

# What to Do When Leaders Don't Want to See Problems

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# Introduction

Is this topic important?

Some thoughts about problems.

Encouraging leaders to address problems.

Responding when others won't.

Real Leaders

Want to See Problems

What problems have  
executives not wanted to  
surface?

1. Overcharges by contractors.
2. Overcharges by contractors to fund:
  - Political payoffs
  - Kickbacks to executives
3. Overcharges by contractors who were donors to the owner organization.
4. Contracts awarded based upon campaign contributions.
5. Substandard work.
6. Bribes to employees of the owner.
7. Project mismanagement.

## Remember...

There is value in seeing problems.

Wanting to acknowledge problems is not the same as wanting to have problems.

Problems, unless addressed, tend to grow with the passage of time.

Fraud, waste and abuse flourish  
like weeds in your garden.

Left on their own they  
rarely correct themselves.

It is better to have rigorous inspection, examination and audits than not know what lurks in the depths of your organization.



It is imperative that leaders understand the importance of addressing problems.

# Impact of Leaders Not Wanting to See Problems

- Problems get worse & new problems arise.
- Not addressing known problems is tacit approval.
- Erodes accountability.
- Contributes to a chilled work environment.
- Leaders may lose credibility with stakeholders.

# Some Case Examples

Investigation revealed millions in kickbacks to the project manager. When further investigation led to company executives, the auditors were fired.

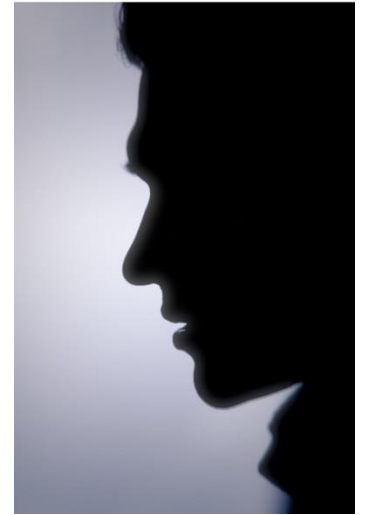
Over 2 years internal audits identified overcharges leading to cost recoveries. The largest contractor had ties to the board of directors. The auditor was told to stop the audit of those contracts. His position was subsequently eliminated.

Construction costs were incurred on a gas plant about to be closed. Accounting staff brought it to the attention of the Divisional controller. He did nothing. The fraud grew from \$20,000 to \$600,000.

