



Solutions to manage the risk of fraud



Verona, November 15 th, 2018

adfor Agenda

- The fraud risk management methodology
- ACL customers case study examples
- ACL (fraud) Risk and Control monitoring trek
- Our proposal on fraud management
- ACL and Adfor companies and contacts

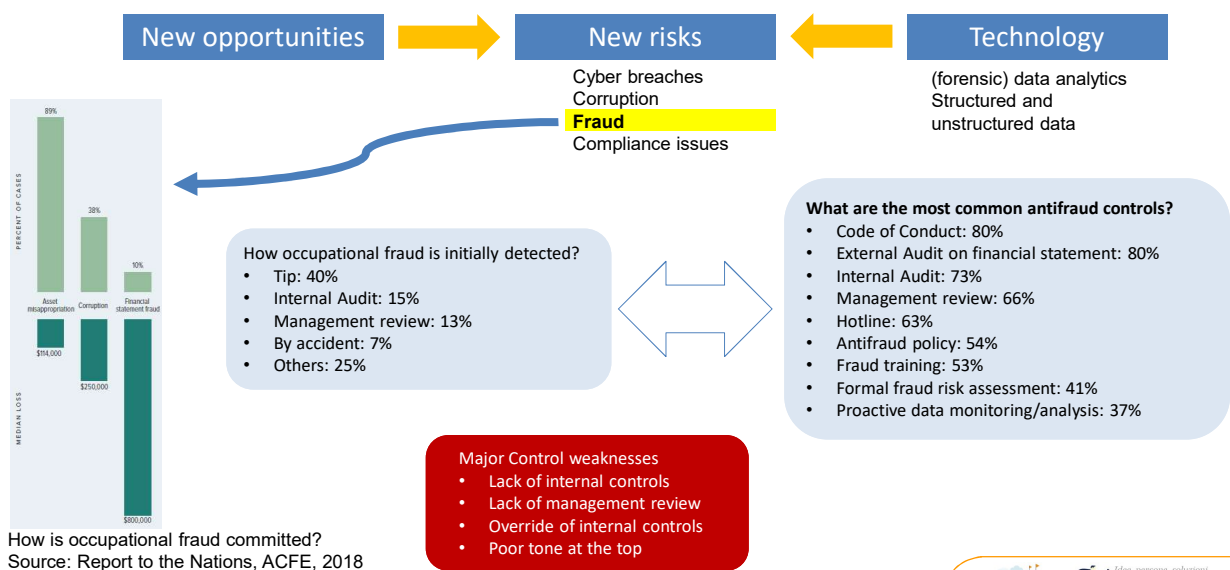


The fraud risk management methodology



Milano, November 14 th, 2018

adfor Background - the current environment



The COSO approach in a fraud perspective

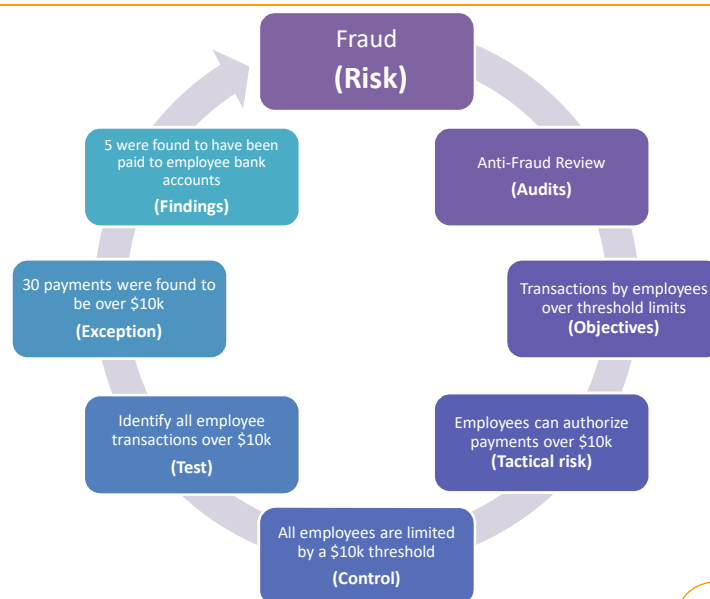
COSO - principle 8

The organization considers the potential for fraud in assessing risks to the achievement of objectives.

- Considers Various Types of Fraud
- Assesses Incentive and Pressures
- Assesses Opportunities
- Assesses Attitudes and Rationalizations



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ACL customers case study examples



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ACL customer case study: Dollar Thrifty Automotive Group

Industry: Retail

Needs: Move beyond random sampling and gain full coverage of its 500,000 monthly transactions. Establish continuous auditing to assess risk and detect fraud—especially in the area of retail transactions.

Challenges: Overextended staff resources. Suspected fraud and security breaches. Inadequate random sampling procedures.

Benefits of ACL Analytics, Training & Consulting Services:

- Saved over 10,000 hours of manual staff labor
- Reduced commission expense by \$750,000
- Fraud detection
- Tighter business controls

acl | analytics
acl | training
acl | consulting services

Significant Cost Savings and Fraud Detection

"ACL has been the catalyst for everything....If you know each and every transaction is reviewed for compliance and fraud, you are less likely to cross the line. There is no way we could have been as successful without using ACL."

Alan Nixon
Staff VP and General Auditor

**Dollar Thrifty
Automotive Group, Inc.**

Dollar Thrifty



adfor ACL customer case study: Forensic Strategic Solutions PC

Industry: Business Services

Needs: Technology to analyze transactional data when conducting forensic examinations, to detect fraud, and to identify weaknesses in internal financial controls.

