AI IS COMING: FUTURE-PROOF YOUR CAREER AND YOUR COMPLIANCE PROGRAM

SCCE CEI
October 2018

Matt Kelly

Founder Radical Compliance

617-642-1107
mkelly@radicalcompliance.com
compliance meme
Radicalcompliance.com
Tom Fox

The Compliance Evangelist

832-744-0264
tfox@tfoxlaw.com
tfoxlaw
fcpacompliancereport.com

THE BIG AI TRANSFORMATION

How AI is really transforming risk management
Start with our friends in internal audit

**DOES THIS SOUND FAMILIAR?**

- Transformation of business processes
- Better analytics technology
- ‘Add value to the business’

**BECAUSE THAT’S THEIR EXPERIENCE**

---

**Altogether, that means...**

Digital technology lets CAEs move beyond traditional audit duties of SOX compliance, internal control testing...
Altogether, that means...

Digital technology lets CAEs move beyond traditional audit duties of SOX compliance, internal control testing...

... Just as boards are demanding stronger ongoing assurance of more risks.

How do we get there? Three steps...
How do we get there? Three steps...

1. Effective internal control

   Bad controls = bad data = bad conclusions

How do we get there? Three steps...

1. Effective internal control
2. Enhanced analytics

   Drives up importance of data taxonomy, completeness of reports, validations
How do we get there? Three steps...

1. Effective internal control
2. Enhanced analytics
3. Optimized risk management

Drives up importance of clear objectives, risk tolerances

What does it look like? Three examples

1. Invoice received before PO submitted
What does it look like? Three examples

1. Invoice received before PO submitted
2. T&E expenses without documentation

What does it look like? Three examples

1. Invoice received before PO submitted
2. T&E expenses without documentation
3. Hotline metrics for culture analysis
How relationships might change

Internal audit can work more closely with other functions in first, second Lines of Defense

- Including compliance
- Including functions you work with already
How relationships might change

Imagine a future where...

- Analytics and monitoring can drive behavior more than culture.

What becomes crucial in that world?
How relationships might change

Imagine a future where...

- Analytics and monitoring can drive behavior more than culture.

What becomes crucial in that world?

- Design of controls

How to get started

Biggest obstacles are

- Business complexity
- Unclear objectives or priorities
- Lack of staff
How to get started

Biggest obstacles are

- Business complexity
- Unclear objectives or priorities
- Lack of staff

So compliance officers can help by...

---

How to get started

- Knowing the business and compliance objectives
- Creating sources of good data
- Thinking about managing risk, rather than fulfilling compliance
THE SALES CYCLE

BUSINESS CYCLES IN YOUR ORGANIZATION

1. QUOTE TO CASH

2. PROCUREMENT TO PAY
Life-Cycle of a Business Transaction

1. PRE-SALE-RFP/BID/SALES INITIATIVE
2. PRE-BID-GIFTS/ENTERTAINMENT/TRAVEL
3. RFQ ---> RFP
4. SALES PRICING-DISCOUNT RANGE
5. REBATES PAID TO CUSTOMER

Pre-Sales

1. WHAT IS THE AGGREGATE SPENDING ON ANY ONE GOV OFFICIAL OVER A 12-MONTH PERIOD BY ONE BD REPRESENTATIVE?
2. WHAT IS THE BD SPEND ON ONE GOV OFFICIAL BY SEVERAL COMPANY BD REPRESENTATIVES?
3. HAS THERE BEEN ANY TRAVEL INVOLVED TO TOUR COMPANY FACILITIES?
4. WHAT WAS THE AGGREGATE SPEND AND WAS IT CORRELATED WITH OTHER GTE SPENDS?
THE CONTRACT

1. ANY DISCOUNTS OFFERED OUTSIDE THE STANDARD DISCOUNT RANGE?
2. WERE THESE DISCOUNTS PROPERLY VETTED THROUGH THE INTERNAL COMPANY PROCESS?
3. WAS THIS PROCESS DOCUMENTED AND WAS THERE SENIOR MANAGEMENT SIGN-OFF IN PLACE?
4. WAS THE CONTRACT PROPERLY VETTED BY ALL REQUIRED INTERNAL PROCESSES: BY MANAGEMENT, LEGAL, AND COMPLIANCE?

Third Parties

1. DID THE CUSTOMER SUGGEST THE USE OF ANY THIRD PARTIES AS SUPPLIERS TO THE PRIME CONTRACT?
2. WHAT WAS THE 3\textsuperscript{RD} PARTY COMMISSION OR COMPENSATION?
Charitable Donations

1. WERE THERE ANY CHARITABLE DONATIONS REQUESTED BY THE CUSTOMER?
2. WERE THERE ANY CHARITABLE DONATIONS MADE DURING ANY PART OF THIS PROCESS OR WITHIN 12 MONTHS AFTER A SUCCESSFUL CONTRACT NEGOTIATION?
3. FULL CHARITABLE DONATION VETTING?

Post Contract

1. DID CONTRACT SPECIFY ANY TRAVEL FOR THE CUSTOMER?
2. HOW ABOUT ONGOING TRAINING AND IF SO WHERE AND FOR HOW LONG?
3. WAS THERE A SPECIFICATION OF BUSINESS CLASS OR ABOVE TRAVEL ACCOMMODATIONS?
4. WAS THERE ANY CORPORATE SOCIAL RESPONSIBILITY (CSR) REQUIREMENT GOING FORWARD?
5. DOES COMPLIANCE HAVE VISIBILITY INTO THIS OR DOES IS GO THROUGH A COMPANY CHARITABLE DONATION GROUP OR COMMITTEE?
6. LOCAL CONTENT REQUIREMENT?
COMPLIANCE & AI GOING FORWARD

Kasparov’s Law

WEAK HUMAN + MACHINE + BETTER PROCESS IS SUPERIOR TO STRONG HUMAN + MACHINE + INFERIOR PROCESS