



Spend Management Compliance and Fraud.....How do we manage this?

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- In March 2011, the former vice president of finance of [Iona College](#) in New York, Marie Thornton, pleaded guilty to embezzling more than \$850,000 by issuing college cheques for her own use, using a college credit card for personal purchases and making false expenses claims.
- Arthur Fisher, a project manager at [Vassar College](#) in New York, and his wife Jennifer Fisher, were sent to prison after they created a fictitious construction company and began charging the college for services that had not been performed. The scheme netted \$1.9 million (£1.2 million) over five years.
- Christine Bitterman, who worked in the Residence Life office at the [University of Montana](#), pleaded guilty to embezzling more than \$300,000 over a period of seven years, [the Missoulian reported](#). She had been stealing student rent payments that had been made in cash.
- In July 2012, Celine Bernier, a former administrative assistant with the [University of Vermont](#), was sent to prison after pleading guilty to depositing university cheques totalling almost \$46,000 (£28,500) into her personal account over a five-year period. [According to the Burlington Free Press](#), the university was tipped off by a letter from Community National Bank that contained a check for \$1,425 payable to UVM Extension - the university's community outreach arm - that had been deposited into Ms Bernier's personal account.
- A former University of Wisconsin-Madison employee stole as much as \$113,000 through fake companies and fraudulent checks, using those methods as means make make personal transactions over more than two years.
- Another Vassar college worker has been accused of loading up \$6,000 in purchases using a credit card from the college.
- In 2011, an administrator improperly compensated herself over \$390k over a three year period for work relating to a university sponsored conference. The compensation was done through an unknown bank account over which the administrator had signature authority.



How much does fraud and/or non-compliance cost your organization?

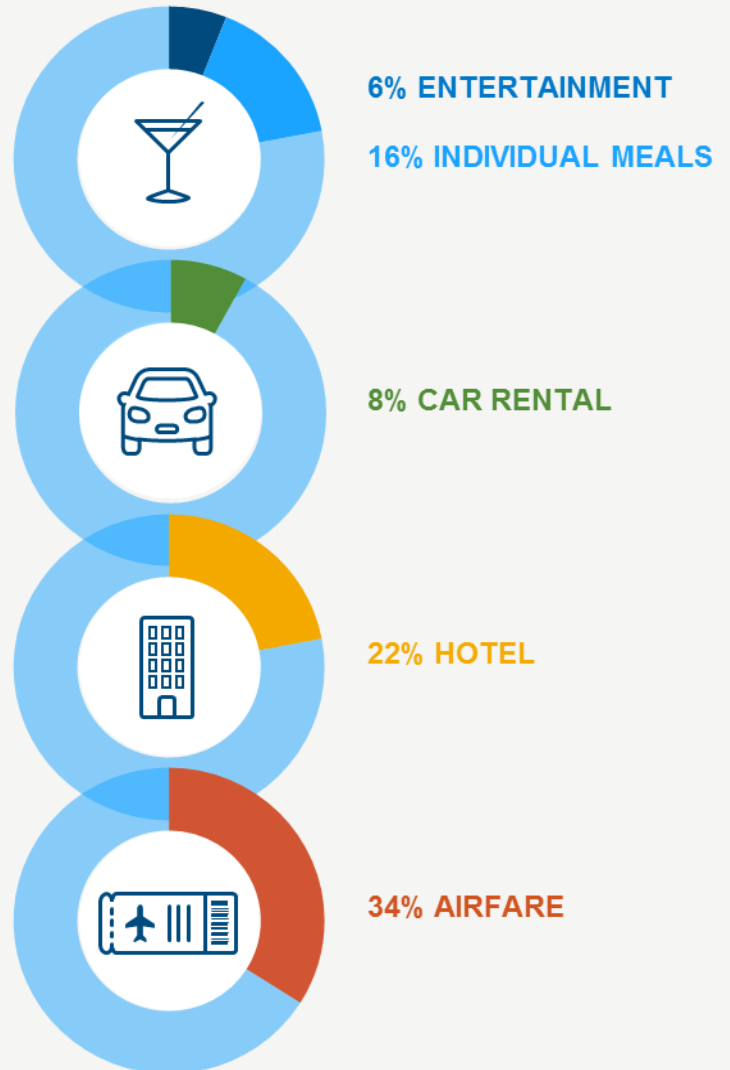
- Fraud costs organizations **5%** of total revenue.
- Expense fraud represents **14%** of all organizational fraud.
- For a \$100 million organization, expense fraud costs **\$700,00 per year**
- **75%** of individuals who commit expense fraud, ALSO commit other types of fraud

Most fraud is **unintentional** — due to employees rushing through expenses, making numerical mistakes, or misunderstanding policies — **BUT.....**

