CASE STUDY: ANTI-FRAUD PROGRAM ASSESSMENT IN RESPONSE TO MAJOR ACQUISITION

Overview

A state bank with $2 billion in deposits and approximately 650 employees was in the process of integrating a recent acquisition that would increase their deposits by $1 billion and add an additional 350 employees. The bank had brought together various aspects of its anti-fraud program and investigative personnel into a single office covering internal and external fraud, as well as Bank Secrecy Act and Anti-Money Laundering compliance. It now had to ensure the effective integration of the acquired operations and personnel into that single office.

The bank was well aware of current regulatory actions and realized that regulatory agencies look positively on banks with disciplined compliance and anti-fraud programs. Therefore, the bank sought periodic third-party assessments of their anti-fraud program, both to improve the program through best practices guidance and strengthen its position with its regulatory agencies.

Because of the acquisition, the bank was also increasing its employee base by 50 percent and sought to integrate all new employees into its ethics and compliance culture and practices. Therefore, it wished to have any necessary improvements in place in time for the integration.

RSM’s approach

The bank hired RSM to assess the effectiveness of and provide recommendations to improve its anti-fraud program and ensure its alignment with regulatory guidance and expectations. We cross-referenced the bank’s anti-fraud program documentation with anti-fraud program guidance from the Securities and Exchange Commission, Department of Justice and Federal Deposit Insurance Corporation.
In addition, our deeply experienced team provided their best practice insights gained from experience serving a wide variety of financial institutions. Through this process, we provided valuable feedback and actionable steps that the bank could use to close gaps in and strengthen its anti-fraud program.

**Outcome**

Our review confirmed that the bank’s anti-fraud efforts were on the right path, but we also offered best practice suggestions for strengthening their program, including:

- Regularly and visibly involve the CEO in compliance initiatives, as the right tone at the top is vital to a strong anti-fraud culture
- Develop a company-specific code of conduct training program, rather than relying on general ethics training
- Specifically include requirements for candor in dealing with auditors, investigators and legal counsel in the code of conduct
- Consider incentive awards for employees for meeting ethics-related activities, such as completing training or being strong ethics role models
- Assign appropriate employees as ethics business champions throughout operations
- Create an ethics-specific mergers and acquisitions policy establishing ethics and anti-fraud policies and procedures to be followed throughout any future transactions and integrations
- Expand use of proactive data analytics to identify questionable transactions or behaviors for further examination

As a result of this engagement, the bank validated and strengthened its ethics and anti-fraud approach and was able to move forward with its integration with confidence.