Challenges: Fraudulent activities including fictitious vendors. Lapses in financial controls resulting in duplicate payments. Violations of competitive bidding policies.

Benefits of ACL Analytics:

- Identified 48 transfers by one employee for US\$49,999 - circumventing US\$50,000 purchase approval policy
- Found overbilling of US\$2.1 million through payment applications made by the project developer, construction contractor, and some of the subcontractors
- Discovered circumvention of the proper payment codes using direct payments, resulting in outstanding encumbrances totaling approximately US\$77.8 million

acl | analytics

Uncovered Massive Fraudulent Activities and Lapses in Financial Controls Totaling More Than US\$70 Million

"After Forensic Strategic Solutions completed the investigation, it opened a lot of eyes. It also demonstrated the effectiveness of ACL's product... The District recognized the need for a powerful data analysis tool to ensure proactive monitoring of areas such as exception reports and vendor encumbrances on an ongoing basis."

Lisa Robbins
Manager of Fraud Examination

FORENSIC  STRATEGIC
solutions



adfor ACL customer case study: Texas Instruments

Industry: Technology

Needs: Texas Instruments (TI) is a global company with standardized worldwide business processes. The internal audit department identified the need for a continuous auditing and forensics program to monitor inherently risky processes, including purchasing, accounts payable (AP), vendor setup, travel & entertainment (T&E), and purchase cards (P-Cards).

Challenges: Given TI's international and business process area risk exposure, they wanted a data-driven program supported by analytic technology and needed a fast implementation that would quickly generate results, with the ability to provide full data coverage.

Benefits of ACL Analytics Exchange & Consulting Services:

- Automated testing to enhance control environment
- Data-driven risk management through efficient data access, analysis, and reporting
- Robust fraud detection and FCPA compliance assurance and monitoring
- Web portal access for Compliance team and external auditors
- Timely insight into business processes and risks for key stakeholders

acl | analytics exchange
acl | consulting services

Data-Driven Risk Management Across Global Processes With Automated Control Testing

"ACL's anti-bribery tests have been very good at helping us to assure robust regulatory compliance. Potential risk indicators in transactional data would be hard to find without technology, but continuous auditing enables us to provide management with an up-to-date profile of FCPA controls testing results."

 **TEXAS
INSTRUMENTS**



adfor ACL customer case study: Italian supermarket chain

Industry: Retail. 250 point of sales with average of 12 cash desk per point of sales. 2016 2,07 billion turnover and 25 new point of sales.

Needs: Cash flow analysis

Challenges: identify anomalies on a list of cash operations. These types of operations may be acceptable in limited occurrences; on the contrary, they can lead to potential fraudulent behavior if too frequent.

A cash desk produces daily a Log file of around 1,7 Mb size; therefore, a daily flow is around $1,7 * 250 * 12 = 5 \text{ Gb}$

Redflags: identify a sequence of unusual cash flow, frequency, point of sales, cash desk, operator.

acl | analytics
acl | consulting services

Data-Driven fraud detection



adfor

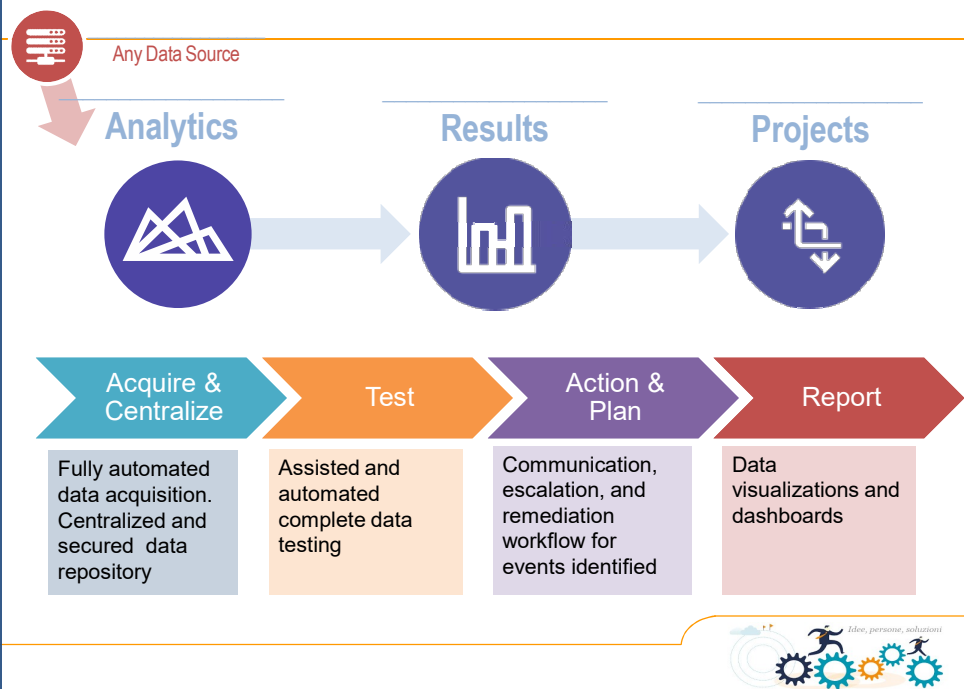
ACL (fraud) Risk and Control monitoring trek



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Risk & Control Monitoring solution summary