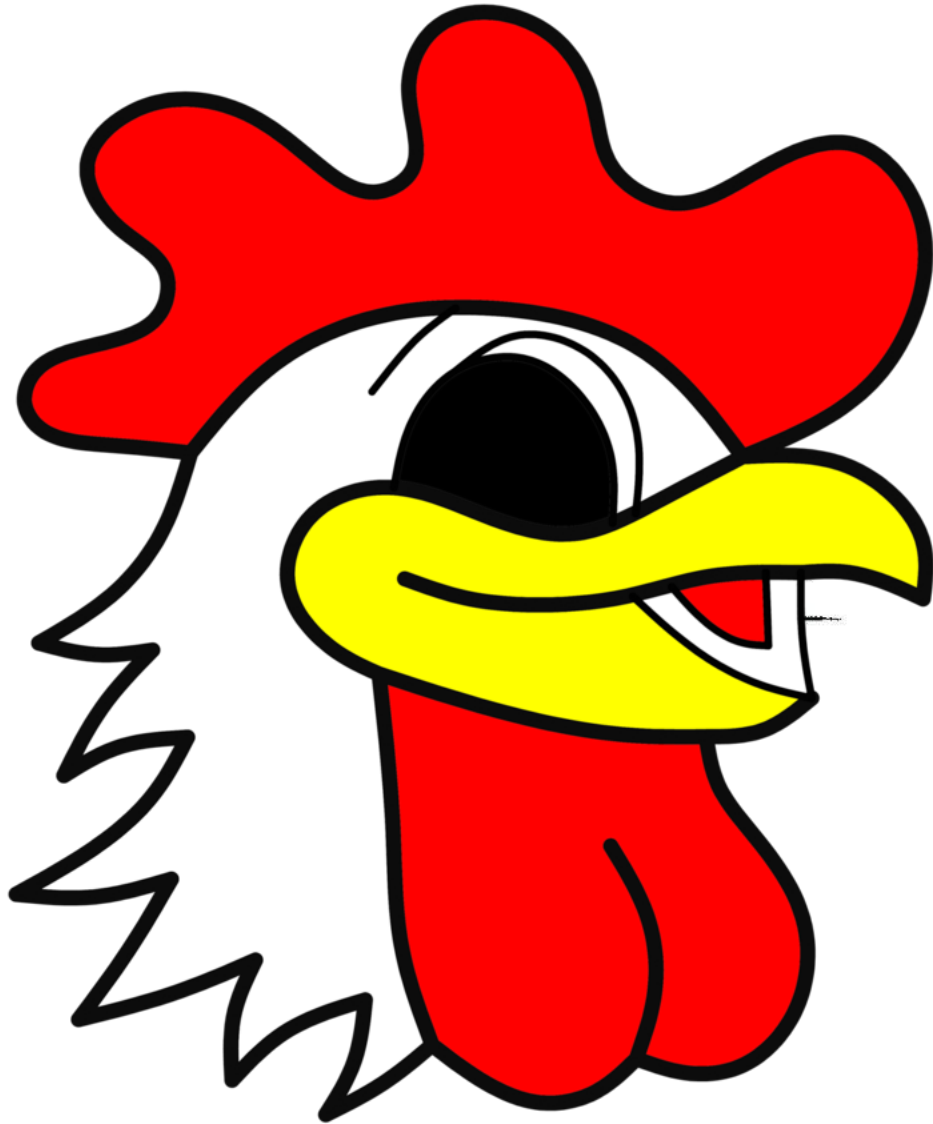
Addressing problems lets the leader be part of the solution.

Denial of problems & attacking the messenger makes the leader the problem.

# Perspectives Differ



What advice do you think  
executives get from  
your attorneys?



KYY

# Some reasons leaders may not want to see problems:

- Fear of consequences.
- Addressing problems may cause delay or be costly.
- Probing of the problems may reveal:
  - More problems
  - Mismanagement
  - Fraud
- Psychological reasons.
- The leader is a conflict avoider.



In addition leaders may not want to see problems surfaced by auditors:

- They may not believe there is a problem.
- Auditors lack credibility.
- The fear of being unfairly blamed.
- The auditors are "gotcha auditors"
- Leaders may have turf issues.

# Good Leader Responses to Bad News

- Tell me more about that.
- That is annoying.
- Indeed.
- What evidence do we have?
- How do you know?

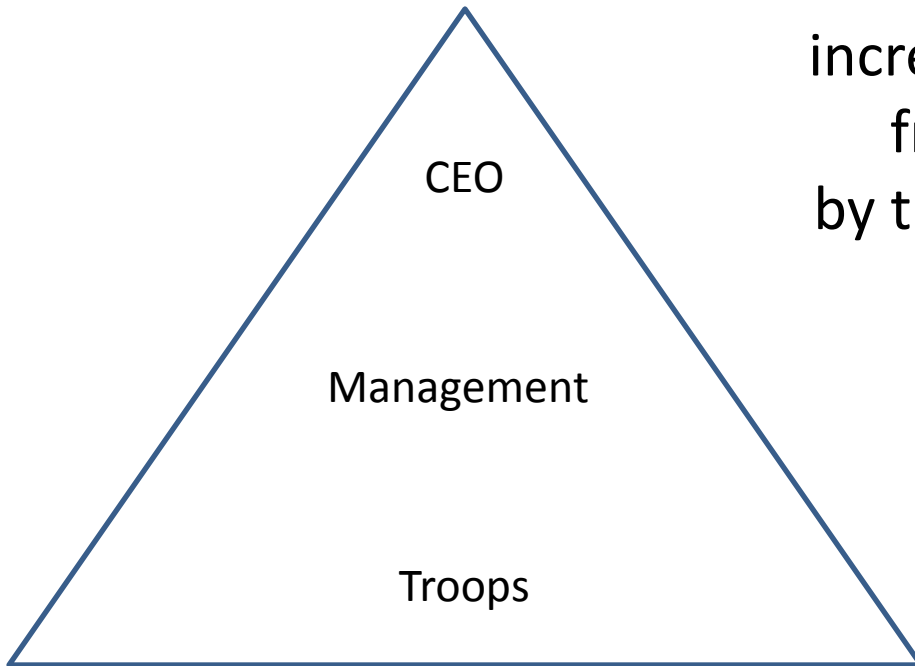
## In other words...

