

Continuous Monitoring for Procurement Integrity With SAS and KPMG



BUSINESS IMPACT

According to the Association of Certified Fraud Examiners (ACFE), organizations lose 5% of their annual revenues to fraud.¹ Procurement integrity solutions empower businesses to proactively detect, investigate and mitigate procurement fraud and improper payments through a powerful combination of artificial intelligence (AI), integrated forensic capabilities and preconfigured analytic scenarios. They continually monitor the procure-to-pay cycle to identify, score and prioritize high-risk and potentially fraudulent activities.

CHALLENGES

1. **Increasing risk:** Approximately 5% of procurement spending is at risk for fraud.
2. **Internal and external threats:** Procurement fraud is committed by both trusted employees and suppliers – often working together.
3. **New regulations and compliance requirements:** Compliance failures can lead to significant fines and reputational damage.
4. **Evolving threats:** Fraudsters are constantly changing their approaches, making detection a moving target.
5. **Outdated detection methods:** Current, manual approaches are reactive, limited in scope of coverage and largely ineffective at identifying fraud.

The Business Need

All organizations rely on external vendors, suppliers or other third parties to support commerce and operations and deliver goods and services to their clients. To ensure procurement runs smoothly, organizations use procedures and controls to ensure they obtain the right items at the right time – and with acceptable conditions and agreed-upon quality.

But too often, bad actors exploit loopholes in procurement processes to engage in fraudulent activity. Fraud takes many forms, from duplicate invoices, ghost vendors and fake invoices to billing for goods that aren't requisitioned and/or delivered, or are invoiced with excessive pricing. The risks are growing and pervasive. About 75% of organizations in the last three years – including Fortune 500 companies, small businesses and government agencies – have been victims of procurement fraud. And the costs are high, as organizations report losing 5% of their annual revenues to fraud.² In addition to the financial losses, there may be significant risk to reputation and brand, as well as costly regulatory fines in some industries.



¹ 2018 Global Study on Occupational Fraud and Abuse, page 8. (<https://s3-us-west-2.amazonaws.com/acfepublic/2018-report-to-the-nations.pdf>)

² 2018 Report to the Nations on Occupational Fraud and Abuse.

Our Joint Approach

SAS and KPMG LLP jointly offer an industry-leading procurement integrity solution built upon three key pillars:

1. KPMG's forensic network of over 3,000 industry-leading experts who customize the solution based on industry, geography and client factors.
2. The SAS[®] advanced analytics platform, which efficiently organizes data, detects anomalies, adapts to emerging and rare events, and continuously monitors for fraud and improper payments.
3. Tailored delivery models to match unique client needs and capacity constraints.

Our proven approach combines the depth of KPMG's forensic knowledge and expertise with the innovation and capabilities of SAS technology to deliver a scalable and cost-effective solution that delivers maximum detection, investigation and reporting capabilities while minimizing wasted time and effort. Customers build trust in their procurement process by harnessing our unique combination of predictive modeling, AI and integrated forensic capabilities that proactively and continuously detect, investigate and anticipate fraud.

The SAS[®] and KPMG Difference

Tackle procurement fraud - and manage your business with confidence.

SAS and KPMG's integrated and dynamic procurement integrity solution is tailored to meet the needs of clients by industry, geolocation and operating model to deliver:

- Access to advanced data analytics via the SAS technology platform and the guidance of KPMG data scientists who are expert "digital practitioners."
- Continuous monitoring and evaluation of emerging events and risk indicators.
- A fully-managed service with world-class IT delivery and support.
- Alerts that triage risks to reduce false positives and keep investigative teams focused on the highest-risk activities.

- Network visualizations that make it easy to review alerts about associated collusive activity.
- Integration with a vast array of data and technology tools.
- Next-gen, virtual reality investigative capabilities for targeted, highly effective investigative work.
- A customized front-end interface that combines multiple data sources and prioritizes investigation initiatives.

The Benefits

With SAS and KPMG's procurement integrity solution, organizations can:

- Reduce time to value via prebuilt intellectual property that accelerates access to SAP and Oracle Fusion environments, supports data quality, and includes a prebuilt rules library.
- Generate value-driven insights that strengthen risk management and drive tangible cost savings and efficiencies.
- Continuously review, evaluate and score all procurement spending.
- Identify significant opportunities to reduce losses from fraud and illicit procurement practices.
- Reduce disruption and delay from manual investigations and clearing of low-risk items.
- Meet regulatory requirements through continuous monitoring, reducing the risk of reputational damage and legal disputes.
- Focus internal investigative efforts on high-probability fraud and abuse that can yield higher levels of financial recovery.

