

# Office of the Internal Auditor

# AUDIT REPORT

## Anti-Fraud Activities

2<sup>nd</sup> Quarter 2022



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## Executive Summary

### Background

The Office of Internal Audit (OIA) has a statutory commitment to prevent and detect fraud, abuse, and mismanagement, which is collectively known as occupational fraud. Annually, OIA delivers a strategic plan, which provides a detailed description of the OIA's approach and focus for the year. Occupational fraud detection and deterrence are a recurring theme as part of this strategic plan.

#### Prevent

- Prevention techniques to avoid potential key fraud risk events should be established, where feasible, to mitigate possible impacts on the organization.

#### Detect

- Detection techniques should be established to uncover fraud risks when preventive measures fail or unmitigated risks are realized.

#### Respond

- A process should be in place to solicit input on potential fraud and a coordinated approach to investigation and corrective actions should be used to help ensure potential fraud is addressed appropriately and timely.

For 2022 Internal Audit created an Anti-Fraud Playbook, which aligns OIA's Strategy and Plan with Internal Audit's approach to preventing, detecting, and responding to suspected occupational fraud. Internal Audit performs the following activities to prevent, detect, and/or respond to occupational fraud in the Company's programs and operations.

Activity	Prevent	Detect	Respond
Anti-Fraud Training & Awareness	X		
Support Enterprise Risk on Fraud Risks	X	X	
Hotline Monitoring ( <i>Tell Citizens</i> )		X	X
Quarterly Occupational Fraud Risk Review	X	X	X
Targeted Audits			X
Anti-Fraud Analytics	X	X	

### Work Performed and Results

- *Anti-Fraud Analytics* - Internal Audit has implemented proactive data analytics procedures to identify occupational fraud risks, which allows for a consistent, methodical approach to validate or invalidate occupational fraud.



## Executive Summary

To date, Internal Audit, in conjunction with the OIA data analytics team, created around fifty data analytical tests. These tests focus on the analysis of data trends, across various platforms within the organization, in an attempt to identify outlier information in the data, which may indicate potential weaknesses in the control infrastructure that could lead to occupational fraud.

Using a risk-based approach, Internal Audit reviewed initial results, from the tests conducted during this quarter, and focused on outliers that were considered unusual. The following table provides a quick overview of the number of tests conducted versus the number of outliers noted and reviewed:

Audit Area	Example Fraud Risks Reviewed	# Of Analytical Tests	# Of Relevant Outliers
Human Resources	Ghost employee; Payroll related fraud; Conflicts of Interest	18	3
P-Card & Expense Reimbursement	Personal Expenses; Not Actual Purchases; Multiple Reimbursements; Circumvent Procurement Process	10	5
User Access	Segregation of Duties; Ghost Employee	4	1
Procure to Pay Cycle	Ghost Vendor; Fraudulent Invoicing; High-risk Countries	17	3
Legal Billing	Inappropriate Timekeeping	4	0

Our detailed review of the outliers confirmed that each related to unique circumstances which did not require further investigation.

- *Quarterly Occupational Fraud Risk Review* - Internal Audit meets to discuss and brainstorm potential fraud circumstances for all upcoming audit projects. Circumstances that could lead to occupational fraud are identified, and potential audit procedures are developed for each audit. This approach ensures fraud is considered as part of each audit.
- *Hotline Monitoring* - Citizens maintains an effective reporting mechanism through *Tell Citizens* (provided by Navex) where complaints, tips, and/or grievances can be anonymously reported. Tell Citizens is administered by the Office of the Inspector General and Internal Audit participates as a member of a triage team for all calls/notices received.

### Summary

With a wide range of activities performed and supervised by Internal Audit, results from this work supports confirmation of the strength of the internal control infrastructure in continuing to protect Citizens' programs and operations against occupational fraud.



## Distribution

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The External Auditor

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