Letting the Data tell the Story

IIA Puget Sound Chapter
September 2015

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Afternoon Topics

• P-Card - risks and analysis
• Conducting an accounts payable audit
• ACL Script
  • Four methods for developing ACL scripts
  • Dialog boxes for interactive scripts
Story Telling: P-Card

Goal:

• Perform an P-Card Audit in 30 minutes, including:

  • Identifying risks and controls
  • Running analyses
  • Reviewing results
Story Telling: P-Card

Exercise:

Background

• P-card to be used for small dollar purchases
• Primarily office supplies
• Separate cards for automotive (ARI) and travel (AMEX)

What are the risks around corporate p-cards?
Acquisition Card – Control Weaknesses

- Inadequate review of purchases by approving officials
- Unmanageable span of control
- Excessive number of cardholders
- Exceeding authorized purchase limits
- Lack of/inadequate documentation

- Inappropriate purchase methods
- Unrecorded accountable property
- Lack of security over purchase card
- Inadequate training for cardholders and approvers
- Inappropriate financial coding
- Inadequate reconciliation
Areas of Non-Compliance

- Unauthorized and potentially fraudulent purchases
- Abusive purchases
- Improper split procurements
- Credit card sharing or use by unauthorized individual
- Improper transactions
- Sole-source purchases without proper documentation
- Failure to use required sources of supply
## Data Requirements

### Detailed transaction file:
- Card Number
- Cardholder Name
- Date – transaction and posting
- Merchant – Number and name
- MCC – Merchant category code
- Amount
- Currency

### Other data files:

#### Cardholder:
- Card number, cardholder name, transaction limit, valid dates

#### Merchant Category Code:
- MCC number, description
P-Card Example

Specific tests to highlight transactions to be reviewed - can be run monthly
Story Telling: P-Card

ACL Demo
Story Telling: Accounts Payable

Goal:

• Perform an Accounts Payable audit in one hour, including:
  • Identifying risks and controls
  • Identifying the audit objectives
  • Running analyses
  • Reviewing the results
  • Assessing controls
Exercise:

Background issues/risks:
- Multiple invoice processing centers
- No standard processes or org structure
- 500,000 invoices per year totaling $4B
- Large vendor table - growing

Discussion:
- What are the risks?
- What is your audit objective?
Story Telling: Accounts Payable

Risk-based plan - risks:

• Timely and accurate payment of invoices
  • Duplicate invoice payments

Management concerns:

• Duplicates, efficiency and accuracy
Story Telling: Accounts Payable

ACL Demo
A/P Risk Assessment
## A/P Risk Assessment

**AP Analysis by Region**

<table>
<thead>
<tr>
<th>Region</th>
<th>% Early</th>
<th># Manual</th>
<th>Inv = Entry Date</th>
<th>Inv = Baseline Date</th>
<th>% LT $500</th>
<th># Users Create Vendor</th>
</tr>
</thead>
<tbody>
<tr>
<td>EAST</td>
<td>78.12%</td>
<td>292</td>
<td>18.21%</td>
<td>21.29%</td>
<td>72.08%</td>
<td>268</td>
</tr>
<tr>
<td>QUEBEC</td>
<td>53.48%</td>
<td>0</td>
<td>44.22%</td>
<td>48.47%</td>
<td>73.55%</td>
<td>97</td>
</tr>
<tr>
<td>ONTARIO</td>
<td>69.39%</td>
<td>0</td>
<td>13.58%</td>
<td>24.39%</td>
<td>64.58%</td>
<td>44</td>
</tr>
<tr>
<td>WEST</td>
<td>14.58%</td>
<td>7</td>
<td>11.97%</td>
<td>26.61%</td>
<td>62.25%</td>
<td>25</td>
</tr>
<tr>
<td>PACIFIC</td>
<td>23.56%</td>
<td>0</td>
<td>8.91%</td>
<td>19.88%</td>
<td>62.58%</td>
<td>58</td>
</tr>
</tbody>
</table>

[OK] [Cancel]
## A/P Risk Assessment - duplicates

![Duplicate Analysis Table]

<table>
<thead>
<tr>
<th>Region</th>
<th>Sys Criteria</th>
<th>Ven_CInv_Date_Amt</th>
<th>Ven_CInv_Amt</th>
<th>Clnv_Amt</th>
</tr>
</thead>
<tbody>
<tr>
<td>EAST</td>
<td>2</td>
<td>21</td>
<td>262</td>
<td>513</td>
</tr>
<tr>
<td>QUEBEC</td>
<td>0</td>
<td>38</td>
<td>419</td>
<td>783</td>
</tr>
<tr>
<td>ONTARIO</td>
<td>0</td>
<td>101</td>
<td>508</td>
<td>814</td>
</tr>
<tr>
<td>WEST</td>
<td>0</td>
<td>46</td>
<td>125</td>
<td>625</td>
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<tr>
<td>PACIFIC</td>
<td>3</td>
<td>27</td>
<td>45</td>
<td>297</td>
</tr>
</tbody>
</table>
Accounts Payable

