WHAT YOU DON'T KNOW *CAN* HURT YOU

Mining government data to fix issues,
validate business processes, mitigate risk,
and improve financial statement reporting

acl™
transforming audit and risk

CONTENT

INTRODUCTION

Your data is telling you (yes, you) where the risks lay in your department. Are you listening?

ACCESS TO DATA ALONE DOESN'T HELP YOU DELIVER MORE WITH LESS. DATA-DRIVEN INSIGHT TO INFORM GOOD DECISIONS DOES.

Governments face unprecedented challenges today. Regardless of department, you're under immense pressure to demonstrate outstanding performance not only in terms of efficiency and effectiveness, but also in managing public money with competency and accountability. To navigate this era of reduced resources, you're expected to focus relentlessly on operational efficiency, cost effectiveness, productivity, service, and innovation. And that's not all. Scrutiny of public agencies is at an all-time high around the world. For example, the U.S. Department of Defense is now legislated to prepare to withstand scrutiny by becoming Audit Ready by 2017.

The spirit of audit readiness is fast becoming best practice for government organizations around the world—to drive down costs, improve operating efficiencies, make better decisions, protect taxpayer's money, and run a better department. Today's public servant is expected to know their business processes, identify and close the loop on red flags, transparently document and manage workflow, and be able to collaborate with management and stakeholders in order to be fully accountable to the taxpaying public and the lawmakers that represent them.

Amid the turbulent and complex forces shaping government organizations is the rise of Big Data—considered both a blessing and a curse due to its potential to transform insight on one hand, and become unwieldy on the other.

Organizations collect a broader variety of data at a greater velocity than ever before. The operation of any department relies on effective processing of often millions or billions of

transactions. These not only include traditional accounting transactions—like payroll, travel & entertainment, and purchase card monitoring—but also transactions deep within business processes and controls where information is exchanged between critical systems and applications. Putting a magnifying glass over transaction data (and the controls that manage that data) allows you to identify fraud, errors, abuse, and inefficiency. The opportunity to use data to evaluate business processes to identify issues and fix processes is knocking at the door of every public servant.

So, how do you get to know your business processes in order to run a better department?

In this eBook, we'll explore how every operational area can leverage risk and controls data analytics and documentation management technology from ACL for data-driven governance, risk management, and compliance (GRC) to:

» identify and mitigate risks, including improper payments
» identify opportunities for cost savings
» improve financial statement reporting
» stop fraud, waste, and abuse

…So you can hear what your data is trying to tell you, self-scrutinize for audit readiness, fix issues quickly, and build a stronger, fiscally robust, more effective department.

BIG ISN'T ALWAYS BETTER

What am I supposed to do with all this data?

Before we drop everything and pour hours into collecting, storing and organizing petabyte-scale volumes of data, public sector leaders must focus on what matters: finding the value hidden in the data. And for most departments, transactions are where business processes happen and where the facts live.

Access to data alone doesn't help an agency improve. Today's culture of prolific data creation, collection and consumption has created a worldwide "infobesity" pandemic—a condition in which individuals, businesses and government bodies alike are bloated with data, yet starved for insight that enables effective decisions and oversight.

What's the cure for infobesity?
A combination of selective info-consumption with accessible analytics tools that make information easy to understand and easy to act upon.

CLOSING THE LOOP ON RED FLAGS

Just knowing there is a problem isn't enough. Remediation of the problem is where the opportunities for cost savings can add up. Exceptions management technology allows you to identify red flags (e.g., an uncertified payment) and then automatically notify the owner (e.g., Suzie in Accounts Payable) for follow-up and remediation—all in one place. It's like a built-in audit check mark.

Of course, you can't fix everything at once. You have to work on a process basis, and solve the biggest pain points first. Your data holds the key to knowing where you need to focus your time and effort for the biggest bang.

There is **immense pressure on public servants** to spend tax funds (and time) better by controlling costs while simultaneously creating value for the taxpaying public.

This drives the need for precision, transparency, and speed to resolution of issues. Public sector employees need to **make smarter decisions** based on self-service access to relevant information.

EVERYONE (YOU)
HAS A HAND IN (ARE ACCOUNTABLE FOR)
MITIGATING RISKS

What happened to someone else being accountable for my controls?

The buck stops here.

The public now demands more transparency and more eyeballs watching for issues. Well-run departments are meeting that demand by arming more of their people with data analytics—so that everyone can have a hand in mitigating risks, addressing issues, and making well-informed decisions.

Your business process area has likely been audited (for example, by Audit or Inspections) for years, maybe even finding holes in your controls. That's what Audit does, after all: assure that controls are working.

