The presentation will begin shortly. Audio will be streamed directly via your computer speakers. Enjoy the webcast!
SAP Concur

Intelligent Spend Management:
Controlling Fraud & Compliance in the Evolving Digital Landscape
A Solution Series Webinar

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Isaac Bowman | Senior Manager, Travel & Expense Strategy and Transformation – Deloitte Consulting, LLP
Jennifer Koester | Senior Manager, Regulatory, Forensics & Compliance – Deloitte Advisory, LLP
Joël-Alexandre Laliberté-Dubé | Senior Analyst, Accounts Payable – National Bank of Canada
Agenda

➢ Understanding the scope of this important topic

➢ Learning from Deloitte’s expertise to positively influence your own organization

➢ Hearing how other organizations are digitally transforming their compliance programs

➢ Planning for your digital transformation
Cost of fraud and non-compliance: What does this topic mean to you?
Financial technology is evolving quickly.

And the regulatory groups are paying attention.

**SEC FinHub** (Strategic Hub for Innovation and Financial Technology)
Do you ever worry that a lack of innovation could put your organization’s reputation, growth, and margin performance at risk?

Planning ahead is usually much cheaper than reacting to catastrophes.
Intelligent Spend Management

Requires thinking beyond automation, managing risk throughout the lifecycle of Travel, Expense, P-Card, and Invoice transactions.

Responsibility falls on AP, Finance, Travel, HR, IT, Treasury, and Internal Audit to work as a team and inspire change.
Data Alone Isn’t The Answer

**Time** to do the important job of policy updates, enforcement actions, and training.

**Efficient guidance** to policy violations, systemic fraud, and compliance risks.

**Empowerment** to do what is right for your organization, every time, every employee.
You don’t have to face this alone: Deloitte’s experience can help us all
Deloitte Team

Introduction

Jennifer (Kirwin) Koester
Senior Manager
Regulatory, Forensics & Compliance
Deloitte Advisory, LLP

Isaac Bowman
Senior Manager
Travel & Expense Strategy and Transformation
Deloitte Consulting, LLP
Impact of Fraud Loss

Restoring Net Income After a Fraud Loss

A $250,000 fraud loss . . .

. . . will require an additional $2.5 million in revenue to maintain net income levels

Profit margin = 10%
FIG. 6 What asset misappropriation schemes present the greatest risk?

- Expense reimbursements: $31,000 (14%)
- Noncash: $98,000 (21%)
- Billing: $100,000 (20%)
- Cash on hand: $20,000 (15%)
- Skimming: $50,000 (11%)
- Cash for cash: $75,000 (11%)
- Payroll: $63,000 (7%)
- Register disbursements: $29,000 (3%)
- Check and payment tampering: $150,000 (12%)

Source: 2018 ACFE Report to the Nations on Occupational Fraud & Abuse
## Profile of a Fraudster

**FIG. 29 What are the most common occupational fraud schemes in high-risk departments?**

<table>
<thead>
<tr>
<th>INDUSTRY</th>
<th>Cases</th>
<th>Billing</th>
<th>Cash bribery</th>
<th>Cash on hand</th>
<th>Check and payment tampering</th>
<th>Corruption</th>
<th>Expense reimbursements</th>
<th>Financial statement fraud</th>
<th>Noncash</th>
<th>Payroll</th>
<th>Register disbursements</th>
<th>Skimming</th>
</tr>
</thead>
<tbody>
<tr>
<td>Accounting</td>
<td>290</td>
<td>29%</td>
<td>14%</td>
<td>17%</td>
<td>30%</td>
<td>23%</td>
<td>12%</td>
<td>13%</td>
<td>7%</td>
<td>14%</td>
<td>2%</td>
<td>19%</td>
</tr>
<tr>
<td>Operations</td>
<td>266</td>
<td>15%</td>
<td>8%</td>
<td>15%</td>
<td>8%</td>
<td>36%</td>
<td>11%</td>
<td>4%</td>
<td>20%</td>
<td>5%</td>
<td>2%</td>
<td>11%</td>
</tr>
<tr>
<td>Executive/upper</td>
<td>223</td>
<td>35%</td>
<td>14%</td>
<td>16%</td>
<td>15%</td>
<td>62%</td>
<td>29%</td>
<td>30%</td>
<td>20%</td>
<td>12%</td>
<td>3%</td>
<td>9%</td>
</tr>
<tr>
<td>management</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Sales</td>
<td>216</td>
<td>10%</td>
<td>12%</td>
<td>12%</td>
<td>6%</td>
<td>34%</td>
<td>13%</td>
<td>6%</td>
<td>25%</td>
<td>2%</td>
<td>5%</td>
<td>14%</td>
</tr>
<tr>
<td>Customer service</td>
<td>155</td>
<td>5%</td>
<td>16%</td>
<td>31%</td>
<td>8%</td>
<td>19%</td>
<td>4%</td>
<td>1%</td>
<td>15%</td>
<td>3%</td>
<td>5%</td>
<td>14%</td>
</tr>
<tr>
<td>Administrative support</td>
<td>147</td>
<td>33%</td>
<td>7%</td>
<td>21%</td>
<td>14%</td>
<td>26%</td>
<td>22%</td>
<td>8%</td>
<td>19%</td>
<td>13%</td>
<td>3%</td>
<td>14%</td>
</tr>
<tr>
<td>Finance</td>
<td>110</td>
<td>17%</td>
<td>15%</td>
<td>21%</td>
<td>16%</td>
<td>37%</td>
<td>13%</td>
<td>16%</td>
<td>15%</td>
<td>6%</td>
<td>2%</td>
<td>10%</td>
</tr>
<tr>
<td>Purchasing</td>
<td>94</td>
<td>18%</td>
<td>5%</td>
<td>6%</td>
<td>5%</td>
<td>7%</td>
<td>10%</td>
<td>3%</td>
<td>31%</td>
<td>3%</td>
<td>2%</td>
<td>4%</td>
</tr>
</tbody>
</table>

