Continuous Monitoring
It’s Not Rocket Science

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Ex-county employee wanted for stealing $2.2 million
by Ashley Massey

Jun 06, 2008 | 790 views | 3 | 12 | |

An arrest warrant has been issued for a Washoe County employee on five counts of grand theft, County District Attorney Dick Gammick and Assistant Sheriff Marshall Emerson announced in a press conference Friday afternoon at the Mills Lane Justice Center.

Paul Constantine Orphan, a Washoe County Water Recourses Division engineer, is charged with stealing more than $2.2 million from Washoe County, according to an affidavit issued by Chief Deputy District Attorney Daniel Greco.
One Auditor – Big Universe
### Risks & Challenges: Resulting from Staff Reductions

- 50% Reduction in Internal Audit Unit
- Significant Reductions County-wide
- Separation of Duties
- Training
- Low Employee Morale
- Perception of Less Scrutiny
Selecting Processes to Test
Analytics to be Performed

Accounts Payable Process

- Transactional Analysis
- Vendor Analysis

Testing

- Duplicates, Compliance
- Vendor Changes, Addresses
CM at Washoe County

- Automated Monitoring
- Shift of Responsibility and Accountability
- Internal Audit Review
Benefits

- Loss Prevention/Cost Recovery
- Monitoring Multiple Focus Areas
- Quality of Analysis (100% of transactions)
- Near Real Time/Multiple System Platforms
- More Coverage Without Adding Staff
Possible Costs to Adding Staff

HOW EMPLOYERS SAY YOU WASTE TIME AT WORK

1. Cell Phone and Texting 50%
2. Gossip 42%
3. The Internet 39%
4. Social Media 38%
5. Snack or Smoke Breaks 27%
6. Noisy Co-Workers 24%
7. Meetings 23%
8. Email 23%
9. Co-Workers Dropping By 23%
10. Co-Workers Putting Calls on Speaker 10%

SOURCE: CAREERBUILDER
© NBC News
Allison Communicating with her FTE
What is the difference between Continuous Auditing and Continuous Monitoring?

Continuous auditing is for auditors
Continuous monitoring is for management

Both provide an automated and ongoing process that enables them to perform better.
What about Your Organization?
Choosing Continuous Monitoring

- Quantifiable impact
- Good knowledge of business process
- Data available and understood
- Used CAAT to perform audit before
- Tests can be automated
CA/CM Components

- Repeatable, consistent data access
- Testing the controls
- Scheduling and frequency
- Exception management
- Support of business process owners
- Learn and improve
Multiple Data Access

- **Sources**
  - Data dumps
  - Report files
  - ODBC

- **Tools**
  - ERPs: SAP, Oracle, etc.
  - CAATs
  - ETL Tools to pull from Legacy systems

- **Types**
  - Transaction vs. Master Data
  - New data or Pulling Everything
Scripting

• Some tools are better than others but use what you have to get going
• Dump exceptions into a central repository
• Scripts should use source data and exceptions repository to determine recurrence and eliminate duplicates
• Use parameters/variables to determine how the logic works to prevent changing the script each time
• Some of the simplest scripts yield the greatest business value
Scheduling

- Maximum window (A)
- Timeline between control breakdown and impact (B)
- Time to resolve the exception (C)

\[ A = B + C \]
Sustainable Remediation

Detect Exceptions

Refine

Learn

Resolve

Distribute
Monitoring Framework

CASEWARE™ ANALYTICS PLATFORM

- Data Analysis
- Governance, Risk & Controls
- Remediation – Routing, Alerts, Follow-up, Escalation, etc.
- Reporting & Visualization - Compliance, Regulatory, Dashboards, Metrics

ERP System(s)  P-card/T&E  E-payables  Custom Apps

- Ordering
  - Req/PO Splits
  - Req/PO Duplicates
  - PO Before Requisition
  - Limits Exceeded
  - PO Timing
  - PO Approvals
  - Pricing Changes
  - SOD

- Receiving
  - Received vs. PO
  - PO Timing
  - Overdue Goods
  - Delivery Timing
  - SOD

- Invoicing
  - Deviations
  - Invoice vs. Received
  - Duplicate Invoices
  - Price Differences
  - Retroactive Invoices
  - Suspicious Invoice #s
  - SOD

- Payments
  - Split Payments
  - Payment vs. Invoice
  - Duplicate Payments
  - Prohibited Vendors
  - Top 100 Lists
  - Excessive Payments
  - Manual Payments
  - SOD

- Inventory
  - Turnover Analysis
  - Dead Stock

- Vendors
  - Master Data
  - Related Parties
User Dashboards Customization

P-Card Solution Example

**Merchant Category Usage**

**Root Cause**

**Business Unit Usage**

**Employee Card Misuse**

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<th>Total Amount</th>
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Reporting

- Reports are generated as results sets for the user to navigate as well as dashboards.
KPIs

- Allows the user to define any KPI
Standard Reports

- Support SQL Reporting Services and Crystal Reports
Work Items Flow
How to implement

Internal Hurdles

Gaining Management Support
Things I don’t have with C Monitor, the FTE
Observation Still Needed

“I wonder if you could shed some light on this department’s high ‘miscellaneous expenditure’ total?”
Management Support - Checklist

• Cost recovery savings from identifying areas of revenue leakage and process inefficiencies
• Identify issues closer to the point of a control failure and resolve them faster, thereby improving recovery rates
• Efficiencies gained from automated exception management
• Save IT time and money acquiring and preparing data that audit can now access directly
Value

Thank you!

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