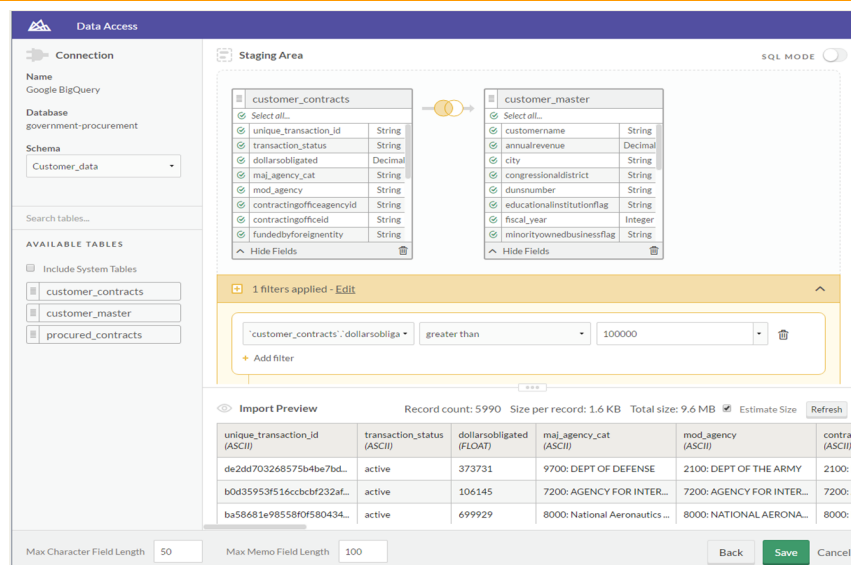
Risk & Control Monitoring solutions are designed individually for each organization using a combination of ACL's platform software modules, packaged knowledge content, and expert consulting services



Easy to use and fully automated data acquisition

"Point and click" creation of an unlimited number of persistent connections to any file, database, big data system, or cloud application and schedule automated, "hands off" data refreshes

All transactional data used in monitoring program processes must be centralized and accessible across teams and departments, but fully secured through permissions management that meets organization standards



Autonomously scheduled data blending & analytics

Optimize monitoring potential by blending information across datasets, build data analytics that can identify any type of trend or anomaly, and granularly control scheduling of those activities to ensure real time insights with optimized performance

Acquire & Centralize Test Action & Plan Report

Analytics Exchange

ACL Essentials

Accounts Payable

ACCOUNTS_PAYABLE

Accounts payable is a critical element of the finance cycle within all businesses. With many accounts payable transactions occurring daily, it is important to be able to run simple analytics to provide the CFO, Finance Manager, and others who need to know the state of transactions with suppliers and any control failures.

Filter list...

Info

Created by: Admin User (GRCSSENTIALS\Administrator)

Created: Nov 6, 2016 8:31:51 AM

Last modified by: Admin User (GRCSSENTIALS\Administrator)

Last modified: Nov 18, 2016 11:22:05 AM

DATA ANALYSIS

ACCOUNTS PAYABLE ANALYSIS

Schedule

SCHEDULED BY	TYPE	REPEAT PERIOD	NEXT SCHEDULED DATE	PARAMETER SET
Admin User (GRCSSENTIALS\Administrator)	Regular	Monthly	Dec 12, 2016 5:00:00 PM	Scheduled - Monthly analytics
Admin User (GRCSSENTIALS\Administrator)	Regular	Weekly	Nov 8, 2016 4:00:00 AM	Weekly duplicate testing

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Display a menu

Communication, escalation, and remediation workflow for events identified

Create triggers that communicate possible red flags, set status and priority, or request additional information. Daisy-chain multiple triggers to build advanced remediation and escalation workflows

Acquire & Centralize Test Action & Plan Report

Results Manager

Manham Hogg Paper Company / IT Access Control Analytics

Clear False Positives

WHEN
do you want this to run?

Frequency: Daily, Run at: 4am, Eastern Standard Time (GMT-5:00)

WHAT
do you want to automate?

