Letting the Data tell the Story

IIA Dallas Chapter
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Why Use Electronic Data Analysis?

- Understand the business process
- Assess integrity of info for decision making
- Identify and assess risk
- Improve consistency of review processes
- Improve timeliness
- Perform proactive tests
- Look for indicators of problems
- Review 100% of transactions
- Do continuous auditing / monitoring
Support to Individual Audits or Reviews

Planning phase of an audit or review

• Review operations / improve our understanding of business processes
• Identify and assess risks
• Assessment of control framework and testing of critical controls
• Identify areas for improvement in operations and controls
• Establish review objectives and scope

Conduct

• Assess compliance
• Test controls

Follow-up

• Status and impact of recommendation

Fraud Risk

• Identify and assess fraud risk
Objective:

- Ensure that purchasing and disposal activities respected environmental considerations
- Ensure that hazardous materials were being properly stored, used and disposed of

Background:

- Numerous warehouses/depots across the country
- Various types of hazardous materials with different environmental impacts, storage and health and safety requirements
Story Telling: Accounts Payable

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:

- Risks?
- 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
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>
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<tr>
<td>QUEBEC</td>
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<td>44.22%</td>
<td>48.47%</td>
<td>73.55%</td>
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<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>
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<td>7</td>
<td>11.97%</td>
<td>26.61%</td>
<td>62.25%</td>
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<tr>
<td>PACIFIC</td>
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<td>8.91%</td>
<td>19.88%</td>
<td>62.58%</td>
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</tbody>
</table>

[AP Analysis by Region]

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

<table>
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<th>Sys Criteria</th>
<th>Ven_Clnd_Date_Amt</th>
<th>Ven_Clnd_Amt</th>
<th>Clnd_Amt</th>
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</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
A/P Key Controls

PO Not Referenced

Manual Payments
Follow-up on Recommendations

Invoice Amount LT $500

Late Payment - % of Total Invoices

Division

FY 2012  FY 2013
## Inventory

**From**
- Verifying inventory (counts)
- Three-way matching (contract – receipt – invoice)

**To**
- Economic order quantities
- Just-in-time Inventory
- Obsolete inventory
- Provisioning rates
- Fraud risks
  - Management override
  - Items sent to scrap
  - Turnover rates
  - Unusual pricing
  - Attractive items
### Analysis Examples

| Inventory – obsolete, sale of scrap, warehouse space, delivery time, EOQ |
| Succession planning |
| Hazardous Materials |
| Staffing |
| Operational efficiency |
| Duplicate invoices |
| Reorganization |
| Control testing |
| Health claims |
| Inventory Management |
| Stale/backdated commitments |
| Trial balance and financial trends |
| Risk identification and assessment |
| Acquisition card monitoring |
| Payroll – rates and allowances |
| User access rights |
| Travel agency costs |
| Overtime |
| Separation of duties |
| Charter air routes |
| Telecom charges |
| System conversion |
| Management bonuses |
| Recruitment process |
| Program costing/tracking |
Challenges and Opportunities

From               To

• Controls
• Compliance
• Information Gatherer
• Hindsight
• Shop Floor
• Tick and Bop
• Detection

• Efficiency and Effectiveness
• Governance, Risk Mgt and Control processes
• Knowledge Provider
• Foresight
• C-suite
• Strategic Change Agent
• Provision of Assurance
Reference Materials
Questions?