



CPAs & ADVISORS

experience **perspective** //

STATE INTERNAL AUDIT ADVISORY BOARD

Presented by Jeremy Clopton, CPA, CFE, ACDA

DATA ANALYTICS FOR FRAUD DETECTION





3 CRITICAL MESSAGES

1. You should be using data analytics
2. You have the capability to perform data analytics
3. This session will help confirm points 1 & 2



WHAT IS DATA ANALYTICS

...processes & activities designed to obtain & evaluate data to extract ***useful information and answer strategic questions...***



TODAY'S STRATEGIC QUESTION

Where is fraud occurring in my company or organization?



CONSIDER THE FOLLOWING...

Date	Voucher	Pavee	Address	Address	Amount
01/18/2005	VRRE2157	SUMMITT PROPERTIES	C/O CHAPAHOME LLC	HOLD FOR PICK-UP	\$ 338,772.62
02/02/2005	VRRE2233	111 13TH STREET LLC	C/O CHAPPAHOME SERVICES INC.	HOLD FOR PICK-UP	397,007.00
03/10/2005	VRRE2337	1301 LIMITED PARTNERSHIP	C/O CHAPPAHOME SERVICES INC.	HOLD FOR PICK-UP	350,000.00
03/29/2005	VRRE2358	JAD ASSOCIATES, INC.	C/O CHAPPAHOME SERVICING	HOLD FOR PICK-UP	379,000.00
10/18/2005	VRRE2822	BGEE LLP/CHAPPA HOME	C/O WILKES ARTIS	HOLD FOR PICK-UP	329,913.31
11/14/2005	VRRE2871	JACKSON-CAMPBELL	CHAPPAHOME DESIGN, INC.	HOLD FOR PICK-UP	234,227.20
12/19/2005	VRRE2909	FIFTEEN STREET LTD PARTNERSHIP	C/O CHAPPAHOME CORPORATION	HOLD FOR PICK-UP	309,900.08
01/12/2006	VRRE2936	THIRTEENTH STREET ASSOCIATES	C/O CHAPPAHOME, INC	HOLD FOR PICK-UP	380,000.00
02/09/2006	VRRE2971	BBLAKE COMPANY LLC	CHAPPAHOME INC	HOLD FOR PICK-UP	346,800.00
03/09/2006	VRRE3025	1425 F STREET, LLC CHAPPAHOME	C/O DAVID FUSS, ESQ	HOLD FOR PICK-UP	356,900.00
04/12/2006	VRRE3071	STOLADI PROPERTY GROUP	C/O CHAPPA HOME INC.		385,700.00
05/15/2006	VRRE3118	MRL POST, LLC	C/O CHAPPAHOME LIMITED	HOLD FOR PICK-UP	387,900.00
08/25/2006	VRRE3296	1120 VERMONT STREET ASSOC, LLC	C/O CHAPPAHOME LLC	HOLD FOR PICK-UP	410,000.00
09/26/2006	VRRE3363	LINCON SQUARE, LLC	CHAPPAHOME DESIGN LTD	HOLD FOR PICK-UP	458,670.00
04/04/2007	VRRE3538	CHAPPAHOME INC, LLC	C/O JEFF NADEL ESQ	HOLD FOR PICK-UP	465,000.00
04/25/2007	VRRE3715	CHAPPAHOME INC.	C/O WILKES ARTIS, LLC	HOLD FOR PICK-UP	398,680.00
				Total	\$ 5,928,470.21

Date	Voucher	Pavee	Address	Address	Amount
11/01/2000	VRRE3024	HELMET-CROW COMPANY	ATTN: JEFF NADEL, ESQ	HOLD FOR PICK-UP	\$ 124,829.01
02/28/2001	VRRE3387	LASOLANA DC, INC	ATTN: HELMET-CROW, AGENT	HOLD FOR PICK-UP	168,163.08
10/18/2006	VRRE3396	1118 LO ASSOC	C/O HELMET CORPORATION	HOLD FOR PICK-UP	460,000.00
02/12/2007	VRRE3515	HHEMLET COMPANY, INC	C/O DAVID A FUSS, ESQ	HOLD FOR PICK-UP	490,560.54
05/22/2007	VRRE3755	HELMET INC, COP	C/O DAVID FUSS ESQ	HOLD FOR PICK-UP	541,100.74
				Total	\$ 1,784,653.37