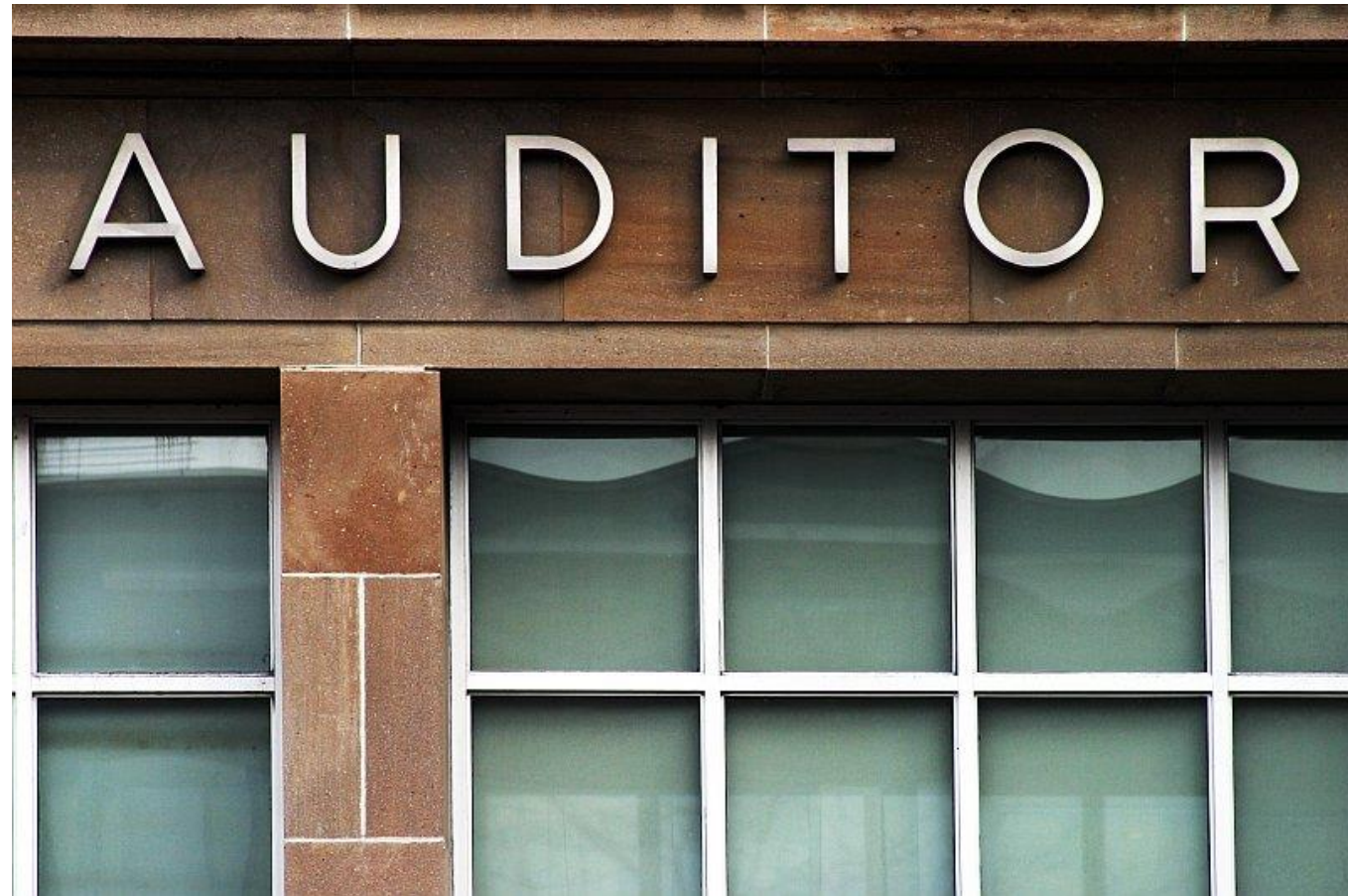
- **Non-compliance is still non-compliance, AND**
- **It still costs you money.**

Source: [Association for Certified Fraud Examiners 2016 Study](#)

TOP 4 EXPENSE CATEGORIES WITH FRAUD



That's what our Auditor's are for!?



Does your auditing process catch 100% of expense fraud / non-compliance?

AUDITING PROCESS OPTIONS



Reactive audits: Audits initiated only when fraud or non-compliance is suspected. This method has the lowest cost for implementation, but it carries the highest risk.



Random sample auditing: Manual audits conducted on a random sample of expense transactions. The cost of this audit method is mid-range, but it may miss some fraud.