Audit knows controls best. Constantly faced with various projects, platforms and geographies, they need tools nimble enough to analyze any data, anywhere, anytime. Their "secret sauce"? Risk and control data analysis.
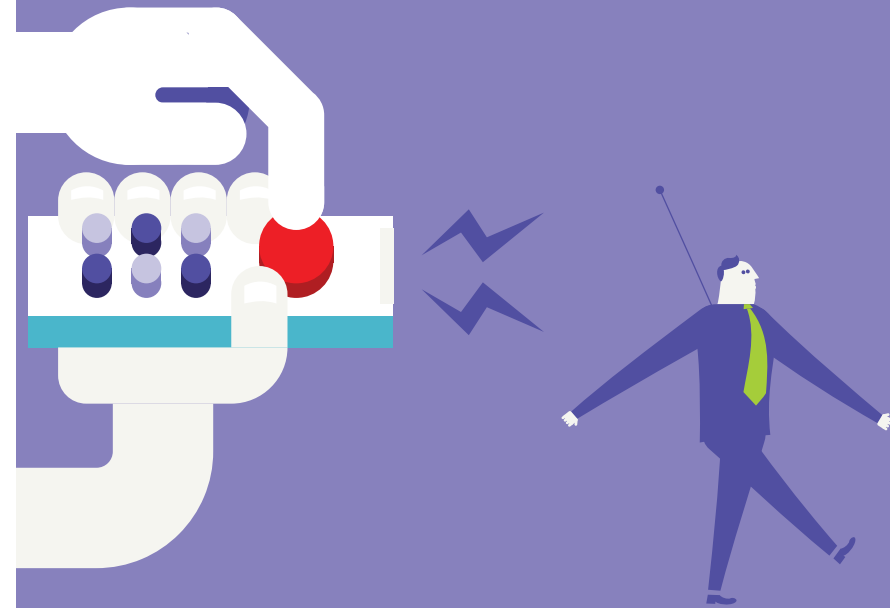
Controls experts in more than 200 departments in 37 national governments, and over 500 regional, state and local governments have been using ACL technology for years.

Why cobble together technologies not designed for nimble controls analyses, when you can use what the experts in the world's leading public sector organizations are using?

Get ahead of Audit and Inspections—and increase their speed—by using the same tools that they are using.

RISK AND CONTROL DATA ANALYTICS ARE UNIQUELY POWERFUL IN ALLOWING AUDIT, INSPECTIONS – AND YOU! – TO:

» Examine vast numbers of transactions to find fraud, errors, abuse, and inefficiencies

» Understand your processes and associated risks by combining data from different sources in ways that are **expensive, complicated, or impossible to do with BI tools and other software**

It's time to **take control** of
your own controls **(BY MONITORING & ANALYZING YOUR DATA)**

GUERILLA ANALYTICS ON THE FRONTLINES

Analytics tools have traditionally been reserved only for dedicated data analysts in Audit or Investigations. The problem with this model is that these exclusive few are distanced from the management of day-to-day operations.

Public sector organizations with the foresight to place risk and control analytics tools directly in the hands of the frontline have a strategic advantage over traditional counterparts where all the analysis was typically done by the "exclusive few."

A new generation of managers is much more technologically savvy and information curious. Combine this with the demand for much greater individual accountability for risk management in their business process area, and it becomes clear why operational managers are demanding more from their data.

Waiting for a report to make its way through an IT queue is no longer an option as the pace of daily operations and the demand for accountability continues to increase. Managers now demand self-service access to analytics in order to stay on top of department finances, immediately remediate issues, and react quicker to threats and opportunities.

Now with instant access to a daily dashboard, the frontline can slice and dice information—to self-scrutinize in a timely manner.

If you don't know your own business process area, how can your department be transparent to taxpayers and lawmakers? Transparency starts with yourself.

The good news is that tools to analyze data, remediate issues, and report up the chain of the command and to outside stakeholders are now readily available to a wider, non-technical audience.

[Pssssst...that's you!]

ANALYSIS BE NIMBLE, ANALYSIS BE QUICK

Data-driven governance, risk management, and compliance (GRC) provides answers from three perspectives: historical, current, and future. Individually, these data sets provide little more value than an interesting "did-you-know" quip at the water cooler. Combined they provide decision makers with powerful intelligence derived from hindsight, insight, and foresight.

Risk and control data analysis supports dynamic, risk-focused planning and decision making. Not only that, this GRC technology can also document remediated issues in a repository, enabling you to take credit for documented actions. This knowledge can also be re-fed into the analytics engine so future risk assessments can be adjusted to real-world factors for adaptive accuracy.

Analytics help users ask questions such as:

» What happened, and why?

» Where is the problem, and what actions do I need to take to solve it?

» What will happen if these trends continue?

» What's the best/worst or most likely to happen next?

And finally, and perhaps most importantly:

» What actions should be taken to get the optimal results?