Source: Report of Investigation - Office of Tax and Revenue Investigation Special Committee – District of Columbia



7 REASONS TO USE DATA ANALYTICS





Reason #1

**SAMPLING IS NOT
EFFECTIVE**



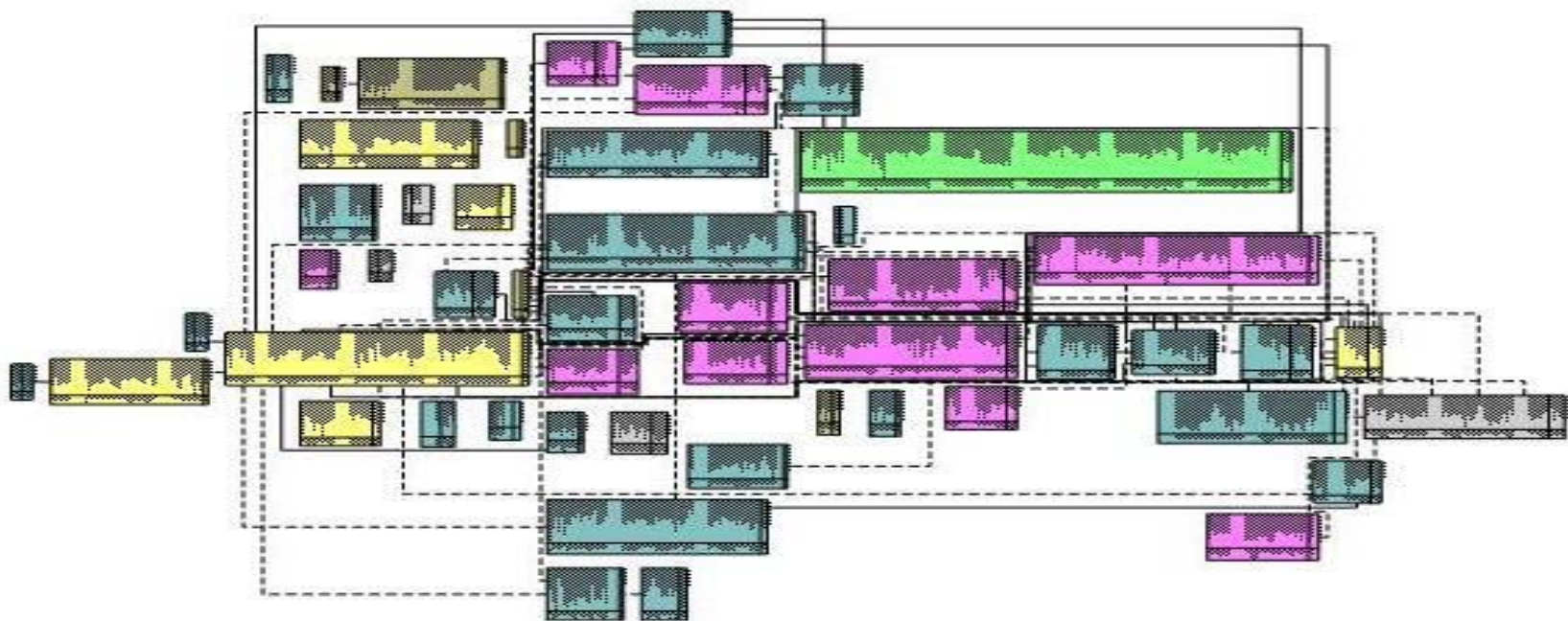
KEY TAKEAWAY #1

You're not likely to find the needle unless you look at the entire haystack.



