Anti-bribery and anti-corruption analytics

Integrating leading anti-fraud analytics into your anti-bribery and anti-corruption compliance approach
US companies doing business globally are under increased pressure to improve their anti-bribery and anti-corruption compliance programs to prevent and detect potentially improper payments that put the company at risk. Anti-corruption compliance continues to be a top priority for boards of directors, audit committees and senior management at many multinational companies. In fact, our recent Ernst & Young Global Fraud Survey found that 40% of boards have recently asked CFOs for a review of their anti-fraud, anti-bribery and anti-corruption internal controls. These organizations are facing increased pressure to integrate reasonable compliance programs and procedures to prevent and detect actions that may violate the Foreign Corrupt Practices Act (FCPA). Furthermore, increased FCPA enforcement and penalties in the US in recent years are expected to be compounded by growing enforcement in OECD countries and the new UK Bribery Act.

Implementing a program that sufficiently addresses potential FCPA compliance risks and control deficiencies can be challenging. Potential challenges often include:

- Expectations of management
- Limited internal audit/compliance resources
- Global, disparate accounting systems
- Language/cultural differences
- Collection and analysis of large data sets

Anti-bribery and corruption (ABC) analytics

According to the Association of Certified Fraud Examiners (ACFE), almost 50% of fraud and corruption is detected by tip or by accident, and only 14% is detected by internal audit. Why? Because most internal audit tests focus on the traditional “rules-based queries and analytics” that were designed for process and controls-related testing, such as SOX. An example of such a rules-based test includes the typical matching, filtering, sorting and joining that are associated with database queries. These traditional tests are typically not as effective for identifying high-risk transactions that may indicate the presence of bribery and corruption as these types of schemes often involve the circumventing of existing rules, or perhaps even going where rules do not exist. For bribery and corruption, new approaches to data analytics are needed that integrate statistical analysis, anomaly detection, data visualization and text mining.

Introducing Ernst & Young’s ABC analytics

Designed specifically for fraud detection around bribery and corruption, ABC analytics are a flexible suite of tools, technologies and methodologies that use financial accounting data to identify areas where potential improper activity may exist within your organization. Our approach enhances both the risk assessment and monitoring processes through the use of targeted data analytics. We leverage text mining to identify potentially suspicious terms within transactions in the financial accounting data and detect anomalous relationships within your global footprint. Most importantly, we tailor our overall approach specifically to your organization and your industry, with attention to any unique circumstances or analytics that need to be considered. We consult with you and develop an initial scope discussion and customized work plan. Ernst & Young’s professionals have extensive experience with FCPA compliance, regulatory matters and investigations, and we leverage our deep knowledge to consult with you. Our experience conducting large, global bribery and corruption investigations was integrated into the design and delivery of our ABC analytics service, which can help you increase the overall efficiency and effectiveness of your anti-corruption program and compliance initiatives.

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Key advantages

Ernst & Young has collaborated with the ACFE and leading, global organizations to develop an extensive library of innovative anti-fraud/anti-corruption analytics to choose from that are customizable on a case-by-case, country-by-country basis.

The key advantage that makes ABC analytics a preferred choice is the risk-based approach that quickly identifies target areas for internal audit and compliance tests. In essence, an unbiased filter is applied to volumes of data that would otherwise be subject to lengthy manual review and human interpretation. Notable characteristics of ABC analytics include:

- **Diagnostic nature:** The process uses a risk-based, anti-bribery and anti-corruption monitoring tool that relies on accounting data input to identify data trends and potential anomalies.
- **Use of advanced technology:** The analytics leverage text mining, leading visualization tools, statistical techniques and leading anti-fraud research to identify key risk areas on which to focus.
- **An interactive and intuitive process:** Our analytics are simple to navigate, highly visual and require minimal client training.
- **More efficient audits:** Tests are designed to highlight suspicious or potentially improper activity before the on-site visits, leading to time in the field being spent on the risk areas identified.
- **Cost effectiveness:** Analytics are delivered within a two-to-four-week time frame with minimal client investment relative to the value created and time saved in the field.
- **Repeatable process:** The ABC analytics approach is a learning model for your organization that incorporates observations from previous projects and continuously improves.

