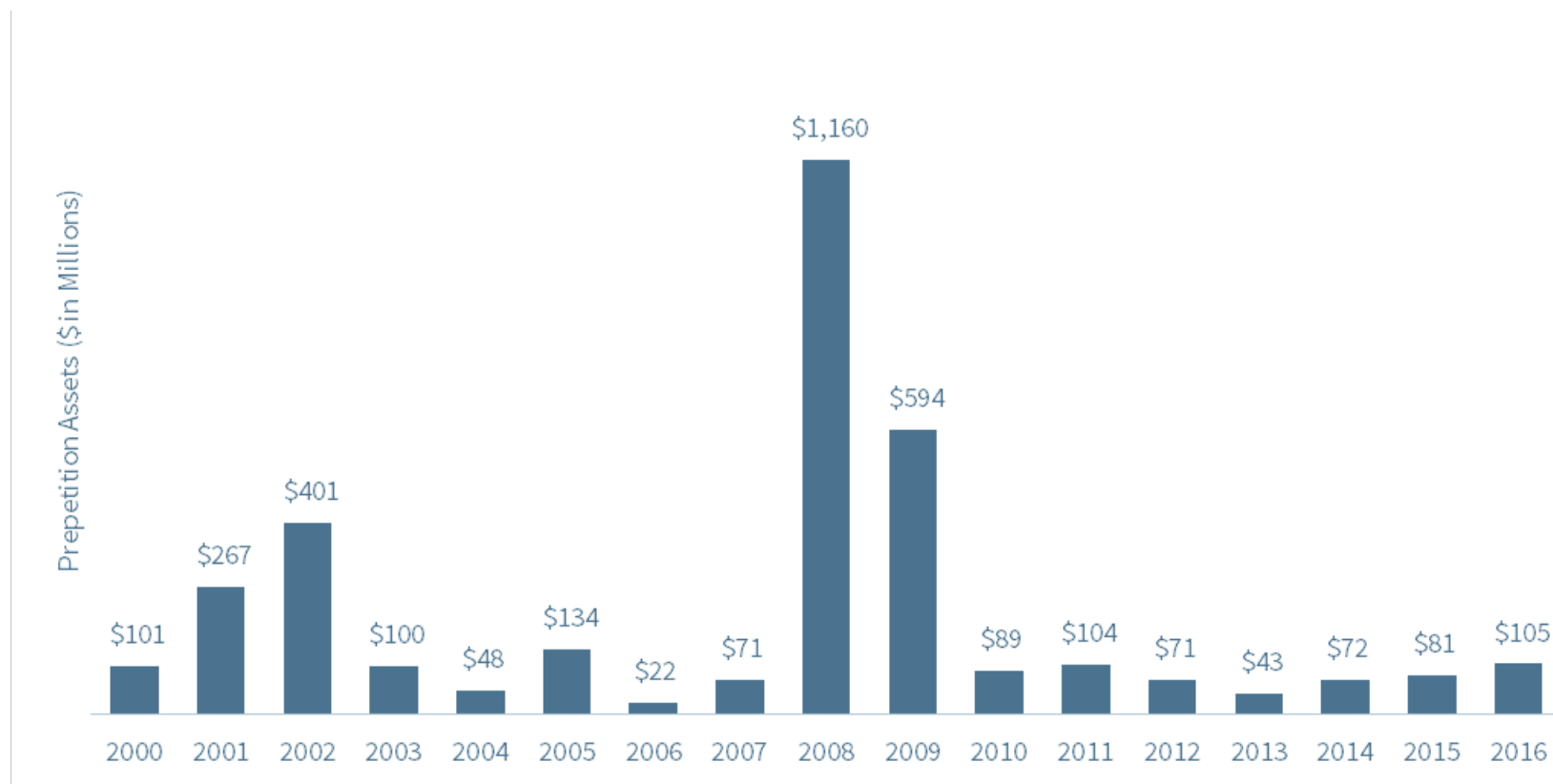
The number of bankruptcy filings peaked following the telecom and dotcom crash. They peaked again during the financial crisis.