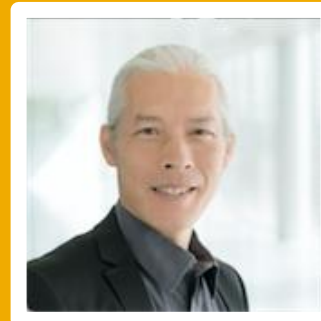
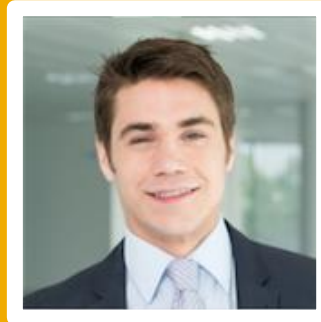


100% manual auditing: Manual audits conducted on all expense transactions. While effective at finding fraud, this method is the most difficult and time consuming.

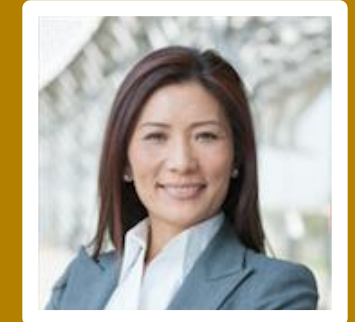


Machine Learning / Artificial Intelligence Automation: Rules and controls can be programmed to automatically enforce policies, spending limits and expense types. Artificial Intelligence automation engine can assist by identifying other areas needing to be reviewed.

Can You “Detect” the Difference?

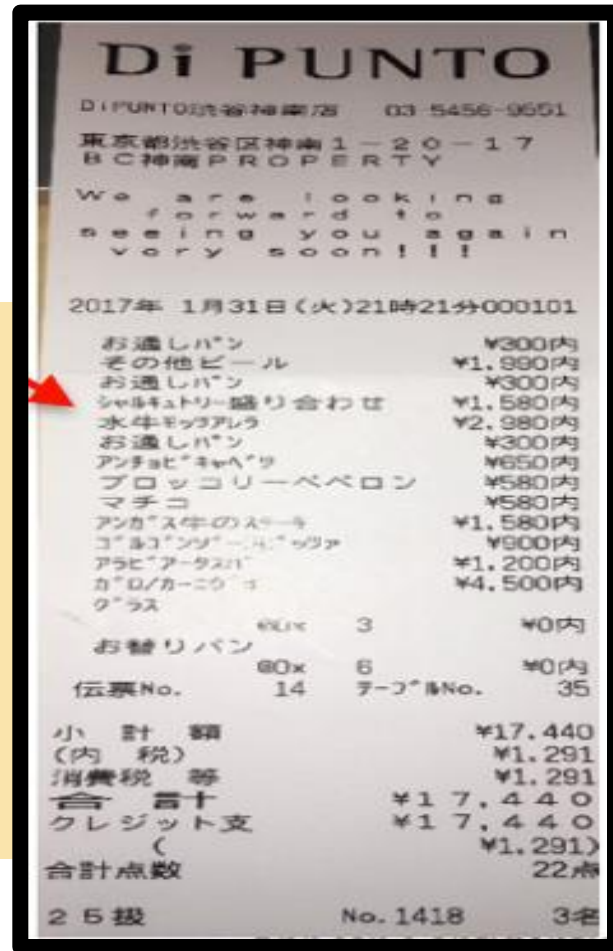


**Employee Submits to
Marketing Manager on March 27th**



**Employee Submits to
Business Development Manager on April 12th**

Can You “Detect” the Difference?

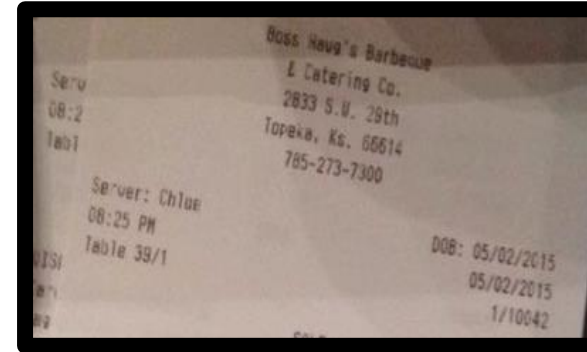


Can you find the policy violation on this receipt?

Can You “Detect” the Difference?



Frank's Restaurant



Boss Hawg's BBQ



The Golden Pear Cafe



Truluck's of Miami

Which “restaurant” violates a typical T&E policy?