Reason #2

**DATA RESIDES IN
MULTIPLE SYSTEMS &
MULTIPLE TABLES**





KEY TAKEAWAY #2

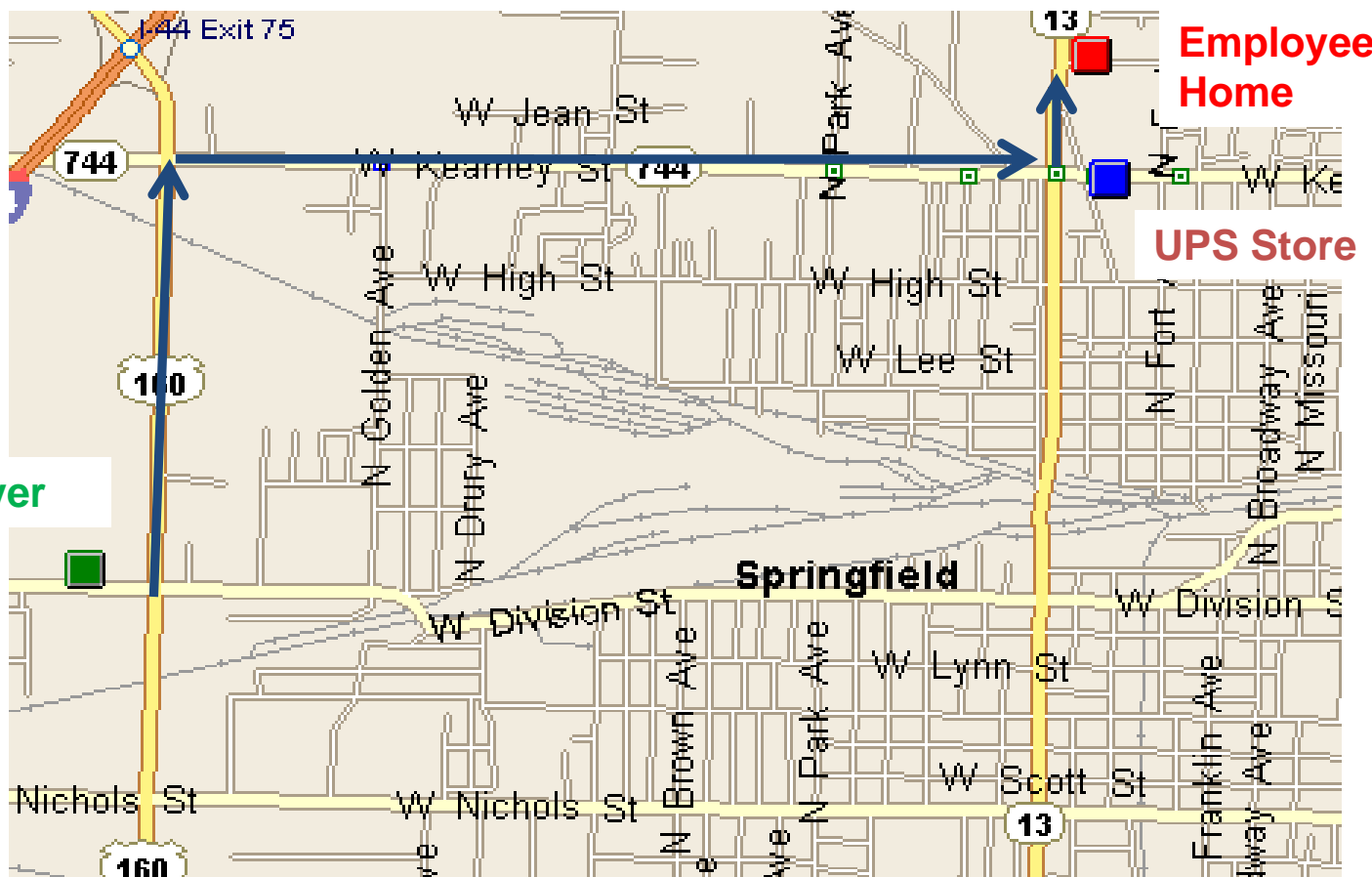
The most powerful feature of data analytics software is the ability to compare data from multiple systems and/or sources.**