Source: BankruptcyData (2017).

BANKRUPTCIES

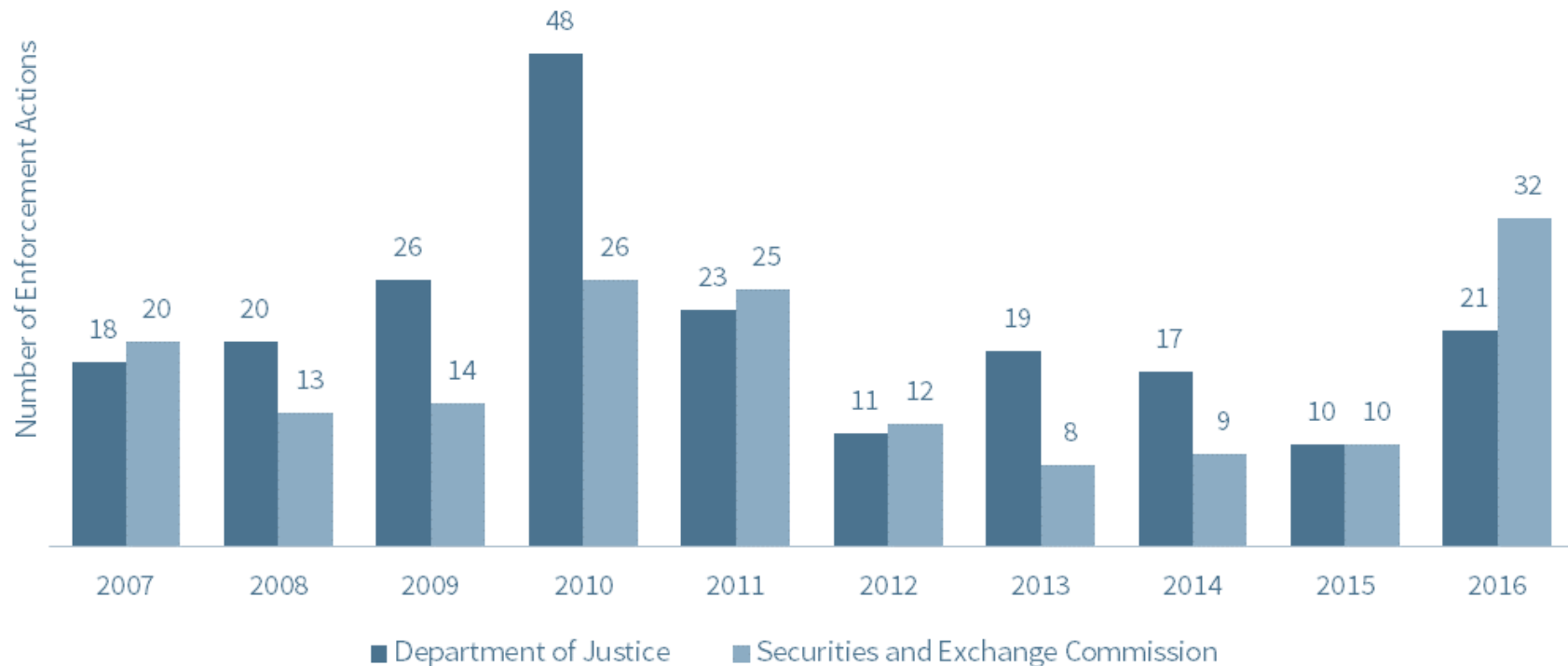
The size of bankruptcies was considerably higher during the financial crisis. The Lehman Brothers bankruptcy alone involved \$600 billion in assets (2008).



Source: BankruptcyData (2017).