ANY | ALL

Condition is: Emailuse equals false

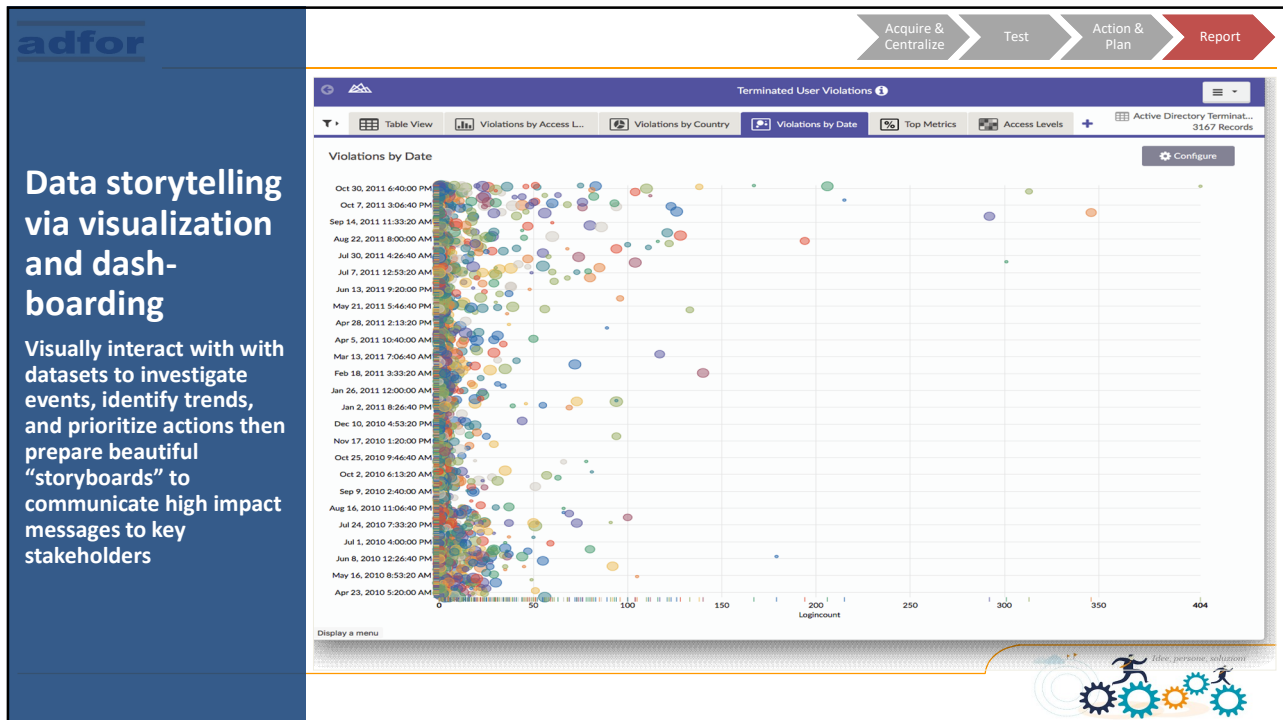
Idle for: 90 days

THEN
perform which actions?

Status: False Positive

Priority: Low

Save Save & Preview Cancel



adfor Our view about (fraud) Risk & Control Monitoring

We believe the keys to successful monitoring is the ability to engage those with relevant knowledge of events easily, to be able to apply the program to more strategic scenarios, and to get traction fast.

Thus we asked ourselves three new questions:

1. Could we more easily enrich transaction and systems data with relevant “human knowledge” to improve workflow?
2. What would make risk and control monitoring programs valuable at the executive level?
3. Could we accelerate time to value to near-immediate payback/ROI?



Enrich analytic results and insights with “human data” via event-driven questionnaires

Use questionnaires to easily ask for follow-up information and combine that human knowledge with the data in the event/transaction itself to get a complete understanding of the situation and/or drive workflow

High Risk Purchase Violation Questionnaire

Wernham Hogg Paper Company

Instructions

A purchase that was flagged as a high risk of bribe-related activity has been identified in your region. Please complete the following questionnaire regarding this purchase so we may close out investigation of the issue.

Record Details

Row id: 6
Vendor number: 13411
Vendor name: United Equipment
Vendor city: Salt Lake City
Invoice number: 49545947
Invoice date: 2000-10-30T00:00:00
Invoice amount: 5734.0
Product number: 030414313
Quantity: 122.0
Unit cost: 47.0
Sales Supporting?: No
Consulting?: No
Vendor Selection Description:
They were locally recommended
Resolution Support:

Was this purchase made in the process of developing an RFP response, customer sale, or similar business development/sales activity?

☐ Yes
☒ No

Was this transaction a purchase of consulting or some type of professional service?

☐ Yes
☒ No

Please explain the selection process for this vendor or how the vendor was identified.

They were locally recommended

Please attach the vendor contract related to this transaction.
(Optional)

no files selected



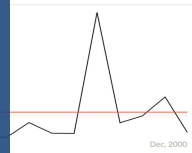
Elevate to executive level value with metric-based risk & control monitoring

In addition to monitoring for exceptions and violations, level up to monitor critical enterprise metrics (including KPIs and KRIs) and trigger monitoring notifications and workflows when they cross key thresholds