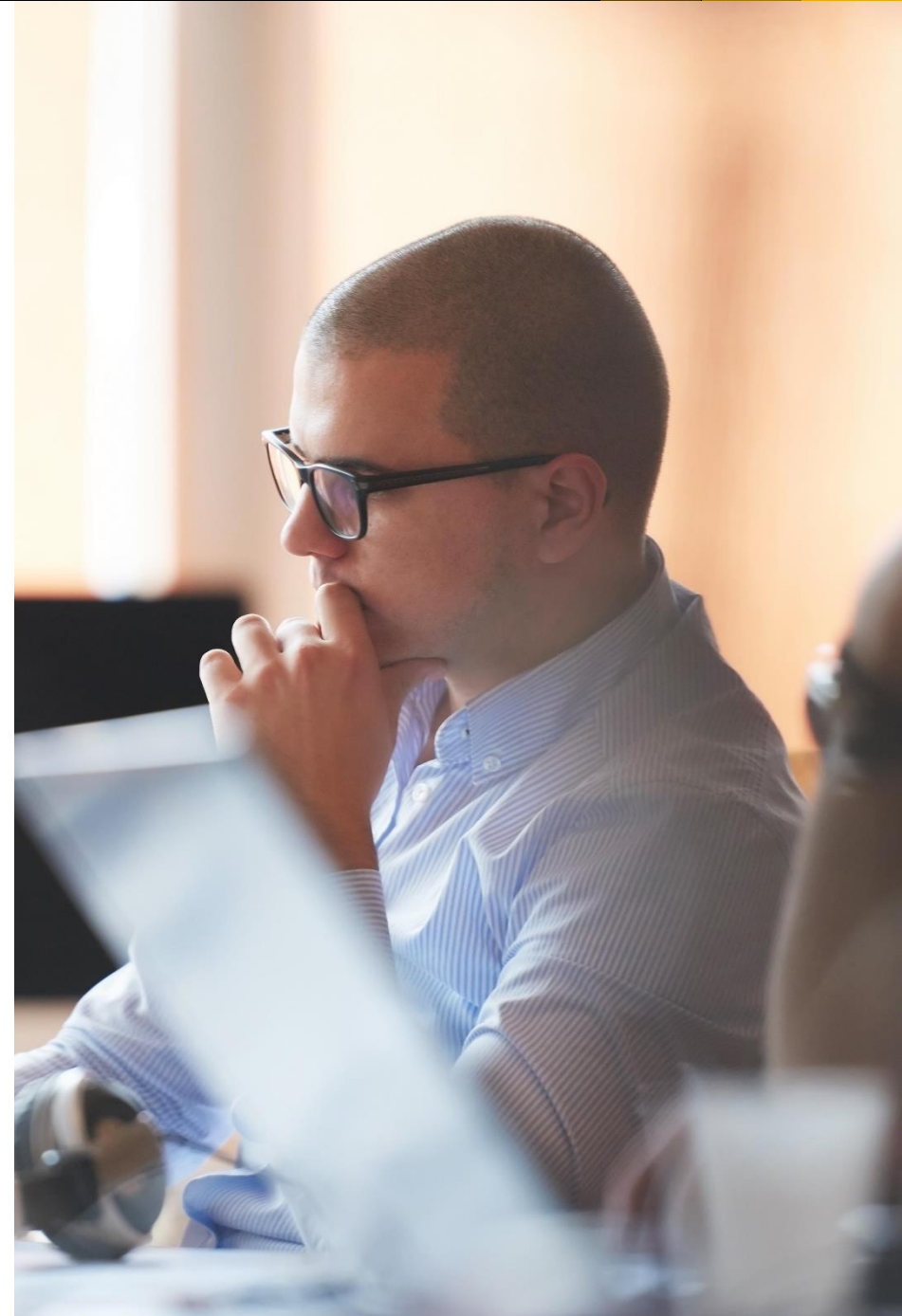
Can You “Detect” the Difference?

1.	2 CRUDA IMPERIAL	2,400.00
2.	1 4007 CakebreadCS	164.00
3.	44 Ginger Lover [Pork][2**]	\$9.50
4.	1 2LB Maine Lobster	72.00

Which line item
violates a typical
T&E Policy?

Manual audits shouldn't be the only option

- **Employees get distracted** during the tedious task of auditing transactions, possibly resulting in errors and oversight.
- **Validating all vendors** as being approved is time-consuming and costly.
- **Finding transactions for disallowed products is difficult.**
- **Confirming compliance** with policies, regulations, and law for every transaction is complex.
- **Determining if fraud is accidental or malicious is difficult, at best, but non-compliance is still non-compliance**



Artificial Intelligence (AI) robots..... the best first review

- **Robots don't get distracted.**
Audit 100% of transactions, each with the same level of scrutiny.
- **They don't have anything else to do.**
Relying on busy managers to catch errors and fraud is risky.
- **They're fast.**
Results come back in minutes — not days, weeks or months later.
- **They don't forget and they learn quickly.**
Robots can identify complex patterns and apply industry best practices to sniff out fraud.
- **They have access to tremendous amounts of intelligent data.**
They can use external data sources to quickly determine if a restaurant is really a day spa, or search words and brand names to find unauthorized purchases.
- **They have your input.**
Your in-house or outsourced audit team can focus on remediating issues and creating best practices.