FOREIGN CORRUPT PRACTICES ACT (FCPA)

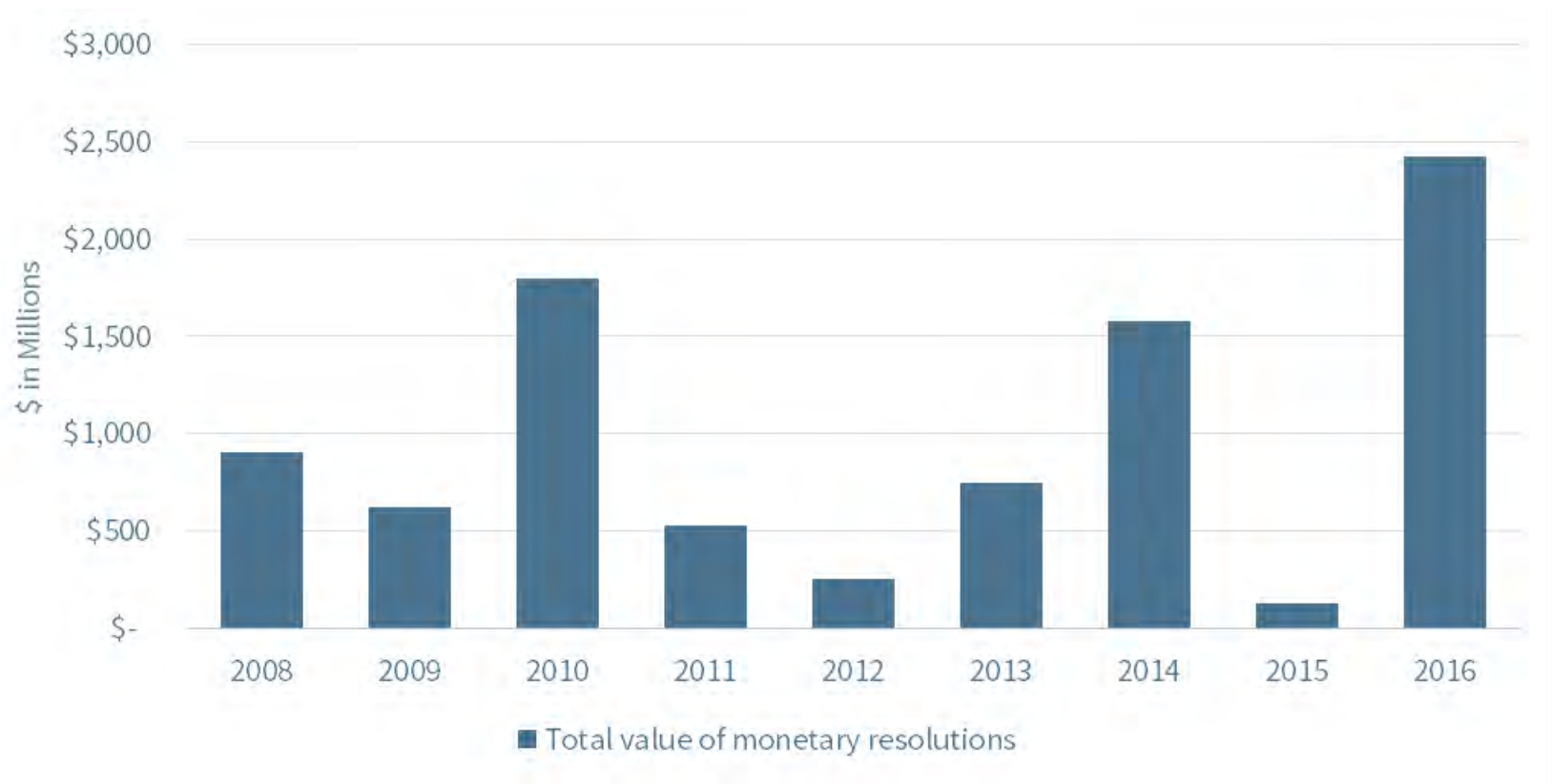
Federal agencies have aggressively prosecuted allegations of foreign bribery...