Spinning Data into Gold

How can you more effectively use risk and control analytics at the center of financial and operational improvement initiatives? When applied to assessing controls, analytics can help…

» Self-scrutinize and assure audit readiness

» Increase transparency

» Improve efficiency, so you can do more with less

» Identify and respond to risk more effectively

» Improve public stakeholder interaction and satisfaction

» Make better-informed business decisions

» Monitor and quicken "speed to resolution" of potential issues, to close the loop on red flags

» Adapt to changes in the way people create workarounds and adjust their processes when they know they're being monitored

A PROVOCATIVE CASE FOR ADAPTIVE ANALYTICS

Data analysis at one U.S. government agency detected a significant number of purchases occurring with a well-known lingerie retailer. However, research into the suspicious procurement found that the retailer is also a top manufacturer of band uniforms. In this case, the purchases were valid—so the analytics were adjusted to reflect the actual risk profile of the seemingly suspicious transactions to save people from chasing down the same red flags again and again.
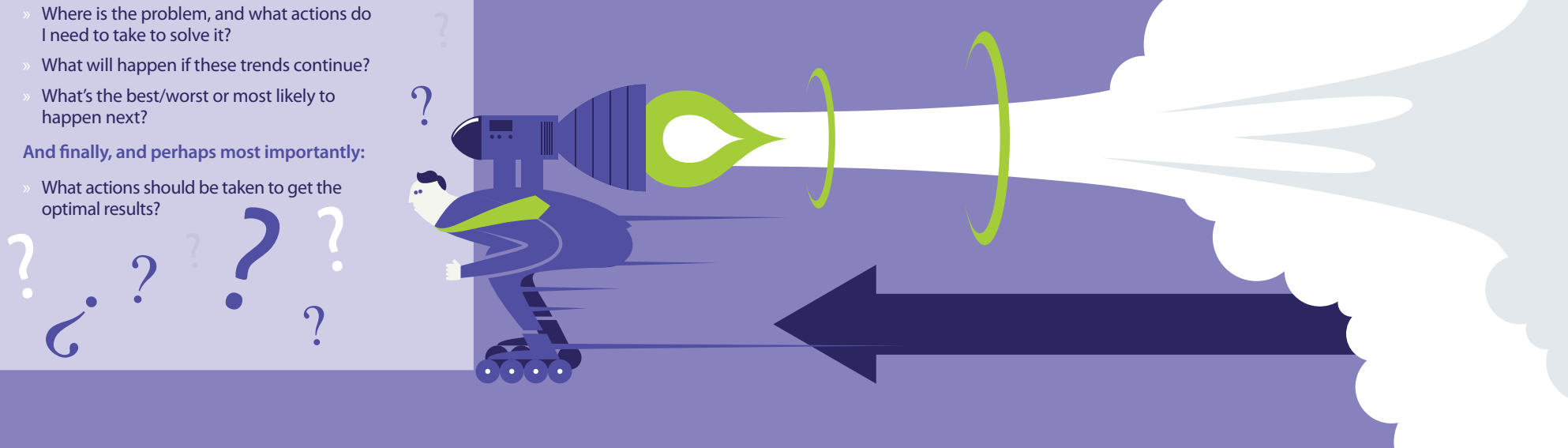
WHY DATA MATTERS WHEN IT COMES TO STOPPING FRAUD, WASTE AND ABUSE

There are inherent controls in core business operations that, if not properly managed, present key risks for public sector organizations—and drain taxpayer funds.
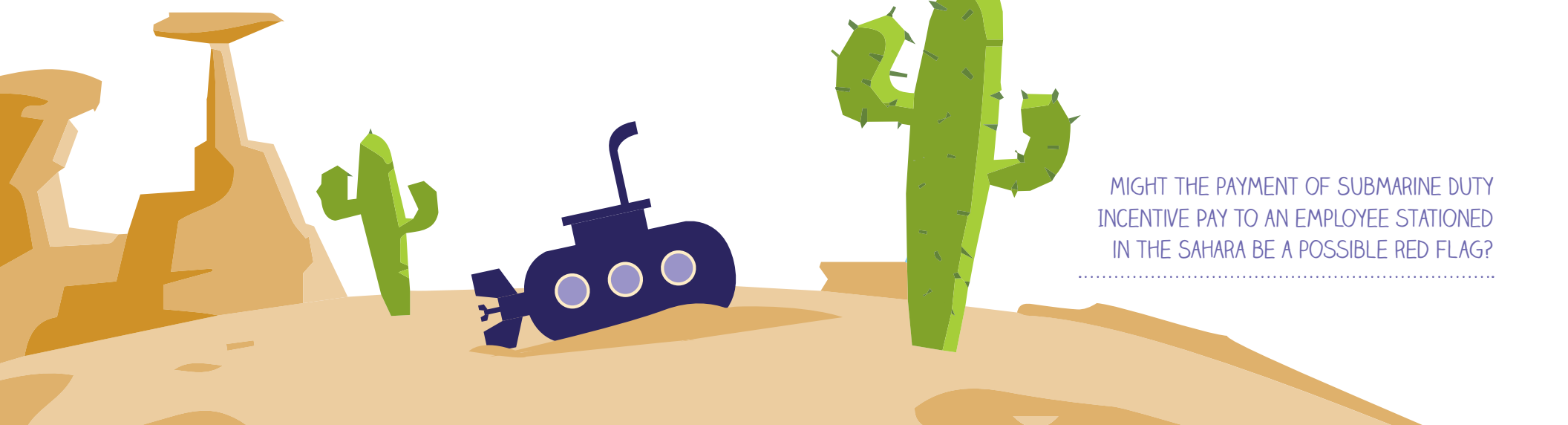
FOR EXAMPLE:

» Payroll errors, such as overtime, absenteeism, and abuse of specialty entitlements (e.g., Submarine Duty Incentive Pay)

» Misuse of fuel cards, purchase cards

» Duplicate vendor invoices/payments

» High error rates in order fulfillment or disbursement

» Transactions closed without supporting documentation

» Missed discounts

» Tax fraud

» Benefits fraud

All of which contributes to significant funds leakage. And, let's be frank. None of us can afford to leave taxpayers' money on the table or worse, lose it to fraud, waste, or inefficiency.

MIGHT THE PAYMENT OF SUBMARINE DUTY INCENTIVE PAY TO AN EMPLOYEE STATIONED IN THE SAHARA BE A POSSIBLE RED FLAG?

REBALANCING THE FINANCIAL PENDULUM

Public scandals, the rise in new regulations, and the economic downturn created a climate driven by fear and prevention.

As such, the risk pendulum began to swing as the focus of public sector organizations has shifted far towards austerity and tightening budgets, often at the expense of delivering on public service missions. For example, the U.S. federal government's introduction of budget sequestration in 2013 mandates automatic, across-the-board budget cuts, with crippling effects for many agencies.

Every cost saving measure counts. When you put controls in place that can be monitored in near real-time, you end up with the opportunity for funding to be put to better use. *"A penny spar'd is twice got."* - Old English Proverb

Catch-22 of the Day

Public sector organizations need to know their business in order to be able to drive down costs, improve operating efficiencies, make better decisions – and restore the confidence of taxpayers.

At once, we are challenged with processing millions of transactions through multiple business processes...and needing to somehow avoid fraud, errors, and inefficiencies.

Controls to limit exposure to these risks are never bulletproof and, as operational and financial managers, you don't want to control the heck out of everything. Your challenge, if you choose to accept it, is to be able to look at vast numbers of transactions and find the stuff that shouldn't happen.

This results in reduced risks and better, more efficient financial control mechanisms.

THE PROOF IS IN THE PARABLE

Dramatic examples of the benefits that analytics provide can be found across departments around the world.

"Uncovering and stopping this fraud, in addition to recovering millions in lost tax revenue on behalf of the Ministry, was made possible by using ACL solutions. In addition, because of the new audit standards for all EU member countries, the Austrian Ministry of Finance is using ACL analytics for ongoing auditing initiatives."

Bernhard Kurz
Senior EDP Auditor
Austrian Ministry of Finance

"As a city audit department, we need performance measurement tools that go beyond the bottom line. ACL gives us the ability to assess a huge amount of data and boil it down to meaningful information. The more we use ACL, the more valuable ways we find to apply it in all our audit projects."

Jim Williamson
Assistant City Auditor
The City of Oklahoma City

"Having a solution that enabled us to develop new methodologies that are statistically valid and provide the foundation to report compliance and improve controls has been invaluable. ACL and one unified financial reporting system for government has significantly boosted stakeholder confidence and increased our credibility."

Shyrl Kennedy
Director of Corporate Compliance & Controls Monitoring
British Columbia Government Ministry of Finance