This Artificial Intelligence is a Game-Changer

10x

AI technology captures
10x the number of
errors and fraud

BETTER PERFORMANCE

**10
min**

10 minute average
turn-around time

FASTER TURNAROUND

5%

Drive 5% savings on
T&E Budget.

REAL SAVINGS

90%

Using AI to do initial
investigation on all
expense reports reduces
time on audits by as much
as 90%

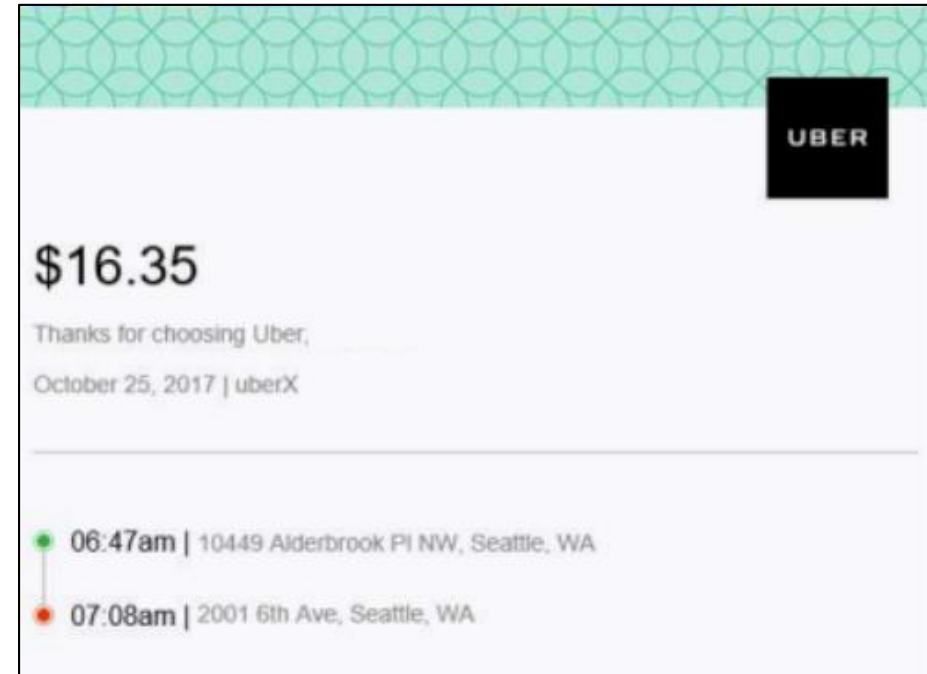
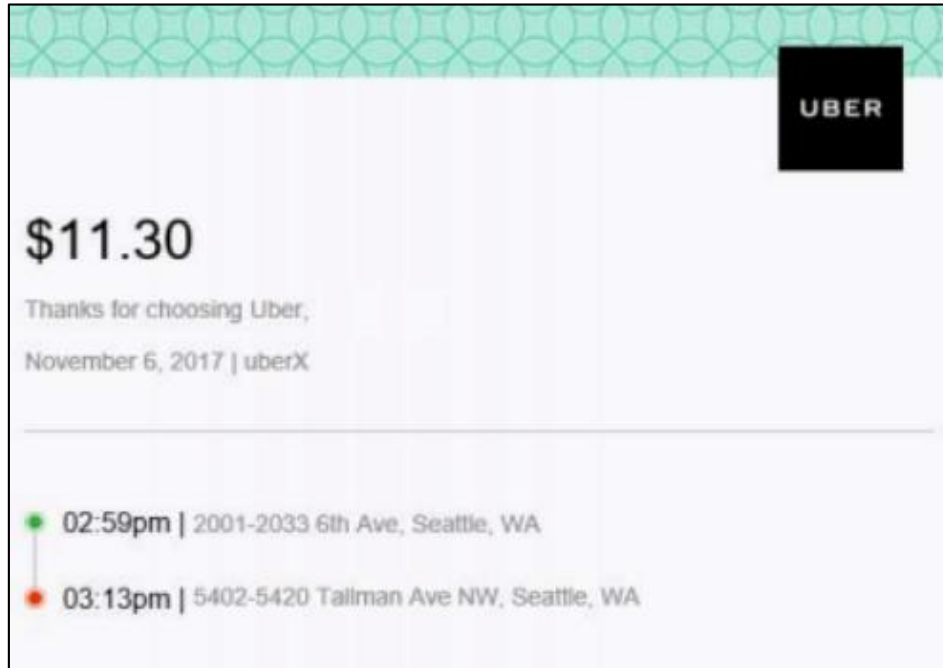
**IMPACTFUL TIME
SAVINGS**