***My personal opinion; not a proven fact.*



Reason #3

SHORTAGE OF THUMB TACKS & YARN



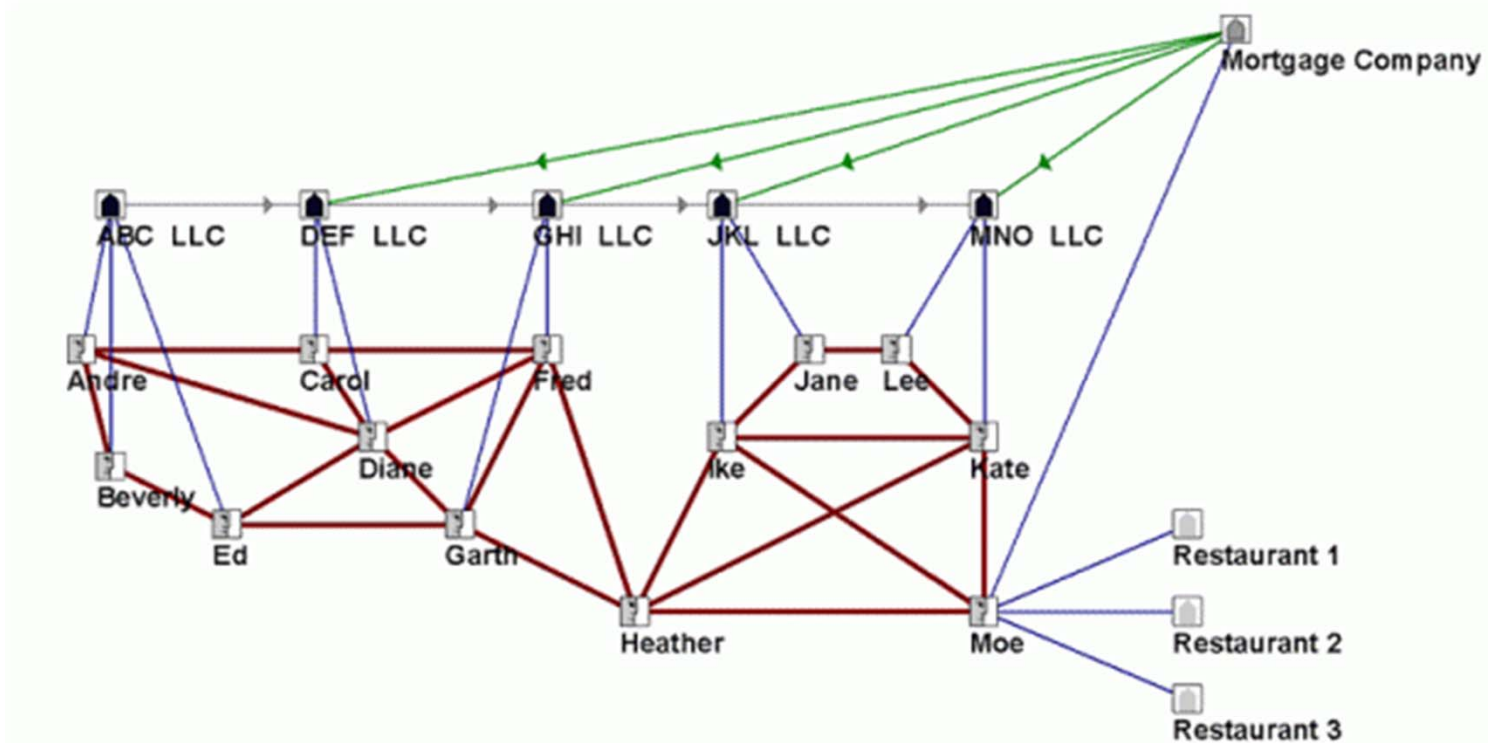
Employer

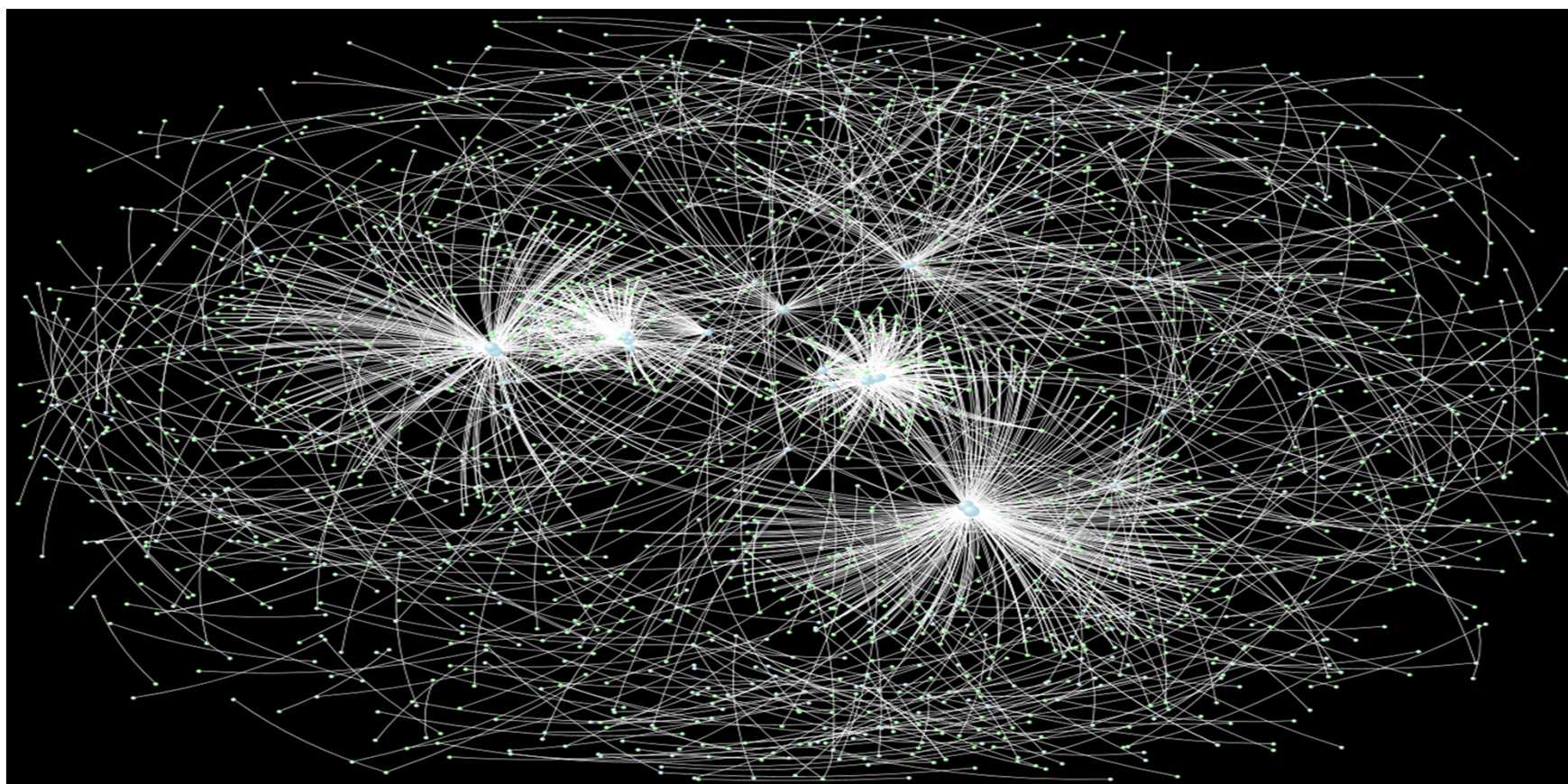
Employee Home

UPS Store

Springfield









KEY TAKEAWAY #3

Analytics can help find relationships based on multiple attributes.



Reason #4

**NO AUDIT PROGRAM TO
IDENTIFY “KICKBACKS”**



KEY TAKEAWAY #4