Source: Gibson Dunn (2017).

FOREIGN CORRUPT PRACTICES ACT (FCPA)

... and have extracted large settlements from U.S. listed corporations.

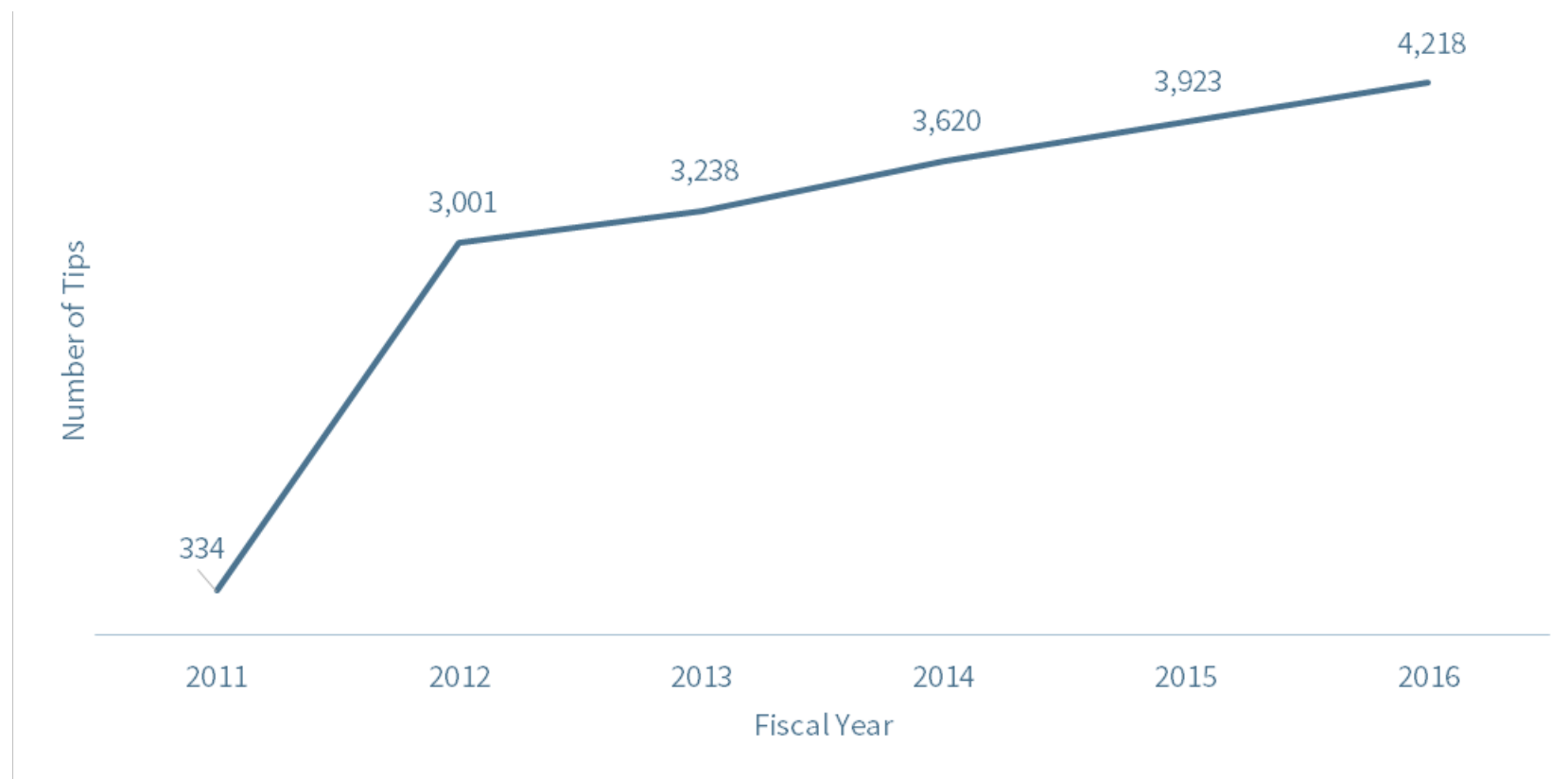


Resolutions include the combined value of penalties, disgorgements, and interest to resolve FCPA violations.