DEMO



Mis-Categorized Expenses

AI will identify expenses submitted under the wrong category



●	1	06-NOV-17		\$	Uber	Parking	11.30 USD
●	2	25-OCT-17		\$	Uber	Parking	16.35 USD

8. Mis-Categorized Expenses

Mis-Categorized Expenses

HIGH

Taxi misclassified as Parking

⊗ Failed

Unauthorized Expenses (Cigarettes, Alcohol)



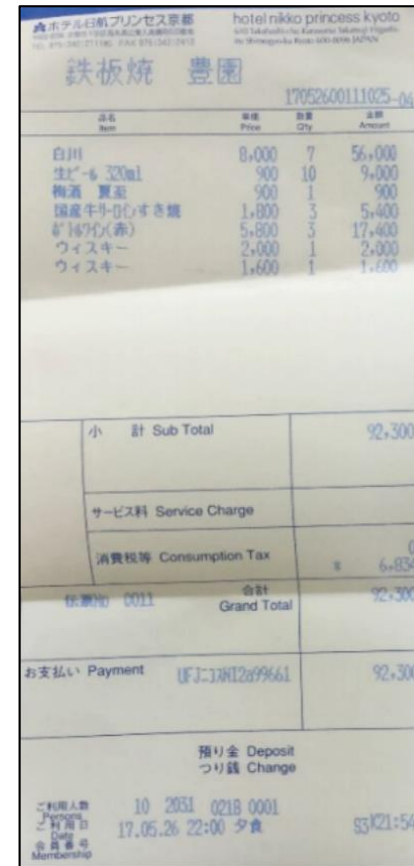
Uses data from AI to determine if anything on the receipt matches the client's out-of-policy expense list

1	Drinks with Ron Swanson	08-NOV-17	\$	The Occidental Grill Ciga	Employee	92.77 USD
7.Unauthorized Expenses						
Unauthorized Expenses	HIGH	Alcohol, Cigarettes was/were detected on receipt.				⊗ Failed

Unauthorized Expense (Language Translation + Alcohol)

Translates non-English receipts to English and uses data from AI to determine if anything on the receipt matches the client's out-of-policy expense list

Translated text from ja:
 hotel nkko princess kyoto Hotel Nikko Princess Kyoto Teppanyaki
 Fudosen 1205260011105 4 People Amount 8,000 7 56,000 900 10
 9000 Shirakawa 900 1 Plum **wine** summer domestic beef 11 - 00
 Sukiyaki 1.8003540 5800 3 17, 400 2-000 1 2,000 **whiskey whiskey**
 subtotal Sub Total 92-300 Service fee Service Charge Consumption
 Tax, etc. Consumption Tax 6-834 Total Grand Total Payment
 Payment UFJ 33NI 2 a 9966 1 92, 300 Deposit Deposit Temporary
 Change U 10 2031 0218 000 17.05.26 22: 00 Dinner



1	10-NOV-17	\$	JP Entertainment	Dinner	92,300.00 JPY 812.92 USD
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6. Unauthorized Expenses

Unauthorized Expenses **HIGH** Alcohol was/were detected on receipt. **Failed**

Weekend Expense



Uses data from AI analysis to see if the expense is a weekend or holiday expense

1

24-SEP-17

\$

Vineyard Grille

Dinner

20.22 USD

3.Weekend Expense

weekend expense

MEDIUM

This expense is incurred during weekend days.

⊗ Failed

Itemized Verification

Determines if the employee has submitted an itemized receipt for hotel and meal expenses above the client-specified threshold.



Price Audit		
#	Key	Value
1.	Merchant Extracted from receipt	local public eatery
2.	Transaction date	03-OCT-17
3.	Maximum expected expense per person	60
4.	Average expense per person	132.1
5.	User Entered Merchant	Local Public Eatery
6.	Merchant website	https://www.yelp.com/biz/local-public-eatery-toronto-4?sort_by=date_asc
7.	Expense type	Meal
8.	Reimbursement currency	USD
9.	Number of attendees	1

3	03-OCT-17	\$	Local Public Eatery	Dinner	132.10 USD
itemization verification	HIGH	Receipt is not itemized	Not Itemized		

Anti-Bribery & Corruption

Foreign expenses are compared to data from news sites, government sites, databases, and other data sources to determine if the attendee is politically exposed or a denied person. This rule helps you monitor attendees and be FCPA compliant.