From
- Duplicate payments
- Financial signing authority
- Separation of duties

To
- Review of A/P procedures
- Efficiency of process
  - Use of p-card and EFT
  - Analysis of structure of A/P office
  - Incompatible duties
  - Payment terms and methods
  - Late/early payments
- Controls over vendor creation
- Purchase order reference
- Duplicate invoices
Findings – Accounts Payable Review

• Inconsistent org structure and roles and responsibilities
• Differing procedures and A/P clerks not adequately trained
• A/P clerks performing incompatible duties
• Inefficient use of acquisition cards
• Inappropriate use of Manual payments
• Failure to commit funds and reference POs
• Non-compliance – early payments
• Late payment penalties – inefficient process
• Vendor table maintenance – duplicates, payment terms, etc

• Duplicate invoices
Follow-up on Recommendations

Invoice Amount LT $500

Late Payment - % of Total Invoices

Percentage

Division

FY 2012

FY 2013
Developing ACL Scripts

Five Methods

1. From LOG
2. Script recorder
3. Syntax capture
4. From Table history
5. Type it.
Developing ACL Scripts

From LOG

Analysis: Using INVENTORY file:
- Identify the MIN, MAX, AVG quantity on hand
- Determine the ranges of the quantity on hand
- Extract record to file if quantity on hand > 500
Scripts - from LOG

STAT
STRATIFY
EXTRACT
Scripts - From LOG

1. Check commands in LOG file
2. Right click to Save as Script
3. Rename Script
Developing ACL Scripts

Script Recorder

Analysis: Using A/R file:
- Run Statistics on Amount
- Identify all customers with transactions > $1,000
- Extract to a file
Scripts - Script Recorder

Script recorder ON Indicator
Scripts - Script Recorder

1. Stat
   - Amount > 1000

2. Filter
   - Customer Number
   - Invoice Date
   - Due Date
   - Ref
   - Type
   - Amount

3. Extract
   - AR_Amt_GT_1K
Scripts - Script Recorder

1. Turn OFF Script recorder
2. Rename and Save Script
Scripts - Script Recorder

Script includes all commands issued

```
1  OPEN Ar
2  STATISTICS ON Amount TO SCREEN NUMBER 5
3  SET FILTER TO Amount > 1000
4  EXTRACT RECORD TO "AR_Amt_GT_1000" OPEN
5  OPEN "AR_Amt_GT_1000"
```
Developing ACL Scripts

Syntax Capture

Analysis – using A/R file
  • Determine number of transactions in various ranges of the amount field
  • Test for duplicates – same customer, date, and amount
1. Create new script
2. Start Syntax capture ON
Scripts - Syntax Capture

Syntax for STRATIFY command
Captured in script – but not executed
Scripts - Syntax Capture

Commands are saved in script but have not been executed.

1. Save and rename script – AR_Analysis

2. Run script AR_Analysis to perform commands
Scripts - Syntax Capture

Run script

DUPs file created
Developing ACL Scripts

From Table History

Analysis – using A/R file, identify all customers with Amounts > $5,000
Script - from Table History
Script - from Table History

Rename and Save

Edit script

```
1  OPEN Ar
2  SORT ON No TO "AR_Sort" OPEN
3  OPEN AR_Sort
4  SUMMARIZE ON No SUBTOTAL Amount TO "AR_Summ.FIL" OPEN
5  OPEN AR_Summ
6  EXTRACT RECORD IF Amount > 5000 TO "AR_Summ_GT_5K" OPEN
7  OPEN AR_Summ_GT_5K
8  DEFINE REPORT Default_View
```
Dialog boxes

1. Create script or edit existing script

2. Click on “Build New Dialog” button
Dialog boxes - buttons

- Text box
- User Input
- Checkbox
- Radio button
- Dropdown List
- Project List
Dialog boxes

- Text box
- Input box
- Radio buttons
- Checkboxes
- Project list
- Dropdown list
Dialog boxes – run script
Dialog boxes - results

Variables saved

<table>
<thead>
<tr>
<th>Variable</th>
<th>Type</th>
<th>Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>v_dept</td>
<td>N</td>
<td>2</td>
</tr>
<tr>
<td>v_infile</td>
<td>C</td>
<td>AP_Trans</td>
</tr>
<tr>
<td>v_name</td>
<td>C</td>
<td>Dave_Coderre</td>
</tr>
<tr>
<td>v_type</td>
<td>C</td>
<td>Operational</td>
</tr>
<tr>
<td>v_area1</td>
<td>L</td>
<td>true</td>
</tr>
<tr>
<td>v_area2</td>
<td>L</td>
<td>false</td>
</tr>
<tr>
<td>v_area3</td>
<td>L</td>
<td>false</td>
</tr>
<tr>
<td>v_area4</td>
<td>L</td>
<td>false</td>
</tr>
</tbody>
</table>
Reference Materials

- Internal Audit: Efficiency through Automation
  - David Coderre

- Computer-Aided Fraud: Prevention & Detection
  - David Coderre

- Fraud Analysis Techniques Using ACL
  - David Coderre
Questions?