Relationships, patterns and trends are key areas for fraud detection. These aren't in the APG.



Reason #5

**DOUBLES AS A
PREVENTATIVE MEASURE**



Reactive

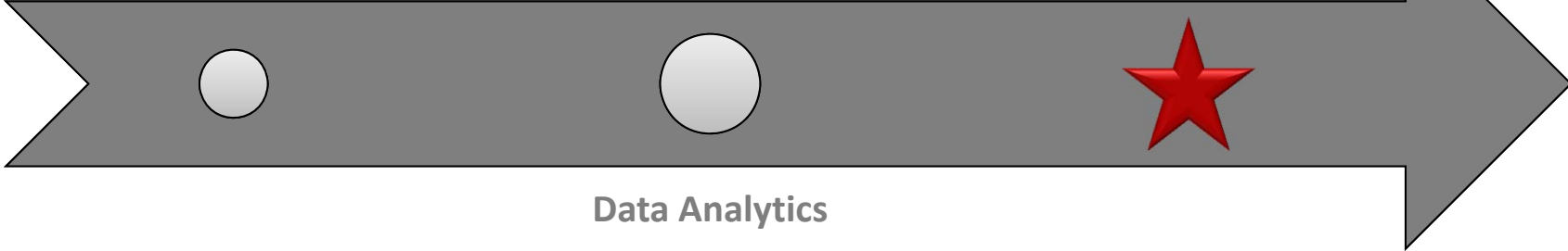
Responsiveness

Proactive



Paper-based & limited
electronic testing
(Sampling)

Continuous Auditing
(Automated analytics,
100% coverage)



Data Analytics
(100% coverage, ad hoc
electronic testing)





KEY TAKEAWAY #5

Continuous auditing is data analytics at the speed of business.