Source: Gibson Dunn (2017).

SEC WHISTLEBLOWER PROGRAM

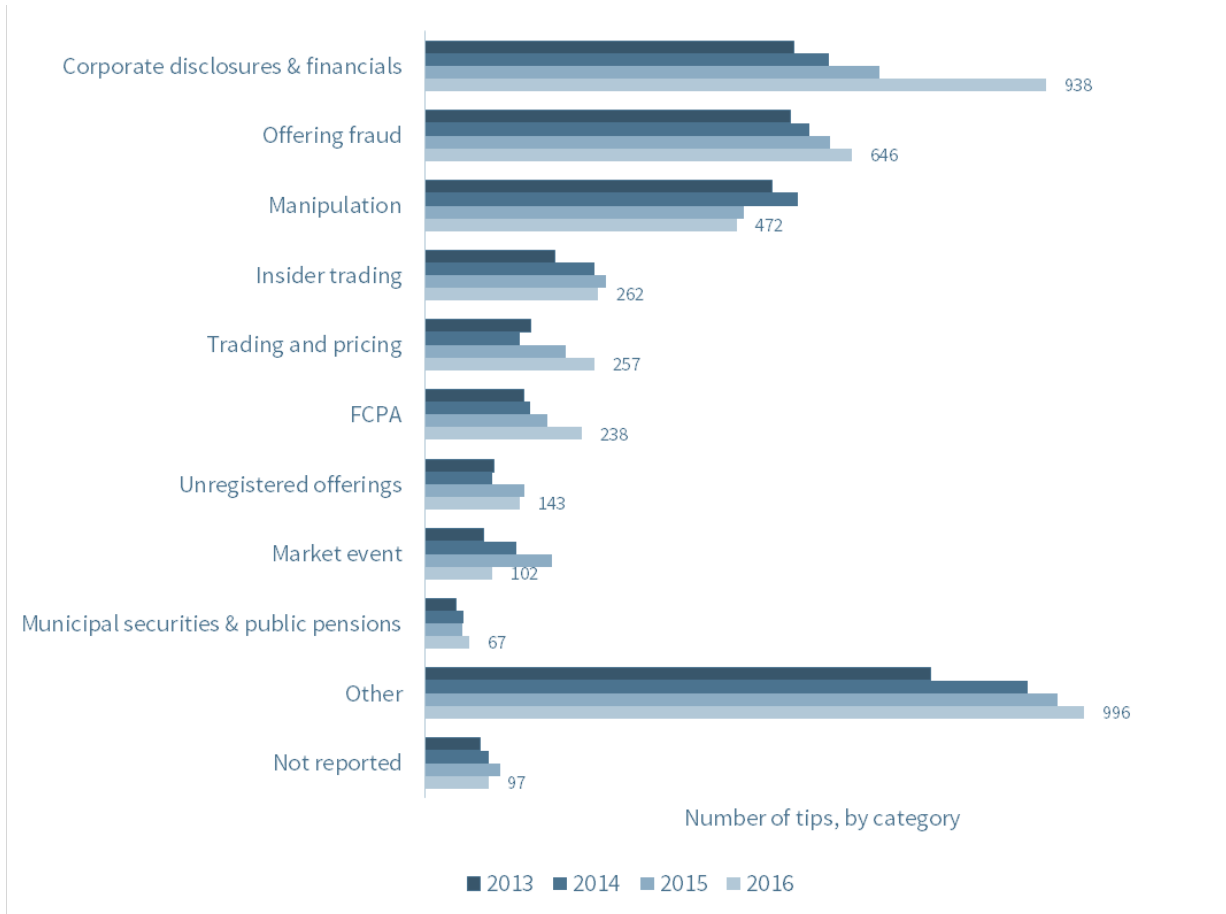
The SEC receives thousands of whistleblower tips each year.