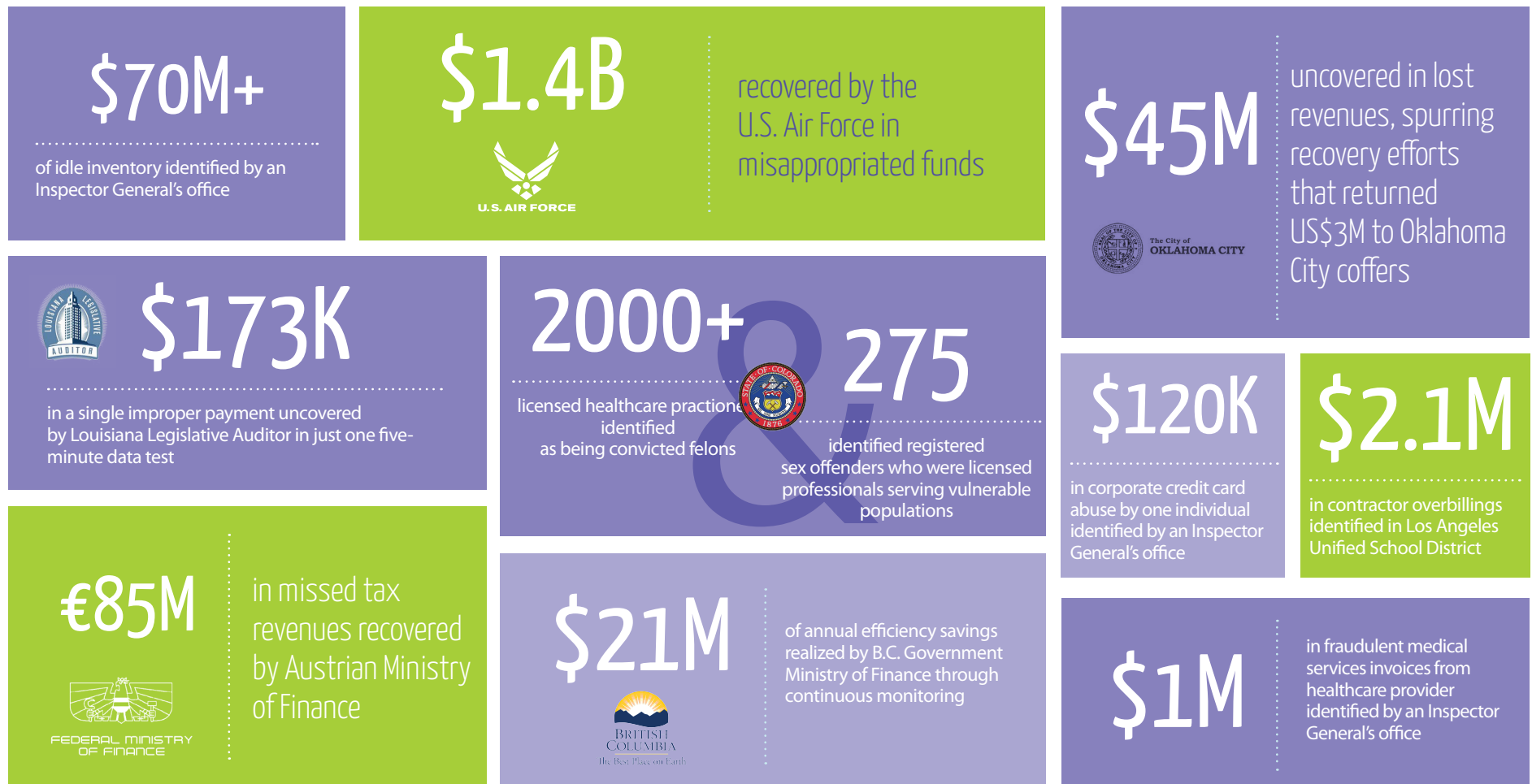"ACL Analytics Exchange will allow our agency to automate analytic testing and quickly find anomalies for further review. An auditor can run an analytic, get the exceptions in a report, and make a judgment call about what further action needs to be taken – all within a secure server environment that will facilitate agency-wide collaboration."

North Carolina Office of the State Auditor

FROM BIG DATA TO BIG SAVINGS

Using ACL data analytics, thousands of customers in local, state/provincial, and federal governments around the world have uncovered significant findings:

$70M+ of idle inventory identified by an Inspector General's office

$1.4B recovered by the U.S. Air Force in misappropriated funds

U.S. AIR FORCE

$45M uncovered in lost revenues, spurring recovery efforts that returned US$3M to Oklahoma City coffers

The City of OKLAHOMA CITY

$173K in a single improper payment uncovered by Louisiana Legislative Auditor in just one five-minute data test

LOUISIANA LEGISLATIVE AUDITOR

2000+ licensed healthcare practitioners identified as being convicted felons

&

275 identified registered sex offenders who were licensed professionals serving vulnerable populations

STATE OF COLORADO 1876

$120K in corporate credit card abuse by one individual identified by an Inspector General's office

$2.1M in contractor overbillings identified in Los Angeles Unified School District

€85M in missed tax revenues recovered by Austrian Ministry of Finance

FEDERAL MINISTRY OF FINANCE

$21M of annual efficiency savings realized by B.C. Government Ministry of Finance through continuous monitoring

BRITISH COLUMBIA The Best Place on Earth

$1M in fraudulent medical services invoices from healthcare provider identified by an Inspector General's office

AND, THAT'S JUST THE BEGINNING...