Attendee Verification		
#	Key	Value
1.	Moses Mercado (Ogilvy Government Relations)	Attendee Type: Government Official
2.	Chris Giblin (Ogilvy Government Relations)	Attendee Type: Government Official



Chris Giblin and Moses Mercado, Ogilvy Government Relations
No matter the policy issue, Giblin and Mercado ensure that clients' problems are squashed before they begin.

4	Meals with Customers	17-NOV-17		\$	Maslows	Meals with Customer	66.00 USD
3.Attendee Verification							
Attendee Verification	HIGH	Moses Mercado (Ogilvy Government Relations), Chris Giblin (Ogilvy Government Relations) are potentially Politically Exposed People (PEP).			⊗ Failed		

Politically Exposed Persons

- Provides verification and proof of PEP (politically exposed person) detection for each attendee
- Provides URL for supporting information – i.e. news site, government page, or other resources that identified the attendees as politically exposed

Attendee Verification		
#	Key	Value
1.	Jennifer Adams (Employee)	Passed
2.	Tony Eldor	http://kica.us/announcement/kica-hires-respected-deputy-police-chief-tony-elder-as-security-director/

4.Attendee Verification

Attendee Verification

HIGH

There is sufficient evidence that any of the attendees is potentially a Politically Exposed Person (PEP).

⊗ Failed



Politically Exposed Persons

23. Yan Peng (Chengdu Aircraft)

The entity for this attendee 'Chengdu Aircraft' may be related to the Export Administration Regulations list published by the US Department of Commerce. Source: Entity List (EL) - Bureau of Industry and Security

34. Ziaojun Zhang (China Aerospace)

The entity for this attendee 'China Aerospace' may be related to the Export Administration Regulations list published by the US Department of Commerce. Source: Entity List (EL) - Bureau of Industry and Security

HIGH

Ziaojun Zhang, Yan Peng is potentially a Politically Exposed Person (PEP).

4860559D4AF F42119F26 🔄	Lenovo PRC Customer Lunch		29-Jan-2017	2,527.95 USD	🔴 HIGH	Attendee Verification		0	Needs Review	Processing Payment
●	1	Host Key PRC Customers of Lenovo's Workstation BU	21-SEP-16	\$		Maggianos	Business Meal (Attendees - internal & external)	2,527.95 USD		➤

Foreign Language Support

- Foreign text translated to English for AppZen real-time audit
- Support for all major languages globally (e.g. Japanese, Chinese, German, French, Spanish)

Attachment

Hide Translated Text

Translated text from ja:
Yakiniku Tiger "l '. Nagoya Central Towers Shop 052-589-8989 Nakamura Ward Nagoya City Nomination 1-1-4 IR Central Towns - 12F Wednesday, 14 June 2017 19:11 000401 * Warm vegetables Baked * Shiitake nagi * Nigori plum wine * Samgyeopsal * Toraji mojito * Great shrimp salt grill 700 with n # 600 inside 600 inside 1.400 inside # 700 inside 900 inside ultimate Sheng 4 kinds for 2 people * garlic putter * special loin 5,680 Inside 150 within 3.000 x 2 * Pork ribs * Soda voucher No. No. 6.000 Within # 980 Within # 300 67 Table No. Subtotal amount of service fee end numerical value totaling credit total credit total score Y16. Ulu 1,667 # 7 19,670 19,670 12 points 10.00% 01 Branch length No.6019 2 people

Attachment

焼肉トラジ
名古屋セントラルタワー店 052-589-8989
名古屋市中村区名駅1-1-4
JRセントラルタワーズ12F
2017年 6月14日(水)19時11分000401
* 温野菜焼き ¥700内
* しいたけ焼 ¥600内
* にぎり梅酒 ¥600内
* サムギョフサル ¥1,400内
* トラジモヒト ¥700内
* 大海老塩焼き ¥900内
* 完備盛 4種 2名様用 ¥5,680内
* カールックハタ ¥150内
* 特選ロース @3,000x 2 ¥6,000内
* 豚カルビ ¥980内
* ソダ ¥300内
伝票No. 67 テーブルNo. 6
小計 額 ¥18,010
サービス料 10.00% ¥1,667
端数値引 ¥7
合計 ¥19,670
クレジット ¥19,670
合計点数 12点
01 扱店長 No. 6019 2名

6.Unauthorized Expenses

Unauthorized Expenses

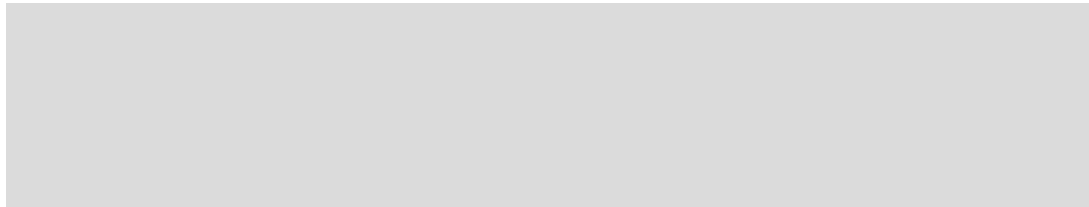
HIGH

Alcohol was/were detected on receipt.