Source: 2018 ACFE Report to the Nations on Occupational Fraud & Abuse
Investigation Overview

Document Collection & Scope Determination
- Obtain and review Company entity documents relating to relevant accounting policies, procedures, and corporate structure
- Conduct initial interviews

Email Review
- Obtain and review emails for key employees with high risk reimbursable employee expenses or have authority to approve high risk reimbursable employee expenses
- Develop key search terms based on allegations

Employee Disbursement Testing
- Obtain understanding relevant controls and procedures
- Conduct analytical procedures on disbursements by employee
- Select employee expense transactions and analyze relevant supporting documentation

Background Checks
- Obtain and review any available listings of key employees with high risk reimbursable employee expenses, or who have the authority to approve high risk reimbursable employee expenses
- Conduct background search to identify potential red flags

Findings & Recommendations
- Calculate estimated impact of alleged misappropriation of assets
- Summarize identified gaps in controls
- Provide recommendations for controls and process improvements
Show Me Receipts
Example #1

Background

- A Company had changed their employee expense reporting system to Concur. Under the new system, receipts were automatically imported for certain vendors and accessible to both the P-Card report owner and approver. Upon the review of her administrative assistant’s P-Card expense report in Concur and using the automatic receipt import function, the client noticed the purchase of $2,300 in gift cards over a 23 day period.

Findings

- Based on the investigation, the administrative assistant misappropriated approximately $180,000 over an 8 year period through the purchase of gift cards due to the following:
  - Failing to provide full receipts
  - Circumventing internal controls
  - Lack of oversight and timely reviews
You Can Get Everything from Amazon
Example #2

**Background**

- An IT Analyst who worked for the Company for approximately 17 years. As part of the Analyst’s role, the person was responsible for making purchases on behalf of the IT Department such as laptops, cell phones, devices, and certain monthly services. The Analyst was out of the office for two months due to medical reasons. As a result, the Analyst’s expense reports became delinquent and were escalated to the Finance Department. When the Analyst returned and submitted the delinquent expense reports the Finance Team questioned several of her expenses.

**Findings**

- Based on the investigation, the Analyst misappropriated approximately $94,000 in a 1 year period by consolidating purchases from Amazon (and other vendors) on the expense report with generic descriptions. In reality, the Analyst was purchasing xBoxes, iPads, apparel and jewelry for personal use with the Company Corporate card. The Analyst circumvented controls through the following:
  - Failing to provide full receipts
  - Circumventing internal controls
  - Lack of oversight and timely reviews, and follow-up
Effective Internal Controls and Environment

- Tone at the Top
- Robust policies and procedures
- Employee training
- Proper Oversight
  - Timely review
- Surprise Audits
- Build-in System Controls
  - Automatic receipt import
  - Thresholds for spending and receipt requirement
  - Structure workflow for review
  - Analytics
    - Round dollar amounts
    - Vendor names
# Importance of Anti-Fraud Controls