OPERATIONAL AREA	WHAT YOU COULD BE DOING	WHAT OTHERS HAVE DONE
Delegated Purchasing: Purchase Cards, Travel Cards, Fuel Cards	» Foster a stronger compliance and internal control framework **over delegated purchasing** » Prevent and detect **payments to disallowed vendors** ("Do not pay") » Ensure **proper use of public funds** » Prevent and detect **purchasing fraud and abuse**	A project undertaken by the U.S. Defense Department analyzing Army purchase card data found 182 cardholders who had used their cards fraudulently or whose use warranted further investigation. A U.S. Office of the Inspector General identified abuse by one Corporate Travel cardholder charging excessive hotel stays, resulting in pending arrest and recovery of US$120,000.
Human Resources: Payroll, Benefits, Pensions	» Identify **payroll overpayments, ghost employees and excessive overtime** » Prevent and detect **"Do not hire" issues** » Improve controls over **employee conflict of interest situations** » Identify payments that people are **unauthorized to receive**	Canada Post found CDN$3.9 million in excessive letter carrier overtime across 10 delivery installations, CDN$10,000 in bonus overpayments (due to data entry errors), and high levels of patterned absenteeism with substantial opportunities for cost recovery. Using ACL software, Colorado Office of the State Auditor identified 2,000+ active licensees across 30 regulated professions, including doctors, nurses, electricians, and cosmetologists who were convicted felons, and identified approximately 270 registered sex offenders holding state licenses in professions such as health care that serve vulnerable populations.
Revenue Streams: Sales & Commodity Taxes, Tolls	» Improve **oversight of revenues** » Automate cumbersome manual **revenue completeness processes** » Continuously monitor transactions to **prevent revenue loss**	In an effort to ensure accurate tolling and prevent errors, the Massachusetts Department of Transportation is using ACL technology to continuously monitor a variety of toll, motor vehicle, and other transportation transactions, as well as deliver visual reports to senior management as part of the organization's enterprise risk management program, which they centrally manage through the software.

OPERATIONAL AREA	WHAT YOU COULD BE DOING	WHAT OTHERS HAVE DONE
Expenditures: Capital Projects, Logistics, Funding & Grants, Infrastructure & Facilities	» Monitor potential for **public funds lost due to mismanagement** » Identify major **cost recovery opportunities** » Prevent **duplicate payments** » Identify opportunities to **improve operations and logistics** » Identify missing and idle **public property and inventories** » Improve **management of public facilities**	A government agency with an annual budget of US$4 billion saved taxpayers nearly US$6 million through ACL technology's ability to highlight areas for improvement within its inventory control management. Louisiana Legislative Auditor uses ACL software to recover public funds lost due to errors and mismanagement, including an erroneous US$173,000 payment uncovered in a five-minute data stratification analysis.
IT: Segregation of Duties, Data Security, Data Quality, System Controls	» Gain seamless and secure **access to data from multiple platforms** » Expedite data exchange agreements between public sector organizations by better understanding **data quality** issues » Transform data into **meaningful information**	With the goal of establishing permanent, real-time data exchange agreements between cooperating government agencies, Brazil's Instituto Nacional Do Seguro Social is using ACL software to access data files from cooperating agencies, convert the format, and cross-reference institutional databases to reveal inconsistencies for further investigation.

Governance: Legislative & Executive Requirements	» Proactively address **legislative and executive requirements for sound governance**, for example:
	   - OMB Circular A-123, Management's Responsibility for Internal Controls (USA)
	   - EU and OECD SIGMA (Support for Improvement in Governance and Management) initiatives
		The U.S. Department of Defense applied ACL technology to analyze almost US$300 billion in payments to prevent and recover improper payments in compliance with the Improper Payments Elimination Act.

What might you find (or be missing out on!) in your data?

Spreadsheet tools are too weak and BI tools are too bloated and inflexible to race through the mountains of transactional data generated by today's organizations.

ACL data analytics are agile enough to quickly access data in every corner of various systems, flexible enough to drill down into the data you want to look at – and secure enough to cut through the obstacles that come with IT-controlled data warehouses by analyzing source data directly.

YOU'RE IN GOOD COMPANY

Are you on the list?

COMMERCIAL		PUBLIC SECTOR	INFLUENCERS
Global 500	70%	200+ departments in 37 national governments	Big 4 public accounting firms
Fortune 500	89%		
Fortune 100	98%	1000+ regional, state and local governments	100s of educational institutions

View ACL customer case studies
at www.acl.com/government >

video   print   webinar

WHERE DO I START?

While generic analysis software can get you started, purpose-built packages will support more complex and value-added testing and issue management, and longer-term sustainability.

By embracing recent enhancements in data mining technology and data visualization tools, business analytics holds incredible promise to deliver results more dynamically in response to risk, dive deeper into organizational data, and deliver profound fact-based insights.

