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FRAUD RISK ASSESSMENT
AUDITING AT THE SPEED OF RISK

visual risk IQ
THE FUTURE OF AUDIT

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ENTITY WIDE FRAUD RISK ASSESSMENT

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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*

visual risk IQ
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WHAT IS A RISK ASSESSMENT?

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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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visual risk
The Analytics Age

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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

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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

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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"



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PHASE II – MEASURES OF RATIONALIZATION



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



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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



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PHASE III – MEASURES OF PRESSURE



Examples:

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



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DATA-DRIVEN RISK ASSESSMENT USING ANALYTICS



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



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FACTORS OF OPPORTUNITY



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



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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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PROJECT DASHBOARD DEMONSTRATION



How to get this out to management?

Internal Website

Interpret results



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BENEFITS TO MANAGEMENT



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

Availability for quick decision making

Frequent risk assessment by Audit and Management



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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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