<table>
<thead>
<tr>
<th>Control</th>
<th>Percent of cases</th>
<th>Control in place</th>
<th>Control not in place</th>
<th>Percent reduction</th>
</tr>
</thead>
<tbody>
<tr>
<td>Code of conduct</td>
<td>80%</td>
<td>$110,000</td>
<td>$250,000</td>
<td>56%</td>
</tr>
<tr>
<td>Proactive data monitoring/analysis</td>
<td>37%</td>
<td>$80,000</td>
<td>$165,000</td>
<td>52%</td>
</tr>
<tr>
<td>Surprise audits</td>
<td>37%</td>
<td>$75,000</td>
<td>$152,000</td>
<td>51%</td>
</tr>
<tr>
<td>External audit of internal controls over financial reporting</td>
<td>67%</td>
<td>$100,000</td>
<td>$200,000</td>
<td>50%</td>
</tr>
<tr>
<td>Management review</td>
<td>66%</td>
<td>$100,000</td>
<td>$200,000</td>
<td>50%</td>
</tr>
<tr>
<td>Hotline</td>
<td>63%</td>
<td>$100,000</td>
<td>$200,000</td>
<td>50%</td>
</tr>
<tr>
<td>Anti-fraud policy</td>
<td>54%</td>
<td>$100,000</td>
<td>$190,000</td>
<td>47%</td>
</tr>
<tr>
<td>Internal audit department</td>
<td>73%</td>
<td>$108,000</td>
<td>$200,000</td>
<td>46%</td>
</tr>
<tr>
<td>Management certification of financial statements</td>
<td>72%</td>
<td>$109,000</td>
<td>$192,000</td>
<td>43%</td>
</tr>
<tr>
<td>Fraud training for employees</td>
<td>53%</td>
<td>$100,000</td>
<td>$169,000</td>
<td>41%</td>
</tr>
<tr>
<td>Formal fraud risk assessments</td>
<td>41%</td>
<td>$100,000</td>
<td>$162,000</td>
<td>38%</td>
</tr>
<tr>
<td>Employee support programs</td>
<td>54%</td>
<td>$100,000</td>
<td>$160,000</td>
<td>38%</td>
</tr>
<tr>
<td>Fraud training for managers/executives</td>
<td>52%</td>
<td>$100,000</td>
<td>$153,000</td>
<td>35%</td>
</tr>
<tr>
<td>Dedicated fraud department, function, or team</td>
<td>41%</td>
<td>$100,000</td>
<td>$150,000</td>
<td>33%</td>
</tr>
<tr>
<td>External audit of financial statements</td>
<td>80%</td>
<td>$120,000</td>
<td>$170,000</td>
<td>29%</td>
</tr>
<tr>
<td>Job rotation/mandatory vacation</td>
<td>19%</td>
<td>$100,000</td>
<td>$130,000</td>
<td>23%</td>
</tr>
<tr>
<td>Independent audit committee</td>
<td>61%</td>
<td>$120,000</td>
<td>$150,000</td>
<td>20%</td>
</tr>
<tr>
<td>Rewards for whistleblowers</td>
<td>12%</td>
<td>$110,000</td>
<td>$125,000</td>
<td>12%</td>
</tr>
</tbody>
</table>

Source: 2018 ACFE Report to the Nations on Occupational Fraud & Abuse
Mapping the ACFE *Fraud Tree* risks to SAP Concur control points

- **Conflicts of interest and bribery** can leverage controls within Expense, Travel, P-Cards and Invoice. Pre-spend requests for gifts and entertainment are best practice for certain high risk industries.

- **Illegal gratuities** can benefit from centralized attendee tracking with a pre-spend request.

- **Cash advances** are still common practice for international business trips and in certain industries with low corporate card adoption. Best practice is to automate this process within the T&E platform and place effective controls within that process.

- Payroll and **ghost employees** schemes are strengthened with system integrations and segregation of duties so that no single employee owns the entire process.

- “**Padding**” expenses is the most common fraud in T&E. Random audits, digital receipts, keyword monitoring and advanced analytics help increase controls in this area.

- Billing schemes and **shell companies** can be detected faster with robust analytics and monitoring across systems and end to end processes.

- **Check tampering** and payment schemes should avoid manually cutting checks and automated reimbursement processes.