Key to delivering on this is to:

» Ask the right questions

» Embed analytics into the culture of management

» Equip your people with accessible analytics so they can keep an eye on their own operational area and address issues in a timely manner (long before an audit or public scrutiny)

» Align the analytics implementation with the planning process and overall organizational, operational, and strategic objectives

How To

DESIGN A DATA ANALYTICS PROCESS

Gather your team (and perhaps a member of your friendly, neighborhood audit team—who's probably eager to help you get started!), and begin by identifying the following:

☑ **What is the objective of the analysis?**

☑ **What organizational data do you need to collect?**

☑ **When and how will the organizational data be obtained?**

☑ **What analytic procedures will you use?**

☑ **How often will the analysis be performed?**

☑ **Who is responsible for automation procedures?**

☑ **Who is responsible for reviewing results and responding to issues identified?**

☑ **How will findings and recommendations be reported?**

☑ **What are the standards for tracking the timeliness and effectiveness of remedial actions?**

LEARN MORE ABOUT HOW OTHER GOVERNMENT ORGANIZATIONS ARE USING THIS UBIQUITOUS TOOL TO RUN A BETTER DEPARTMENT

>> www.acl.com/customers/case-studies
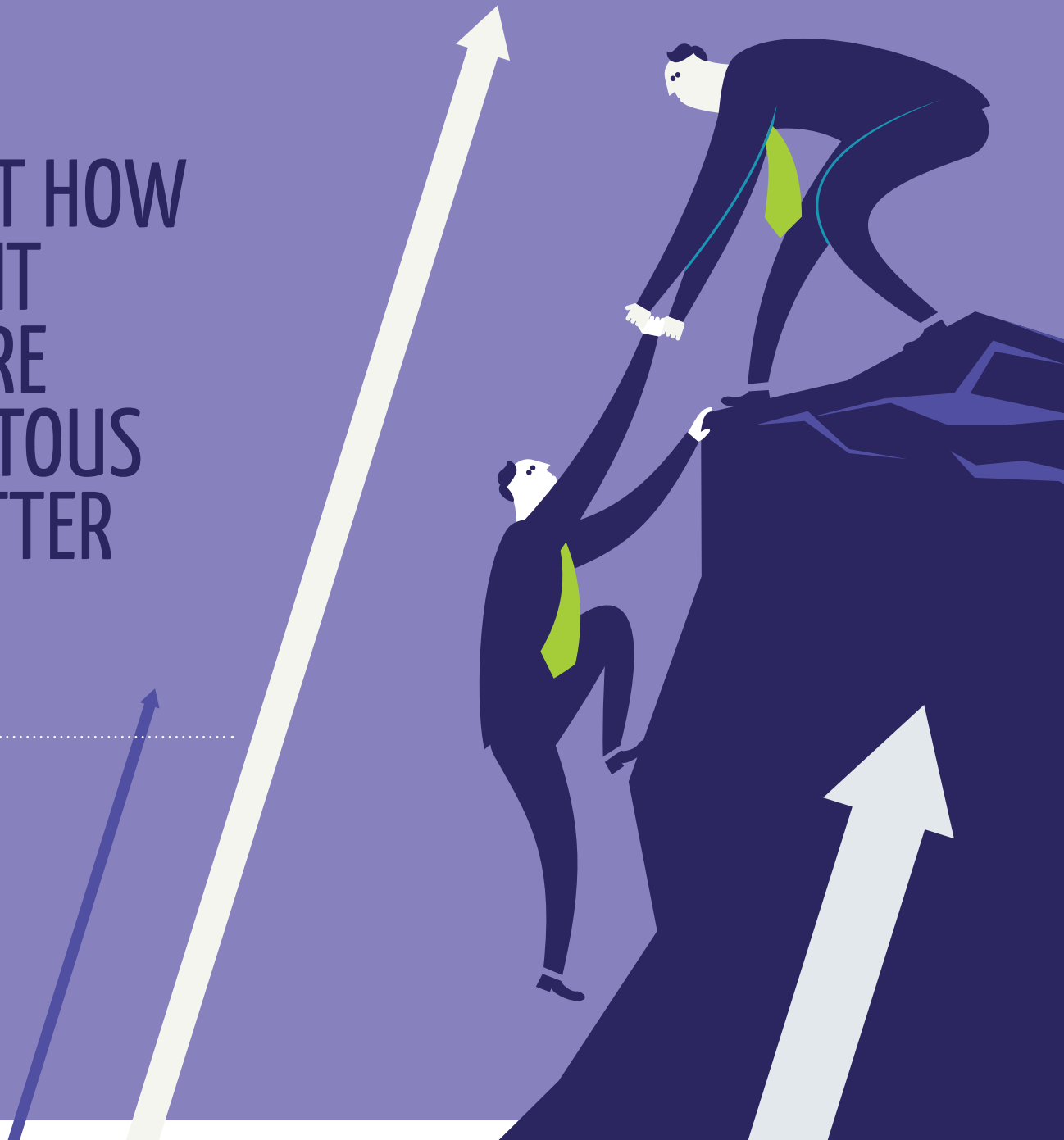
CONCLUSION

With data analytics, success comes from applying sustainable technology across broad financial, operational and business systems. Rather than waiting for an audit to review transactions from two years ago (long past their stale date), every public servant can now seize the immediate opportunity to look at near real-time information to mitigate risks in a timely manner and continuously re-evaluate business processes for optimal operations and spending.