Reason #6

INVESTIGATORS USE DATA ANALYTICS



KEY TAKEAWAY #6

Investigators have developed analytics for years. With development comes resources and a shorter learning curve for you.



Reason #7

7% OF FRAUD FOUND BY
ACCIDENT



Oh what a tangled web we weave
When first we practice to deceive.

But once we've practiced for a while,
Oh my, how we've improved our style!



KEY TAKEAWAY #7

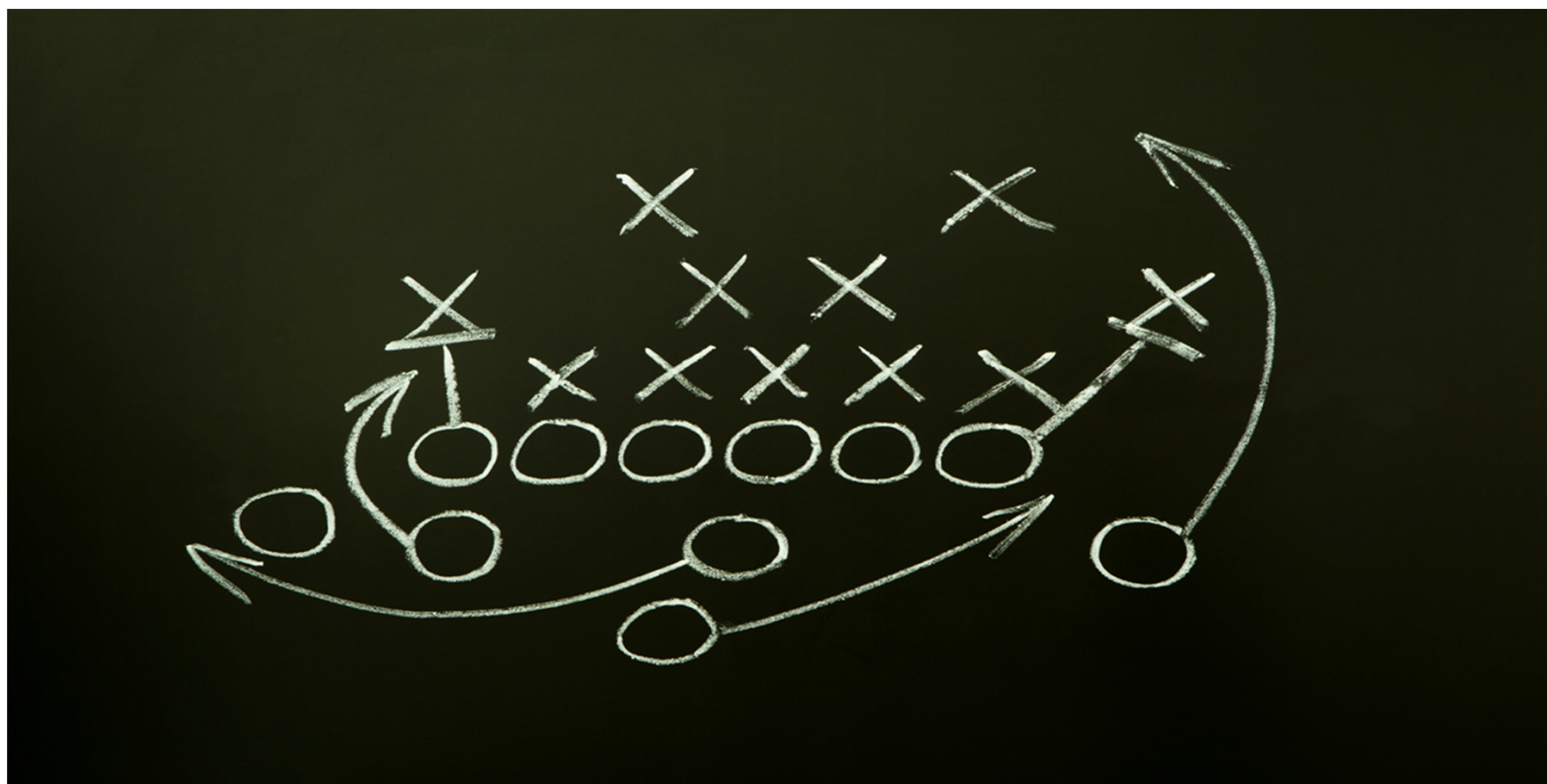
Fraudsters are intentional about fraud; we need to be intentional about finding and preventing it.