⊗ Failed



Fapiao Example and VAT Compliance



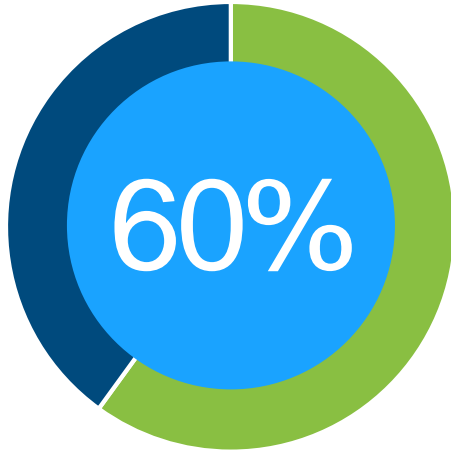
Real-time VAT/GST detection and compliance

Key	Value
VAT indicated by user	False
VAT detected by system	True
Vat Percentage / Amount	3%

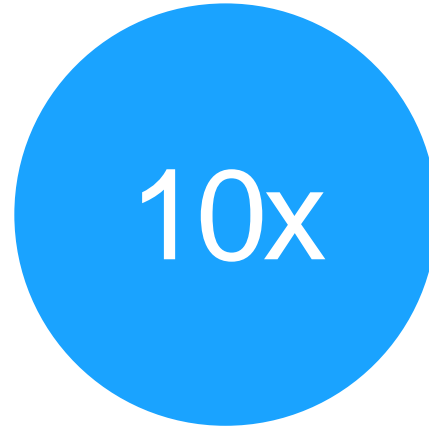


3.VAT Compliance		
Fapiao Detection	LOW	Fapiao Detected
VAT Detection	LOW	VAT Detected
VAT Compliance	HIGH	Not VAT Compliant. User did not report VAT charges, but VAT charges detected on receipt.

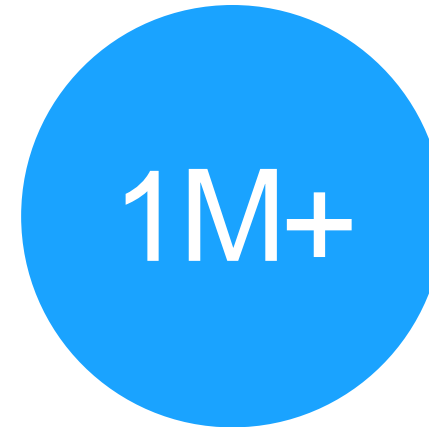
Reduce fraudulent expenses *and* spend less time on audits



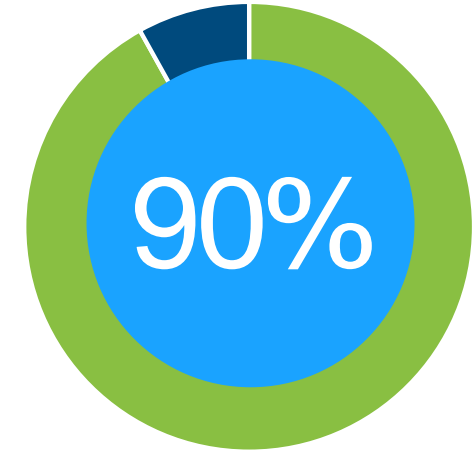
Automated audits can reduce costs of mistakes in expense reports by 60%



AI technology captures 10x the number of errors and fraud



Concur audits 1 million+ expense reports each month for more than 3,000 customers



Using AI to do initial investigation on all expense reports reduces time on audits by as much as 90%

Sources: Concur Internal Testing and [Association for Certified Fraud Examiners 2016 Study](#)

Concur Detect

would get all of these correct by...

**Auditing
100% of your
company's
expense
reports against**

- Internal Policy (plus Industry Best Practices)
- Accidental and Purposeful Fraud detection AI
- Behavioral anomalies that cite:
 - ❑ Global behaviors and trends
 - ❑ Company-Specific behaviors and trends
 - ❑ Individual behaviors and trends
- External databases and Social Media sites
- Anti-Bribery and FCPA Regulations lists
- OFAC, Denied Person, Exports Regulations, and other lists

Questions



Thank You
Anne Curran (anne.curran@sap.com)