Bribery and Corruption Risk

MONTHLY AVERAGE OF INVOICE AMOUNT

58.36 ↓ 77%



MONTHLY TOTAL OF QUANTITY

741 ↓ 91.2%



MONTHLY HIGHEST UNIT COST

15.87 ↓ 61.5%



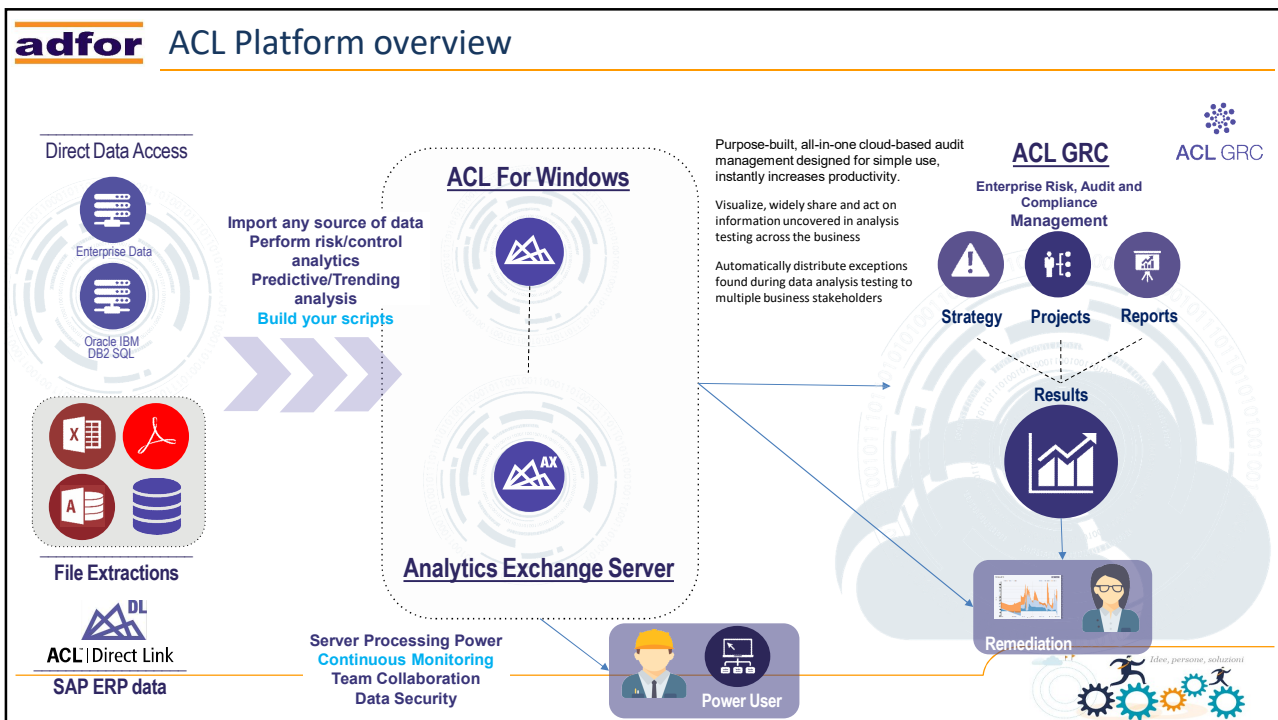
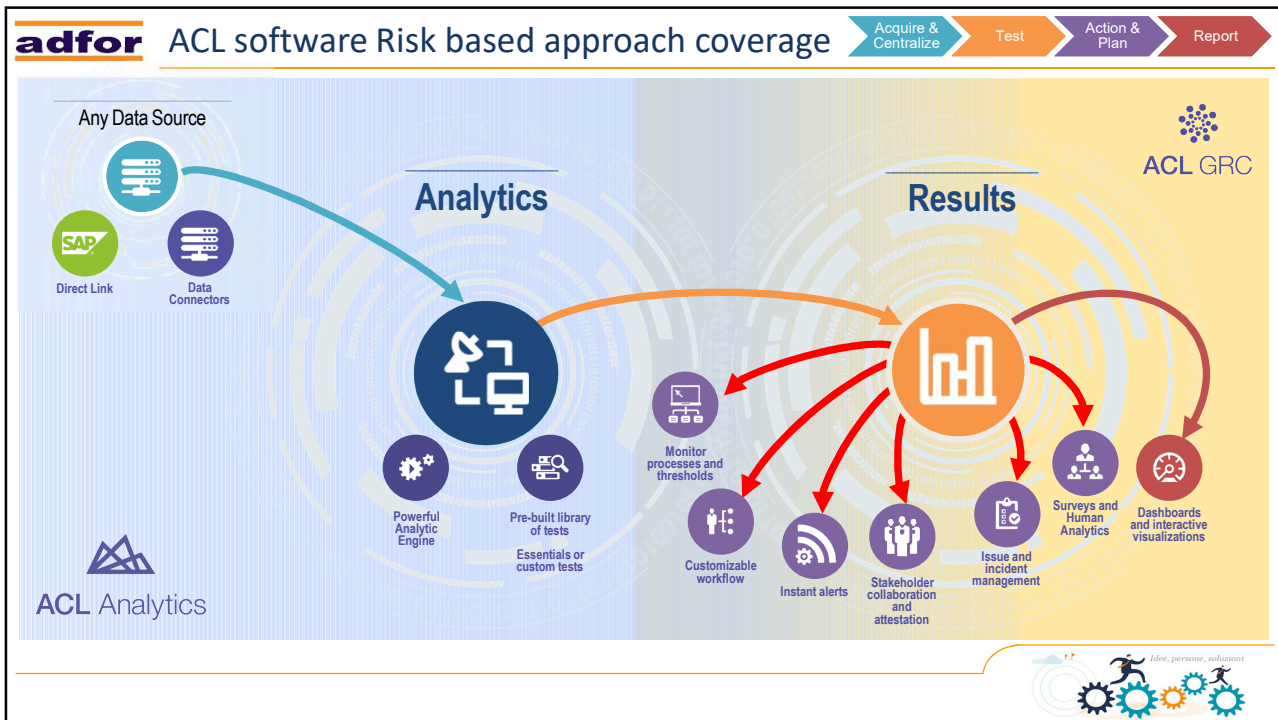
BRIBERY RISK FORECAST