The Whistleblower Rules program became effective August 2011. FY2011 reflects a partial year.
Source: Securities and Exchange Commission (2017)

SEC WHISTLEBLOWER PROGRAM

These tips allege a wide variety of corporate malfeasance.

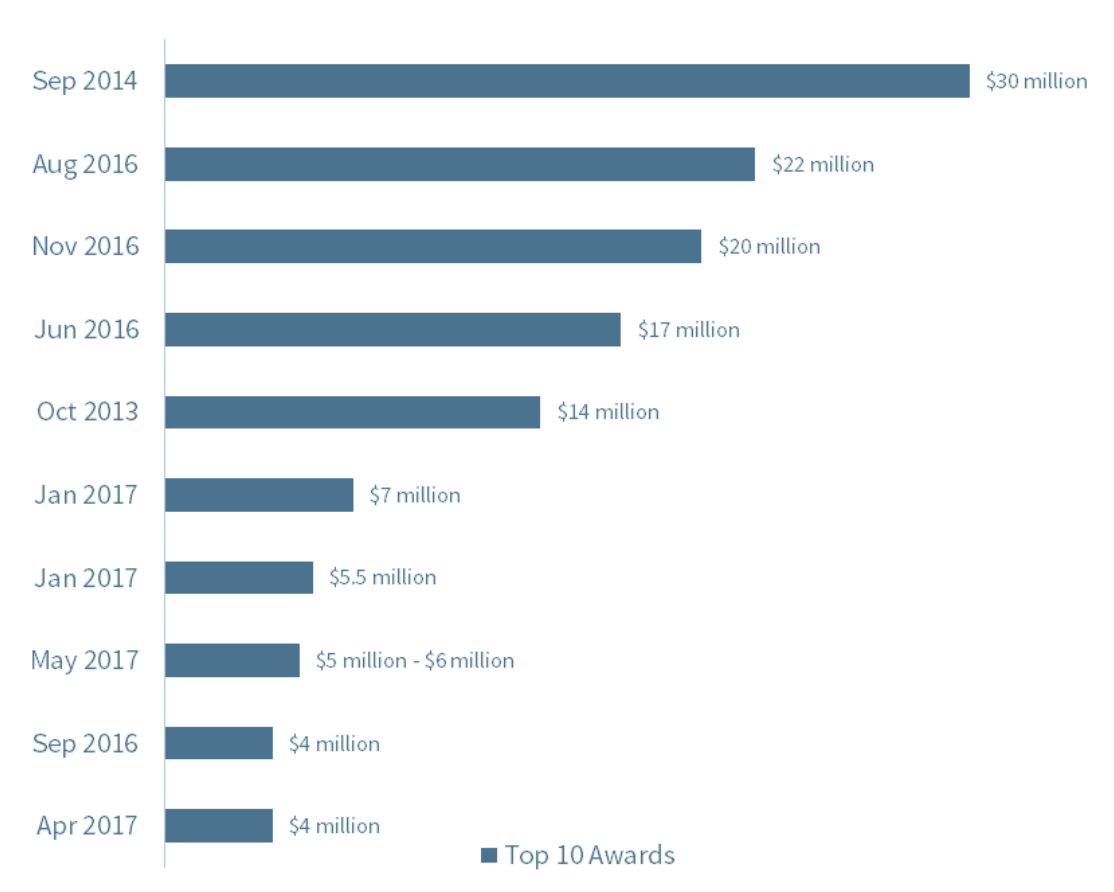