- Stay calm.
- Do not overreact.
- Do not rush to judgment.
- Ask questions.
- Seek to understand.

# Other Responses to Bad News

- “I don’t want any problems!”
- The facts or their meaning is questioned.
- Importance of the findings is downplayed.
- Statistical projections are challenged.
- Auditors are attacked personally.
- Attacking the messenger.

Risk of career damage  
increases as your findings address  
fraud and mismanagement  
by those higher up the hierarchy.



In decision making emotions often trump logic and reasoning.

You often need to deal  
with  
emotions first!

# Some thoughts about adversarial situations:

- Adversaries will try to derail you.
- It is imperative to maintain emotional control.
- Master techniques for emotional control:
  - ✓ Affirmations
  - ✓ Fogging
  - ✓ Negative assertion



# Encouraging Real Leader Behavior

Assess receptivity.

Train the CEO.

Give the CEO, and the organization, a fine reputation to live up to.

Build policies that require right action.

# Assess Receptivity

Determine prior handling:

- Audit findings
- Results of investigations
- Other serious problems

Ask the CEO:

- How will fraud be handled here?
- How will identified overcharges be handled?

# Train the CEO

Educate ourselves, subordinates and bosses.

Educate the CEO:

- What to expect from auditing.
- Real leaders want to see problems.
- General who said "Tell us your problems."
- Value to leaders of addressing problems.

Give the CEO, and the Organization,  
a Fine Reputation to Live Up to

- Adapted from **Dale Carnegie**.
- Reinforced by codes and statements from the CEO.
- In the **Moment of Truth** reputation is remembered.

# Build Policies that Require Right Action

- Policies developed in calm, not crisis, are useful when crisis comes.
- Reduce role of emotions and relationships.
- Encourage consistent handling.
- Require reporting results to the audit committee.

# What to Do

1<sup>st</sup> step - Stop

Focus on Facts

Assess your own work. Is it flawed?

Assess context

Determine next action steps

# 1<sup>st</sup> step - Stop

Listen

Be calm

Reassure your staff

# Focus on Facts

Determine specific words and actions.

Who is it? A project manager? An executive? The CEO?

Has new information surfaced?

Does anything contradict your findings?

Are there extenuating circumstances?



Assess your own work. Is it flawed?

Are others taking exception to our:

- Work or methods
- Facts or findings
- Conclusions - what our work means

Your own assessment:

- Was our work complete?
- Are our conclusions well supported?
- What have we left out?

# Assess context

Factors which might impact others:

- Political
- Career
- Stock price or project funding

Behavioral:

- Psychological
- Emotional

## Assess context - Part II

Are there legal or regulatory requirements for reporting?

Do professional standards require action?

Do the organization's policies require action?

Are your own values requiring action?

Determine next action steps

Valid answers are not simple.

Actions are not easy.

Value of discussion with CEO.

Sometimes auditors move on...

## In Conclusion

There is nothing easy about delivering bad news. Sometimes addressing big problems leads to big improvements.

Here's to better handling of problems, and the improvement that promises.

# About the Speaker

Courtenay Thompson is best known for training managers, auditors and investigators in fraud-related matters. His courses are known for providing practical, proven approaches to real problems.

He has developed construction and procurement related courses designed for managers, including *Construction Fraud Awareness* and *Effective Procurement and Contracting Practices*. Open enrollment courses are offered in conjunction with the Construction Audit & Cost Control Institute ([www.caacci.org](http://www.caacci.org)):

- Construction Fraud: Detection, Prevention & Response
- Effective Auditing of Construction Activity
- 7<sup>th</sup> Annual Construction Audit & Cost Control Best Practices Roundtable Workshop – November 13-14 in New Orleans

Courtenay's background prior to entering consulting includes internal auditing and investigation, and public accounting.

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