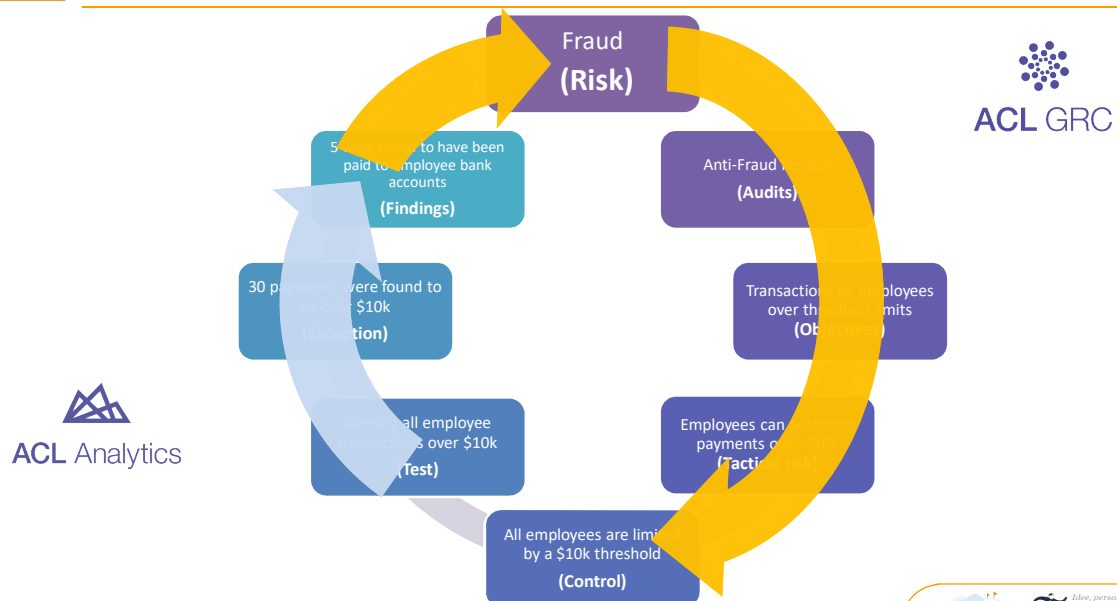
Bribery and Corruption Risk

Risk-based compliance programs allow organizations to properly design mitigation strategies and strategically deploy resources to combat





adfor Again, ACL software Risk based approach coverage



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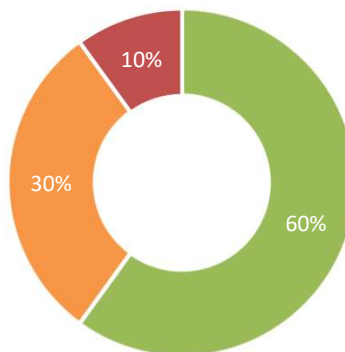
adfor Drive near-immediate ROI with integrated knowledge content

Company Specific

- Strategy & Performance (i.e. sales performance)
- Company Policies & Standards

Industry Specific

- Government (i.e. entitlements)
- Banking (i.e. loans, credit, liquidity)
- Healthcare (i.e. patient billing, privacy)
- Manufacturing (i.e. quality, safety)
- Insurance (i.e. claims fraud, losses)
- Retail (i.e. pricing, sales tax, inventory)



Generally Common

- General Ledger
- Accounts Payable
- Accounts Receivable
- Cash Disbursements
- Salaries & Payroll
- Vendor Management
- IT General Controls
- Travel Expenses
- Stock & Inventory
- Fixed Assets
- Sales Analysis

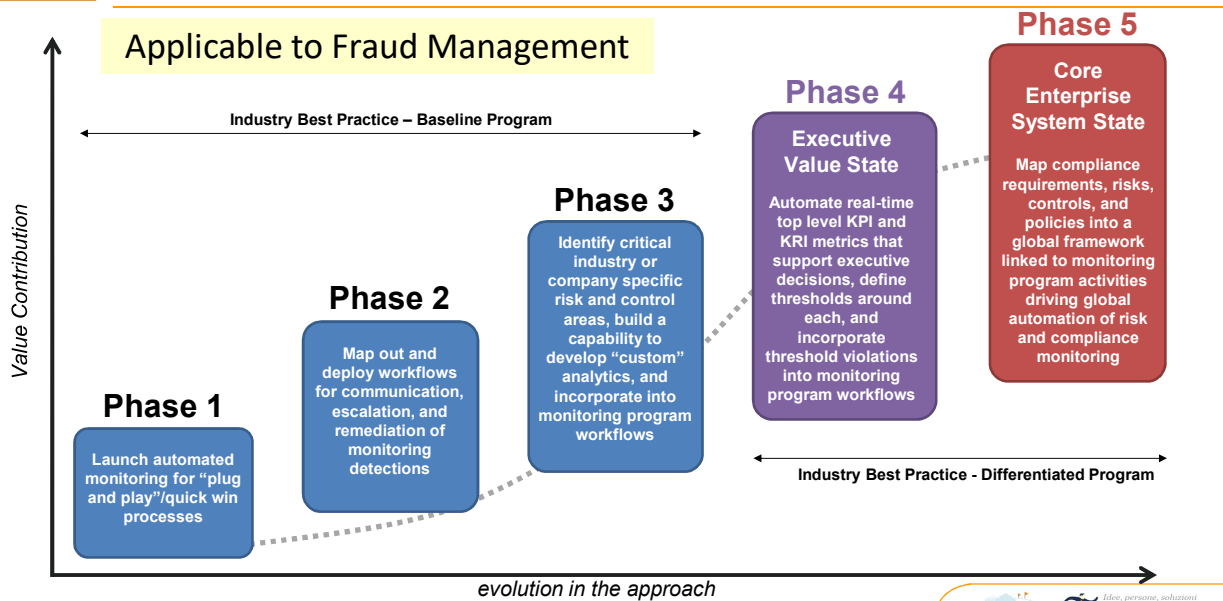
Examples essentials P2P

ACL Essentials

- Premium analysis applications
- Process area (P2P, O2C, GL, H2R)
- Segregation of duties

- Identify split POs with same vendor/ same material / same creator, within X days
- Find duplicate POs with same vendor / Same material / same quantity
- Duplicate cash disbursements





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Our proposal on fraud management



Milano, November 14 th, 2018

adfor Our proposal - fraud management (*)

In cooperation with



Consulting activities

- Fraud Governance
- Fraud risk assessment
- Evaluation (audit) of fraud risk management process
- ...

ACL solutions - GRC and analytics

- Ad hoc analysis
- Repetitive testing
- Continuous monitoring
- Compliance activities (antibribery, AML, ...)
- ...

Value
proposition

Training activities

- Training to personnel
- Training to analysts- building up skills and competences
- Communication
- ...