The truth is in the transactions—as is the information you need to make great decisions and improve financial processes, controls, and information. By putting risk and control data analytics directly into the hands of the frontline, control gaps can be plugged and problem transactions can be identified immediately. Business process owners can quickly identify and resolve key control exposures and risk areas that impact public funds. Better yet, issues can be fixed and business process optimization can happen fast to quicken "speed to resolution"—before controls problems escalate and long before an audit and inspection, or worse, public scrutiny and front page headlines. And when you have the right tools, you can identify and focus on the biggest pain points, and document your business processes so you get credit for the work you do.

By combining accessible, easy-to-use data analysis software with management's responsibility to monitor risk and controls, forward-thinking agencies can transform data—and risk—into financial and operational improvement and opportunity.

Contact ACL's public sector team to find out how your department can get started using this remarkable technology today.

Call 1-888-669-4225 or email solutions@acl.com

ABOUT ACL

ACL delivers technology solutions that are transforming audit and risk management. Through a combination of software and expert content, ACL enables powerful internal controls that identify and mitigate risk, protect profits and accelerate performance.

Driven by a desire to expand the horizons of audit and risk management so they can deliver greater strategic business value, we develop and advocate technology that strengthens results, simplifies adoption and improves usability. ACL's integrated family of products—including our cloud-based governance, risk and compliance (GRC) solution and flagship risk and control data analytics products—combine all vital components of audit and risk, and are used seamlessly at all levels of the organization, from the C-suite to front line audit and risk professionals and the business managers they interface with. Enhanced reporting and dashboards provide transparency and business context that allows organizations to focus on what matters.

And, thanks to 25 years of experience and our consultative approach, we ensure fast, effective implementation, so customers realize concrete business results fast at low risk. ACL has worked with leading government agencies around the world to assist government auditors and financial managers in analyzing vast amounts of data with speed and efficiency, enabling quick identification of areas of high risk, while saving time, effort and money. Our government client base includes more than 200 government departments in 37 national governments worldwide, and over 500 regional, state and local governments.

Visit us online at **www.acl.com**

ACL technology solutions can be used to:

» Test and verify expenditures

» Increase procurement-card program efficiencies and monitor the use of p-cards

» Support grants and tax compliance

» Identify errors in social services and healthcare services claims and billings

» Detect and prevent fraud

» Assure audit readiness and improve financial statement reporting

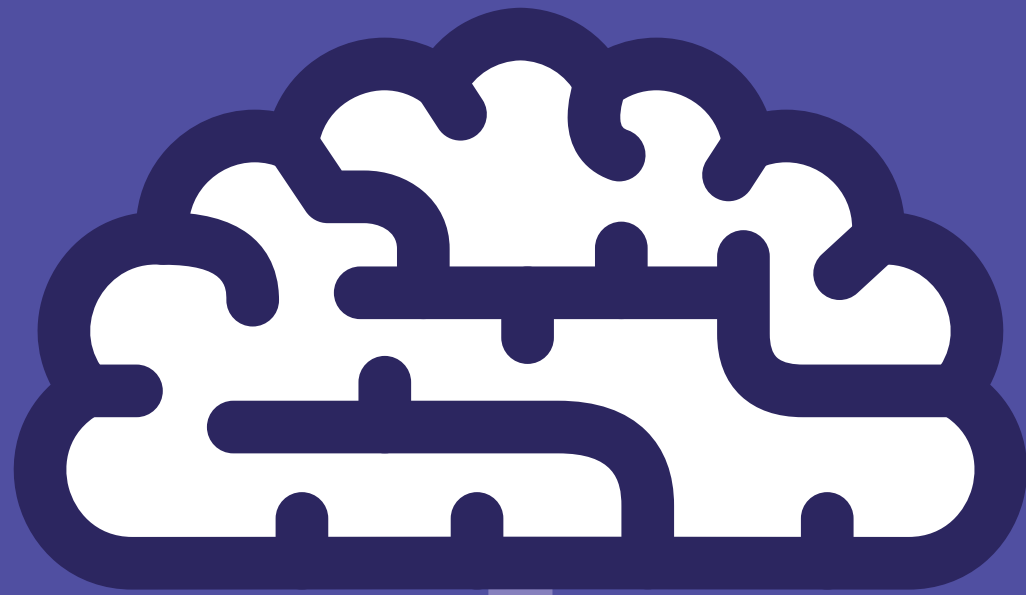» Manage workflow and document governance, risk management, and compliance activities

For advice on how to mine your data to fix issues, validate business processes, and mitigate risk...

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What You Don't Know *CAN* Hurt You