When it comes to fraud and corruption, there is no “one-size-fits-all” solution. We provide you the flexibility to change the reporting interface and analytics as your approach requires. Additional services, such as third-party background checks or targeted email analytics, can also be integrated on an as-needed basis.
Helping our clients

The U.S. Department of Justice (DOJ) has provided guidance as to what constitutes an FCPA violation. In designing our ABC analytics, we integrated this guidance into our suite of tests, in a broader sense, to incorporate the various aspects of bribery and corruption. From analyzing risk areas around “corrupt intent” through advanced text mining techniques, to running statistical analysis and anomaly detection to identify high-risk “payments,” “recipients” and “business purpose” use, the methodology we have developed is designed to provide a defensible, reasonable framework to an anti-bribery and anti-corruption program. Finally, our suite of analytics also incorporates third-party background checks, on a selected basis, to identify potential risks around “who” the organization is doing business with in remote, high-risk countries. The following case examples demonstrate how ABC analytics can help your anti-bribery and anti-corruption program become a leading practice.

Case study 1

The internal audit department of a global Fortune 500 company engaged us to use ABC analytics to identify key FCPA risk areas prior to the commencement of on-site audit work. We tested the accounts payable, travel and entertainment, and specific general ledger accounts leveraging our library of anti-fraud tests, including the text mining of the journal entry descriptions. We identified several transactions that involved significant entertainment expenses with high-ranking government officials in a particular Middle Eastern country. Using our visual analytics and text mining capabilities, we worked with the internal audit team to quickly identify the transactions and employees associated with the expense for questioning during their planned on-site audit visit. This information, coupled with identifying several anomalies in the data, provided the internal audit team with valuable insight and targeted questions that helped them focus their on-site audit testing. Ultimately, the field audit yielded tangible, value-added findings for management related to their anti-bribery and anti-corruption compliance program.

Case study 2

We assisted a major energy company with the design of an ABC analytics work plan that encompassed customized, country-by-country analytics in support of its FCPA/anti-bribery compliance program. The organization had identified and budgeted for 15 countries for selected fieldwork during its fiscal year. Prior to fieldwork, we developed 10 to 15 “core” ABC analytics that were run consistently across all countries and an additional 5 to 10 “customized” ABC analytics that incorporated unique country, cultural and business-related risks into the pre-fieldwork. By analyzing vendor and procurement-related data, as well as employee/agent expense-related details, we identified multiple high-risk transactions and process inefficiencies that warranted further on-site inquiry. In one country, the text mining revealed unusual terms (or phrases) related to facilitation payments and payments to government officials from the accounts payable system. These findings were used in the design of the fieldwork planning to select specific transactions. Ultimately, the time savings and efficiencies achieved from running these pre-fieldwork ABC analytics tests prior to the site visit helped keep the internal audit department on budget while providing more meaningful results to management. In one country, for example, the estimated on-site fieldwork had a budget of five weeks, which we were able to reduce down to three weeks given the pre-fieldwork results generated from ABC analytics.

Case study 3

We assisted a global Fortune 500 company with an internal investigation around alleged improper payments to foreign government officials. We used ABC analytics in multiple countries at the beginning of the project to identify key risk areas. For example, in one country, we reviewed 3,000 transactions in detail and used the results of that review to build a statistical, predictive model that examined a further 800,000 transactions to find “more like” the sampled 3,000 transactions. This analysis identified over 14,000 transactions statistically similar to the sample 3,000 set, which represented over eight million dollars in potentially improper payments. Interestingly, the number one most statistically significant variable used to predict a potentially improper payment was when the phrase “special treatment pay” was used in the text field description of the payment entry. This variable, combined with other statistically significant variables in the data, provided targeted transactions to internal audit and the general counsel’s team to help them focus their fieldwork investigation and interviews.