(*) Other ad hoc services can be evaluated based on customer's needs



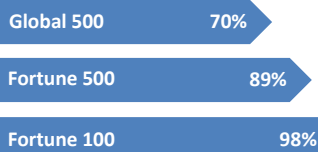
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ACL and Adfor companies and contacts



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Commercial



ACL

An Industry Standard

30 Years - founded 1987
Used by >14,000 organizations
in 140+ countries

Government



200+ agencies in 60 national governments

1000+ regional, state and local governments



Adfor company profile

- 1986:** Adfor established, providing Education Services
- 1990:** Technology Consulting Services
- 1997:** Management Consulting and HR Services
- 1999:** Service Lines structured
- 2000:** ISO 9001 certified
- 2005:** WiseMap, a company active in Risk Management support solutions, becomes part of Adfor Group
- From 2006:** Adding more consulting effectiveness through selected innovative leading software solutions
- 2010-...:** Italian Partner of ACL, Glomark, GTOne, ITC



Based in Milan,
branches in Rome, Florence, Parma,
Turin and Vicenza

ISO 9000, ISO 22301,
ISO 20000, ISO 27000
certification support services

Training for PMI®, ITIL®, COBIT®,
ISO 20000 and 27002 certifications,
EXIN and APMG exams

ISO 9001 Certified



ISO 27001 Certified



adfor Some ACL customers in Italy



adfor

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Extras on ACL GRC



Milano, November 14 th, 2018



What ACL GRC is?



An
Integrated &
Relational
Database

Risk Library

Browse common key risks normalized from the S&P 500 10-k reports and import directly into your Risk Profile.

All Risk Categories

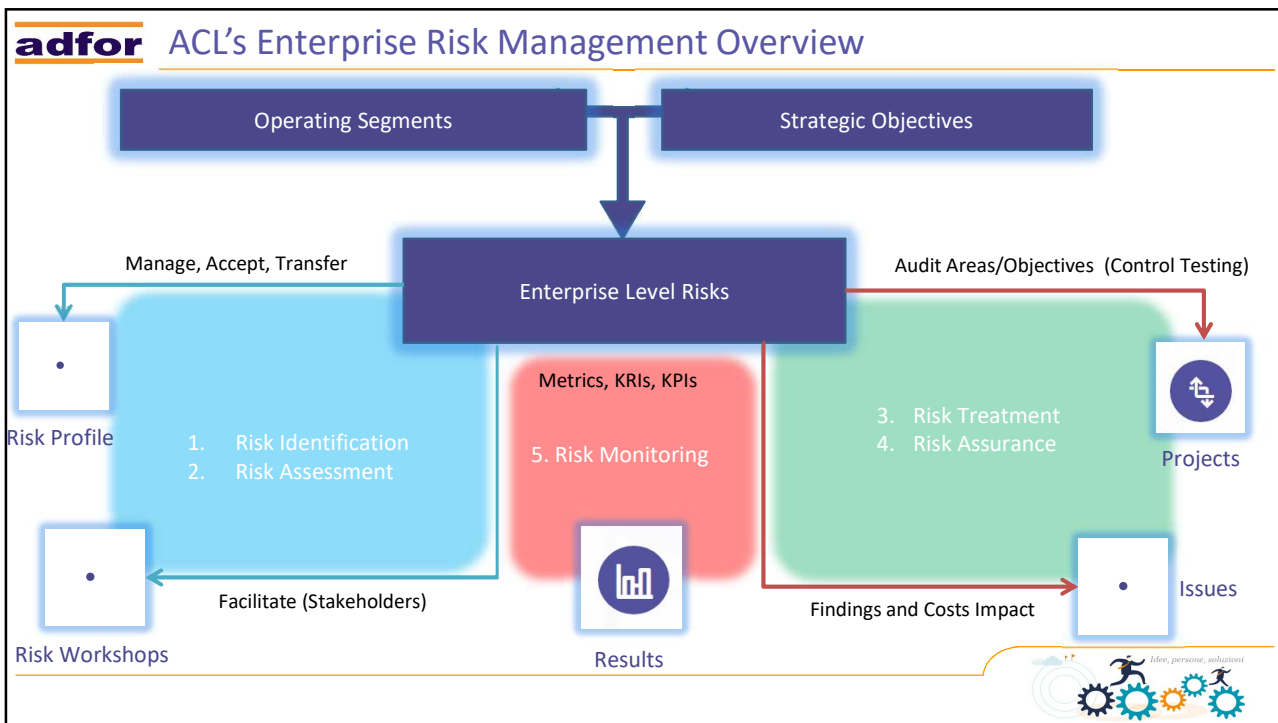
All Industries

<input type="checkbox"/> Risk	Risk Category	Industry
> Additional financial credit requirements	Operational	Financial Services - Banks and Lending
> Changes in interest rates	Strategic	General
> Changes in interest rates	Strategic	Financial Services - Banks and Lending
> Counterparty default	Operational	Financial Services - Banks and Lending
> Credit rating downgrade	Operational	Financial Services - Banks and Lending
> Credit rating downgrade	Operational	General
> Credit rating downgrade	Operational	Manufacturing - Engineering and Technology
> Credit spread fluctuation	Operational	Financial Services - Banks and Lending
> Currency fluctuation risk	Strategic	General
> Currency fluctuation risk	Strategic	Manufacturing - Engineering and Technology
> Customer concentration risk	Strategic	Financial Services - Banks and Lending
> Customer concentration risk	Strategic	General
> Customer concentration risk	Strategic	Manufacturing - Engineering and Technology
> Data-breach of sensitive information	Operational	Financial Services - Banks and Lending
> Data-breach of sensitive information	Operational	General
> Data-breach of sensitive information	Operational	Manufacturing - Engineering and Technology
> Demand forecast failure	Operational, Strategic	General