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SEC WHISTLEBLOWER PROGRAM

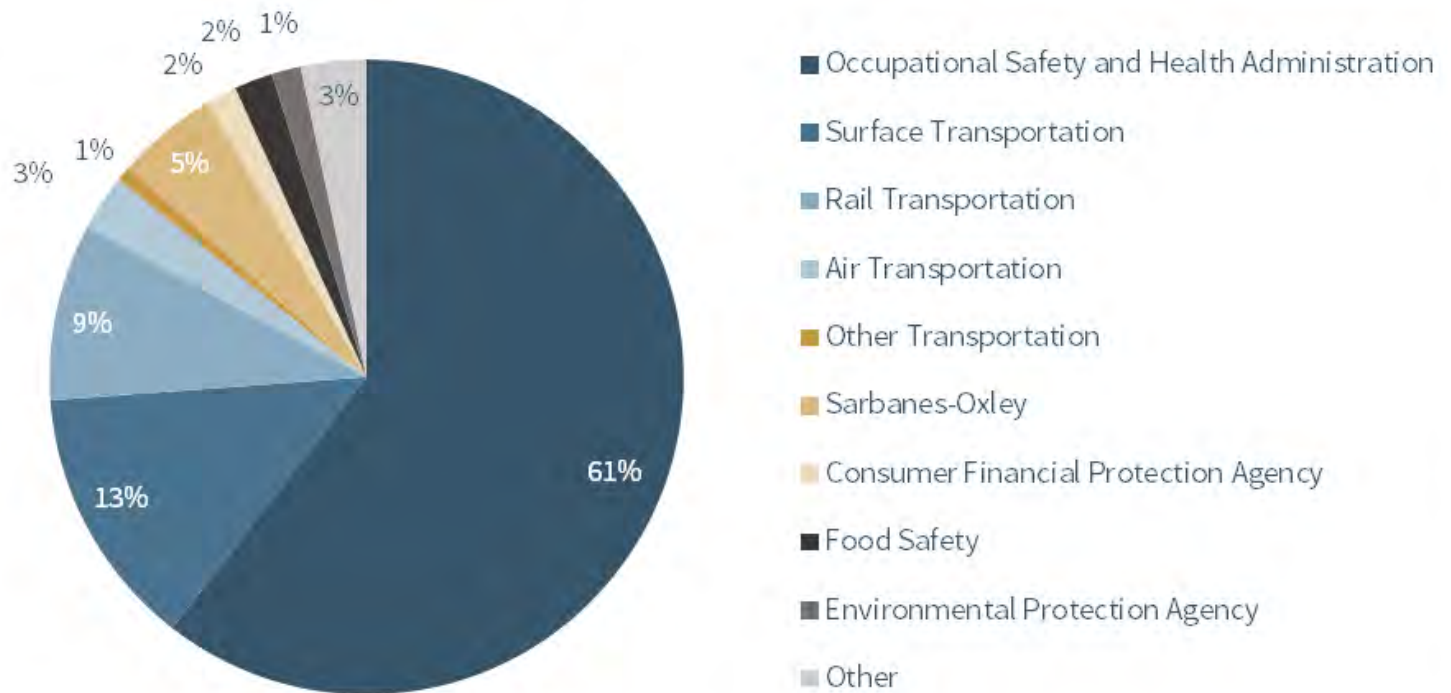
If successful, whistleblowers can receive large awards for their tips.



As of July 2017. The nature of the case leading to the award is not disclosed.
Source: Securities and Exchange Commission (2017)