What if you could ...

... **detect** existing conflicts of interest, irregular transactions, relationship links and ghost employees before the associated invoices were paid?

... **focus** your internal investigations team only on highly scored, high-potential fraudulent activity rather than false positives?

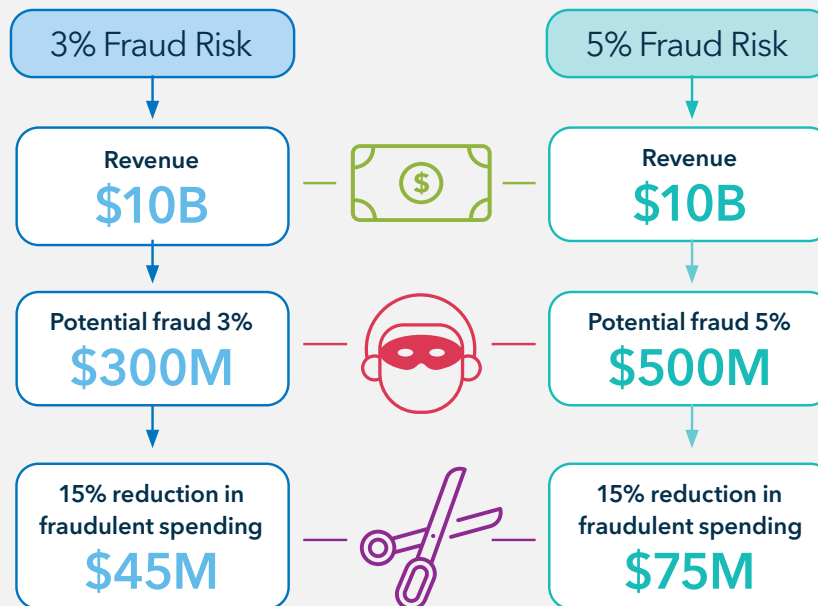
... **leverage** industry experts as part of an integrated investigation and litigation service managed and operated for the benefit of your company?

You can. SAS gives you THE POWER TO KNOW[®].



Value of Continuous Monitoring for Procurement Integrity

Potential Risk for a Company With \$10 Billion in Revenue



The ACFE estimates 5% of annual revenue is at risk of occupational fraud: www.acfe.com/rttm-highlights.aspx

Value Enablers



Invoice Accuracy

Reduction in the time needed to investigate first PO/invoice match errors



Invoice Duplication

Identify invoice duplication, quantity mismatch and missing PO



Process Simplification

Enable a scalable groupwide fraud detection process



Procurement Fraud

Identify procurement risks and reduce procurement fraud

Solution Capabilities

Improved Automation



Case Management Prioritization



Automation & Daily Alerts

External Relationship Visibility



Supplier to Supplier Links



Employee to Supplier Links

Internal Relationship Visibility



Ghost Employees



Employer/Supplier Bank Account

KPMG Facts

- KPMG is a professional services firm providing consulting, tax and audit services operating out of 700 offices in 153 countries with more than 200,000 professionals.
- KPMG Forensic is an international network comprising over 3,000 multidisciplinary professionals who assist clients in achieving business integrity through the prevention, detection, and response to fraud and misconduct in addition to avoiding and resolving disputes.
- ALM Intelligence ranks KPMG a Vanguard Leader in Procurement Operations and Regulatory Compliance Consulting.
- Source Global Research report Perceptions of Consulting in the US ranked KPMG No. 1 in overall quality for Global Financial Services Consulting.

SAS Facts

- SAS was named a Category Leader in the Chartis RiskTech Quadrant 2018 for Financial Crime Risk Management Systems: Enterprise Fraud.
- SAS is a Leader in the 2019 Gartner Magic Quadrant for Data Science and Machine Learning Platforms.
- SAS provides advanced analytics and AI technology solutions for public and private enterprise fraud and security initiatives across the globe.
- Gartner positions SAS as a Leader in the 2019 Magic Quadrant for Data Integration Tools.
- SAS is the No. 1 AI and advanced analytics software platform.



Learn more about the partnership
between SAS and KPMG at
sas.com/KPMG.

Some or all of the services described herein may not be permissible for KPMG audit clients and their affiliates or related entities.

