

FRAUD RISK ASSESSMENT AUDITING AT THE SPEED OF RISK

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ENTITY WIDE FRAUD RISK ASSESSMENT

Why are we doing this?

Risks Change More Frequently than Once a Year

So Our Audit Plan Should Change More Frequently Too

Up-to-date risk information helps Audit and helps Management

WHAT IS A RISK ASSESSMENT?



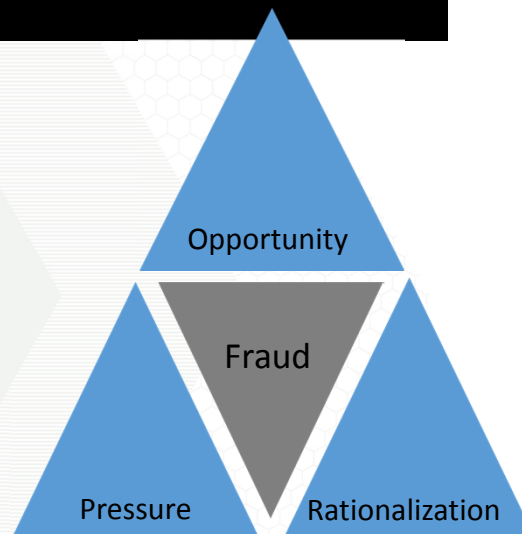
A systematic process of evaluating the potential risks that may be involved in a projected activity or undertaking

www.dictionary.com



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PHASE I – ASSESS OPPORTUNITY



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PHASE I – ASSESS OPPORTUNITY



- Defines the method by which the offense could occur
- Position of trust is used for the advantage of the fraudster
- Low perceived risk of getting caught



See. Analyze. Act.

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PHASE I – MEASURES OF OPPORTUNITY



- Volume and amounts of:
 - Pcard and Travel Purchases
 - Not just absolute \$\$, but % relative to other spend
 - Number of Fund Sources
- Method of purchases



See. Analyze. Act.

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PHASE II – ASSESS RATIONALIZATION



- People explain themselves why their actions might be acceptable (hint: it's not)
- "Borrowing" only - intent to pay it back
- "I'm underpaid anyway, so it's ok for me to take this"
- "I haven't had an adequate pay increase"
- "It's owed to me – I'm entitled"



See. Analyze. Act.

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PHASE II – MEASURES OF RATIONALIZATION



Examples:

- Hotline Call Volume, Keywords
- Employee Climate Surveys
 - Key Factor
- Employee turnover



See. Analyze. Act.

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PHASE III – ASSESS PRESSURE



- Begins with person trying to solve financial need
- Unable to pay bills
- Addictions
- Desire for higher social status



See. Analyze. Act.

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PHASE III – MEASURES OF PRESSURE



Examples:

- Grant spending patterns
- Types, timing of grant spending
- Salary market analysis



See. Analyze. Act.

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Why data driven?
What are we looking at?
What are the fraud risk factors of Opportunity?
How did we decide what to look at?

Budget Risk – Budget per Person
Total unit spend/ total organization budget
Inherent Risk – Source of Funds and Cost Transfers

OPPORTUNITY RISK MEASURES



Cost transfers transactions and numbers

Controllable risk by unit

*Value of cost transfers/ total value of transactions
Total # of cost transfers/ # of total transactions*



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OPPORTUNITY RISK MEASURES



High risk transaction types

Controllable by the unit

Purchasing Cards and Travel

and value of these transactions/ # vs. value of total transactions



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PROJECT APPROACH, TOOLS AND METHODS



Service Partnership with:



Software from



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TABLEAU – LOTS OF USE CASES AT GEORGIA TECH



Currently being used by others on campus

Office of Institutional Research and Planning

Office of Sponsored Research

Office of Grants and Contracts



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How to get this out to management?

Internal Website

Interpret results

Visual presentation of data – easy to read analysis with drill- to detail

Availability for quick decision making

Frequent risk assessment by Audit and Management

OUR NEXT STEPS



Complete initial audit reviews of high- and low-risk units

Compare audit results to risk assessment scores

Refine model and risk weightings, as needed

*Add new risk measures***

Consider with Control-Self Assessment data



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WRAP UP



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