GOVERNMENT WHISTLEBLOWER PROGRAM

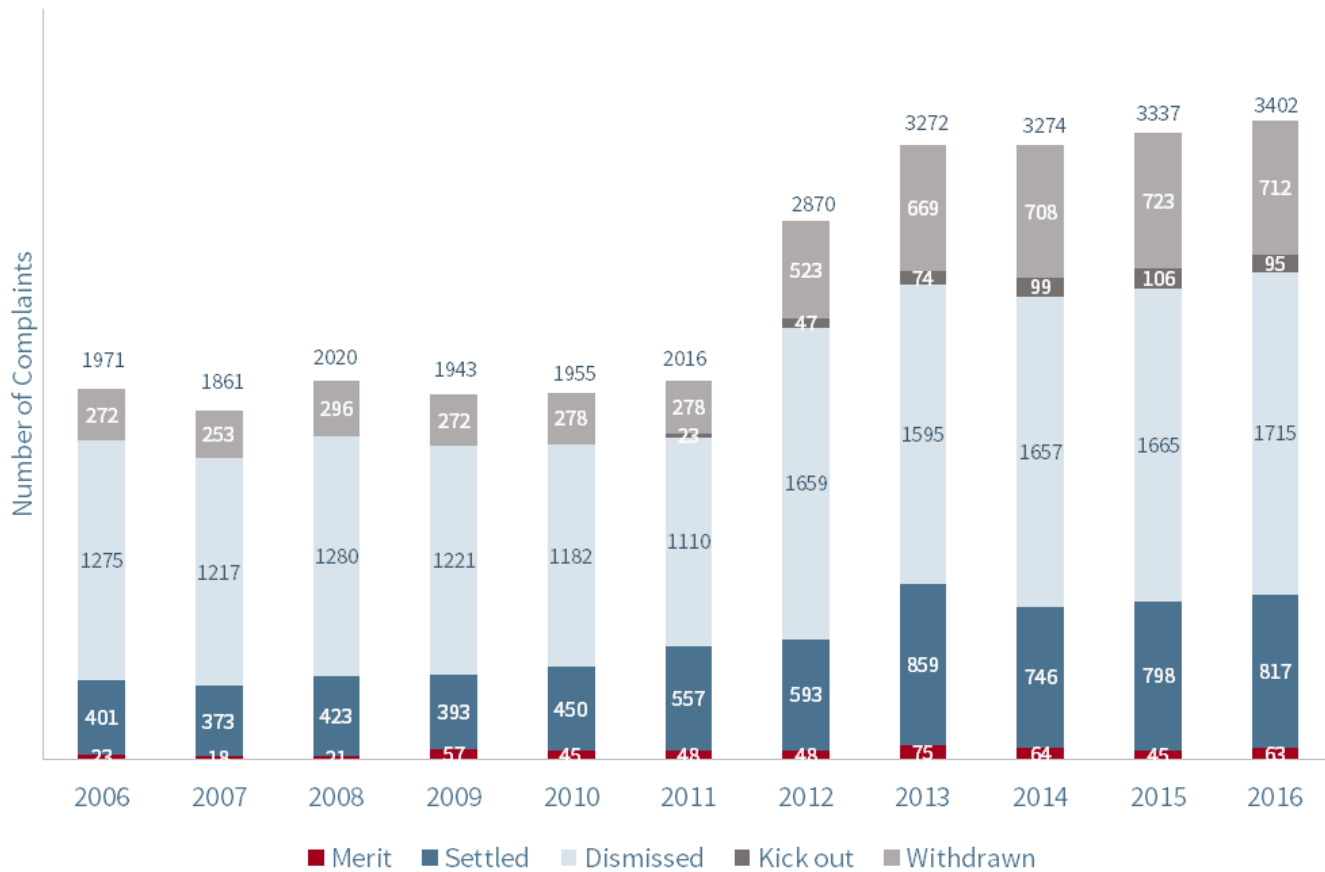
Most complaints against corporations involve personnel matters.



Based on 3,355 complaints received in FY2016.
Source: U.S. Department of Labor, Whistleblower Investigation Data, FY2006-2016.

GOVERNMENT WHISTLEBLOWER PROGRAM

The majority of complaints are dismissed or withdrawn.



"Merit" represents complaints found in favor of the complainant; "kick out" represents actions for de novo review in a district court.

Source: U.S. Department of Labor, Whistleblower Investigation Data, FY2006-2016.

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