*Source: ACFE ‘Fraud Tree’*
List of laws and regulations with T&E impacts

Bribery Laws
- FCPA
- OECD
- UK ABC
- UK Corp Gov Code
- FINRA

Laws
- SEC
  - SEA Rule 13a-15(f)
- SOX
  - Sec 404
- PCAOB
- UK Companies Act
- J-SOX
- C-SOX
- Dodd Frank

Agency Rules
- 1991 FSGO
- DoJ
  - 1999 “Holder Memo”
- Yates Memo
- SEC

Private Rules
- NYSE
- NASDAQ
- ISO
  - 19600:2014

Accounting Rules
- COSO
- GAAP
- FASB
- Country Specific
- UK Corp Gov Code
- UK Companies Act
- SEC
- SEA Rule 13a-15(f)
- PCAOB
- DoJ
  - 1999 “Holder Memo”
- Yates Memo
- SEC
Legacy approach to approval workflow and audit processes
Lacking advanced audit rules, triggering events and artificial intelligence, this legacy approach to compliance controls often has a single points of failure with few safe guards.
Integrated platform and business process approach to compliance

Best in class organizations take an integrated approach by leveraging business processes and functionalities across the enter life-cycle of T&E spend. This places several layers of controls across any given risk and therefore reduces single points of failure.
System architecture for stronger T&E controls

Establishing integrations and eliminating manual data loads is another way to increase controls across the T&E system.
Key T&E touch points to increase compliance and internal controls on T&E

‘Tone at the Top’ with oversight and robust policies & procedures… Can leverage system controls, audit triggers and structured workflow

- **Integrated Travel & Expense**
  Strengthens corporate T&E policies and makes breaks in those processes more visible

- **Global Policy Framework**
  Best in class organizations have a standardized policy and process framework that is applied globally across the entire firm

- **Digital Receipts**
  Mobile apps with receipt capture is table stakes for organizations of any size. Leaders are leveraging AI and automation

- **Attendee Tracking**
  When applied to targeted expense types this functionality helps to combat most forms of bribery and corruption.

- **End to End Analytics & Monitoring**
  More than just a transactional validation, firms should be actively monitoring for breaks and potential improvement areas across the entire T&E process

- **Pre-Spend Request**
  Should be considered for high risk events and spend like gifts, entertainment and cash advances.
National Bank of Canada Q&A:
How are you taking the bull by the horns?
• Background on National Bank of Canada
• 3-year focus since SAP Concur go-live
• Focus today
• Future outlook and vision
Paving the way with smarter tech:
Insulating your organization while improving the employee experience
Data strategies to measure your exposure (Intelligence reports)

Executive Briefing Summary (Spending Folder: T&E + P-Cards) and Invoice Briefing Summary (Invoice Folder)
• Spend trend by expense type to see spending growth overtime
  • Compare to your revenues and profits Q/Q or Y/Y
  • Identify high-risk expense types that should be eliminated

Fraud Folder
• Duplicate Transactions
• Booked vs. Paid
• Per Diem / Meal Double-Dipping

Expense Reports by Country (Administration Folder)
• Measure global dependencies
• Seek guidance from in-country / in-region experts
Intelligent technologies to fill the gaps
Begin with a solid foundation for Travel, Expense, P-Cards, and Invoices, and then build

Audit Program Transformation
• **Detect:** Robotics Auditing Engine (A.I. + M.L.)
  • 100% Audit of Expense & P-Card transactions in workflow within minutes of employee submission
  • Reduce Waste and Fraud (2-5% of total spend)
  • Reduce workload and dependency on managers
• **Policy Audit:** Outsourced, independent human audit
  • Exception review
  • Internal resource protection for value added tasks
• **Consultative Intelligence:** Reporting expertise
  • Best-practice recommendations from other organizations
  • Custom report and dashboard development to track audit results and KPIS

Document and Process Digitalization
• **Expenselt:** OCR for T&E / P-Card receipts
  • Decrease manual entry
  • Improve receipt compliance
• **Drive:** GPS-powered mileage capture
  • Mileage padding = high risk of fraud
  • Generate accurate “receipt” for mileage
• **Invoice Capture:** OCR for auto Invoice entry
  • Reduce manual entry error and workload
  • Control risk of fraudulent invoices
• **Request:** Pre-spend review and authorization
  • Dynamic rules for T&E, P-Cards, and Invoices
  • High-risk attendee tracking
• **Pay:** Employee and card reimbursements
  • Prevent fake checks
  • Control against ghost-employees
A balanced approach leads to superior results

Business outcomes:

- Reputation protection
- Avoided cost of failed audits
- Reduced workload
- Employee retention
- Revenue growth
- Margin expansion
Questions?