DATA ANALYTICS & YOUR COMPANY



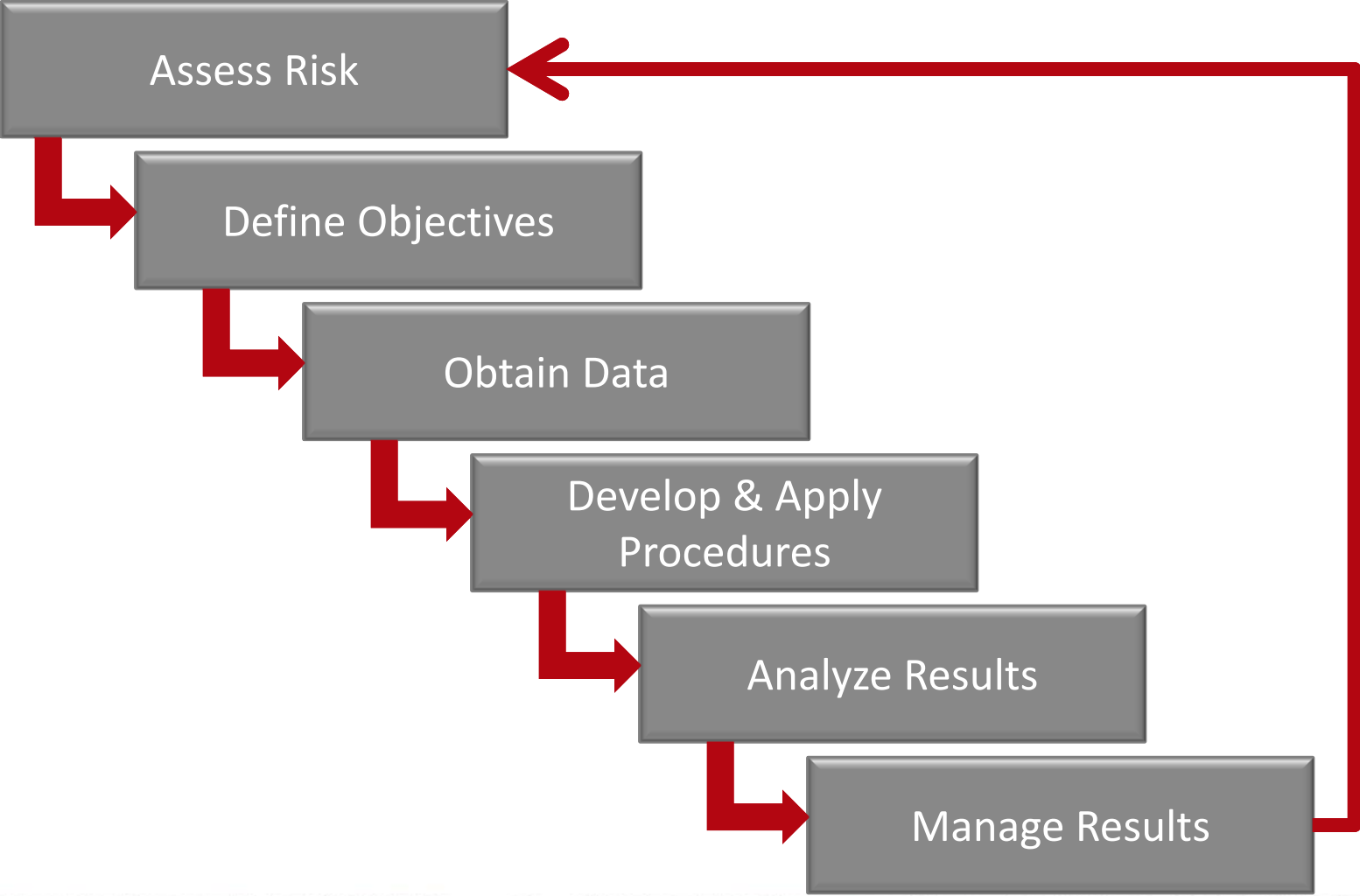


A GAME PLAN



6 STEP PROCESS TO ANALYTICS







CHALLENGE TO CONSIDER – DATA QUALITY

417-865-8701, (417)865-8701, 8658701, 417-8658701

Missoura, MO, Mis, Miss, MZ, MS, Miz, Mizz

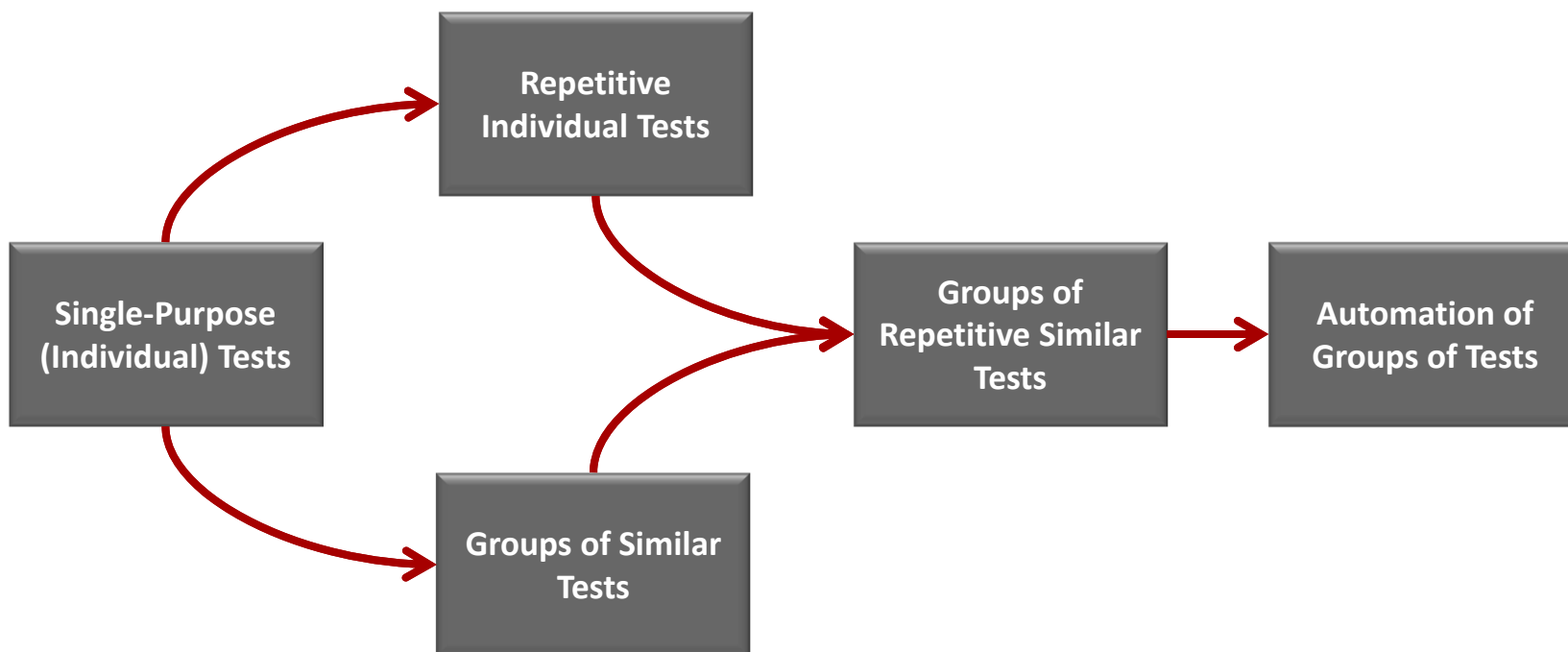
PO Box 34, P.O. Box 34, Box 34, Bx 34, P.O Box 34

Clopton, Clapton, Clompton, Clampton, Cloptin

12345, 12345a, 12345-1, 012345



PROCEDURE DEVELOPMENT



CLOSING THOUGHTS






3 CRITICAL MESSAGES

1. You should be using data analytics
2. You have the capability to perform data analytics
3. You now believe points 1 & 2

RESOURCES

- IIA Global Technology Audit Guides
 - Continuous Auditing
 - Fraud Prevention and Detection in an Automated World
 - Data Analysis
- ISACA White Paper
Data Analytics – A Practical Approach
- <http://www.acl.com>
- <http://www.audimation.com>



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THANK YOU

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