

Modernize your procurement process to maintain its integrity and reduce costs



Business Impact

"Large organizations remain more susceptible to procurement fraud and bribery and corruption ... as fraud schemes find a way around established control frameworks. In effect, hackers and fraudsters have worked out how to circumvent some of the more common control frameworks."

"Adjusting the Lens on Economic Crime: Preparation Brings Opportunity Back Into Focus," Global Economic Crime Survey 2016, PwC

Challenges

- **Growing volumes of siloed data** and an increasingly digital procurement process make it easier for fraudsters to hide their corruption.
- **Manual audits and checks** usually occur once a year and often don't capture fraud that takes place in between procurement cycles or over long-term historical trends.
- **Inefficient operations and process controls** can lack third-party (e.g., supplier) data capture and analytics that dig deeper than simple rules-based analysis.
- **The complexity and lack of centralization** of procurement processes leave more room for errors and abusive loopholes in the system.

The Issue

Most often committed by suppliers, fraud can have a dire effect on the purchasing of goods and services or commissioning of projects from third parties. Sometimes assisted by internal employees, it can happen when the tender process hasn't been followed (leaving gaps for irregularities) or when payment claims aren't delivered or are inferior to what an order specified. With losses estimated at 1-4 percent of total procurement spending, the ramifications, if left undetected, can include an increase in unnecessary spending, operational disruption, reputational risk, legal action and, of course, financial loss.

Fraud lurking throughout your procurement life cycle is difficult to investigate. On average fraud is detected over a year after it has been initiated - if it is identified at all - thus the importance of detecting irregularities as soon as possible. Manual audits rely on auditor skill to detect fraudulent behavior from a vast array of information, but this only happens at one point in time; it doesn't provide continuous monitoring for detection and prevention. So how can you minimize these risks earlier and prevent procurement abuse?

Our Approach

Our modular approach to procurement integrity uses automation to accelerate the process and free up valuable resources for more consistency. And by bringing together data from disparate external sources, you gain better situational awareness. We deliver software and services to help you:

- **Identify and combine information** from different systems, agencies and third-party data sources to augment knowledge about suppliers, people and products and resolve entities.
- **Employ a combination of analytical techniques** such as clustering, segmentation, pattern recognition and associations to determine or predict the overall risk posed by each payment, invoice, supplier or purchase order.
- **Improve investigations by integrating data** with other types of intelligence to manage a workflow that reflects organizational objectives. Reporting provides information to key decision makers in the form of dashboards, portals, web analytics, mobile reporting, briefings and alerts.

In addition to your safeguard policies in place, SAS enables quick decisions about whether to stop invoices, payments or purchase orders. Through detection of the most obscure instances of error or abuse, we help you reduce disruption and delays for the most low-risk items so there is minimal impact on customer service. Only SAS offers:

- **Domain expertise:** We offer procurement models from multiple industries to accelerate your time to value. These models provide objective, data-driven risk screening to identify high- and low-risk purchase orders, suppliers, invoices and payments, so procurement officers can remediate high-risk processes and secure financial positions quickly.
- **More effective monitoring:** Target wasteful or high-risk billing and purchase orders by incorporating data from a variety of sources to help identify events to review in closer detail while not delaying other event processing. Use predictive analytics to determine and minimize false positives.
- **Automated data analytics/reporting:** SAS delivers descriptive reasons why an event has occurred or an alert is generated to broaden the impact of analytical outcomes throughout your organization. Go beyond individual invoice or payment views to analyze all related activities and entity relationships at a network dimension. Once linkages are established, you can factor them into risk-scoring models.
- **Empowering users:** With automation in data management, triage and workflow, operations are streamlined so that analysts can make fast decisions via an easy investigative interface. Review all relevant data, perform advanced searches, and apply temporal or geospatial methodologies in a single solution.

Situation

As a supplier to many countries, a large public utility company was facing pressure to reduce revenue leakages. It positioned advanced analytics as one of its top five strategic priorities to help save revenue. This initiative was intended to catch and halt procurement error, waste and abuse.

Solution

The company used SAS advanced analytics to examine employee, supplier and transactional data for potentially fraudulent, wasteful and abusive procurement transactions. It implemented a continuous control monitoring system that generated alerts highlighting potential irregularities and possible weaknesses in ERP systems and controls. And the company developed an integrated case management function to link cases by specific common factors, capture incidents reported to the fraud hotline, attach electronic case evidence, and provide integrated management dashboards and reports.

Results

- Identified a significant number of suppliers sharing the same bank account number, with different names and employees sharing bank accounts with suppliers.
- Uncovered excessive multiple invoicing and splitting of invoices.
- Identified approximately US\$700 million in duplicate invoices (same vendor, same amount and amount greater than \$5,000).
- Identified 600 employees with active interests in suppliers.

- Use more automated processes to ingest data, apply data quality assistance and generate risk scores from all information included in available data sources?
- Traverse and query complex relationships and uncover patterns, communities and social networks interactively? Identify centers inside networks and connectivity of entities, where typologies might indicate higher risk?
- Enable analysts to build, gather, explore, visualize and manipulate data that's pertinent to their investigation or research and collaborate with other investigators to document their findings?
- Leverage a large set of scenarios and risk-scoring rules, and use previous behavior to predict certain outcomes?
- Allow the auditing team to see when alerts are being triaged and subsequently dispositioned, and keep track of the outcome when dispositioning is recorded?

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

SAS Facts

- SAS was named the No. 1 Leader in *The Forrester Wave™: Enterprise Fraud Management, Q1 2016*.
- SAS was recognized as the category leader in the *Chartis RiskTech Quadrant® 2017 for Enterprise Fraud Technology Solutions* (August 2017).
- For 40 years, SAS has provided advanced analytics support for both public and private enterprise fraud initiatives across the globe.

Learn how SAS helps fight procurement fraud at sas.com/procurement-integrity.

To contact your local SAS office, please visit: sas.com/offices