Import Risks
Cancel

Content

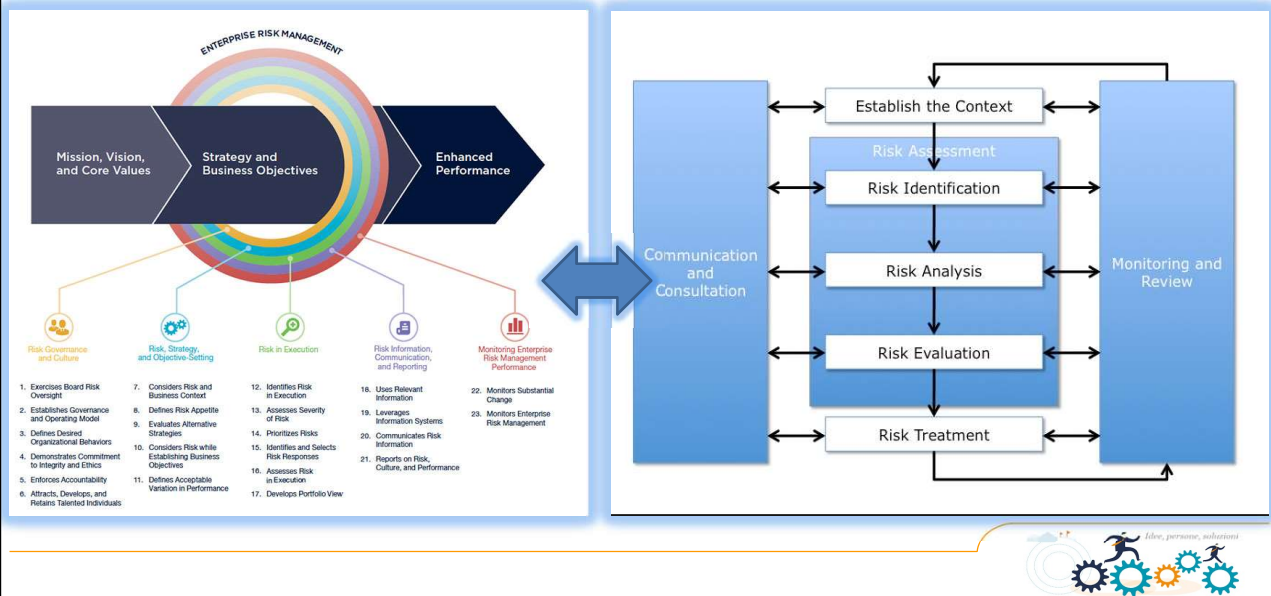
ACL has a dedicated Content Solutions team. Their mandate is to deliver impactful content in the form of templates, risks, standards, control frameworks and more.




adfor ACL's Enterprise Risk Management Overview

COSO 2016 Framework

ISO 31000




Risk Identification	Risk Assessment	Risk Treatment	Risk Assurance	Risk Monitoring
<p>Benchmark organizational risks against industry standards.</p> <ul style="list-style-type: none"> Assign responsible parties and consider risk appetite. <p>Easily configure a flexible risk taxonomy.</p> <p>Pinpoint risks and compare via included reports.</p>	<p>Configure specific scoring factors and calculations.</p> <p>Inspire Executive collaboration through an intuitive voting platform.</p> <p>Discuss and place voting rationale.</p> <p>Review historical assessments and consider for future strategy.</p>	<ul style="list-style-type: none"> Create a multi-level risk and control relationship. <p>Assess all treatment areas and view residual and inherent risk differences.</p> <ul style="list-style-type: none"> Ensure complete coverage of all risks identified during ad-hoc & cyclical assessments. 	<p>Calculate Actual Risk score from multiple treatment areas.</p> <ul style="list-style-type: none"> Find the root cause behind risk events/issues & consider risk tolerance. <p>Expand ERM view by showing the results of all related assurance groups.</p>	<p>Build KPIs off of Surveys, Investigations & Data Analytics.</p> <p>Present KRIs with value, trend line and defined thresholds.</p> <p></p> <p>Improve ERM efforts by measuring overall Risk Performance.</p> <p></p>

	Audit Management	Audit Execution & Issue Management	Compliance Management	
	<p>Central platform to access all your Audit and Special programs</p> <ul style="list-style-type: none"> • <p>One source of truth for all project templates & updates.</p> <p>Use existing standards & import into your programs.</p> <p>Create & manage your own organizational entity structure.</p>	<p>Capture all process documents and the mapping of risks and controls in one workflow.</p> <ul style="list-style-type: none"> • <p>Automatically link existing walkthroughs, test plans and control testing.</p> <p>Track a full list of all issues tied to a particular project including status, owners and severity.</p>	<p>Manage a repository of all relevant standards to your department.</p> <ul style="list-style-type: none"> • <p>Avoid agnosia of over-rationalizing business requirements.</p> <p>Leverage best-practice content across IT, Audit and Pub Sector needs.</p>	



Benefits & Takeaways

- Defined and Standardized**
 - Industry & category specific standards with hundreds of available requirements.
 - Subscription model keeps you up to date with regulatory change management.
- Quick Time to Value**
 - Map Internal Control, Policy and Regulatory needs under one umbrella for quick deployment.
 - Leverage existing Compliance/Audit templates.
- Expand Coverage**
 - Use Surveys and Event Reports to touch all areas of the enterprise.
 - Leverage data analytics to monitor major Compliance Risks and tie to your regulatory reporting.
- 
Cost and Resources
 - Reduce reliance on external partners and co-source parties.
 - Reduce costs by bringing regulatory standards in-house with a software partner.

