THE POWER OF BEING UNDERSTOOD

FRAUD RISK MANAGEMENT PROGRAM

RSM

Each year, companies lose an estimated $3.7 trillion to fraud globally, with the typical organization losing approximately 5 percent of their revenues[1]. An important tool in combating fraud is a strong fraud risk management program. However, simply having an anti–fraud policy listed in your employee handbook or adding a fraud risk assessment to your organization's existing internal control policies is seldom, if ever, enough. It is difficult for organizations to prevent and detect fraud when the appropriate programs, tools, training and resources are not in place.

An organization's anti–fraud policies should be part of an ongoing, comprehensive fraud risk management program that incorporates key fraud risk management principles[2] such as those prescribed by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) and the Association of Certified Fraud Examiners (ACFE).

RSM's risk–based approach

Our highly skilled professionals focus on understanding our clients' needs first. When assisting organizations in evaluating the design and effectiveness of their anti–fraud program, we consider a broad range of risk factors pertinent to each company including geography, industry and regulatory environment.

A typical first step in our approach includes an independent health check in the form of a fraud program diagnostic summary containing actionable, prioritized gap remediation steps.

We also collaborate with companies and their advisors to develop and implement customized fraud risk management and compliance programs which incorporate the following five leading principles:

1. Fraud risk governance and policies

Establishing a healthy tone at the top, which should permeate through the company, is a critical part of ethics–related policies and procedures such as anti–fraud or anti–corruption. We assist organizations to develop programs to hold individuals accountable for adhering to internal controls and evaluate how effectively they have dealt with any prior instances of malfeasance, remedied vulnerabilities and perpetrators.

Gap analysis report:

Our customized anti–fraud program analysis includes a comparison of an organization's fraud governance and policies with leading practice, based on guidance from regulators and standard–setting organizations such as the Department of Justice, the Securities and Exchange Commission, COSO and the ACFE. This results in actionable recommendations in areas of exposure where your organization can bolster its defenses relating to fraud.

Customized compliance programs and training:

We assist organizations to create comprehensive programs including checklists, questionnaires and tools to be used with leading compliance software providers to track and maintain program documentation.

We further assist organizations with the creation of fraud awareness training in order to establish and reinforce a culture that has zero tolerance for fraud and corruption.

2. Comprehensive fraud and corruption risk assessments

To be truly effective, a robust risk assessment must involve input from key stakeholders and employees within an organization and be structured to assess potential schemes. We assist organizations with performing fraud risk assessments designed to thoroughly examine and identify potential risks of intentional and unintentional acts.

Corruption risk assessment:

Our professionals educate and advise organizations regarding the financial and regulatory risks presented by global fraud and corruption. We assist companies in creating anti–corruption and anti–bribery compliance programs that can help prevent and detect fraudulent and corrupt practices, meet ISO 37001 standards and withstand regulatory scrutiny. Unlike standard internal audit or enterprise risk management (ERM) risk assessments, we provide a forensic perspective which focuses on identifying specific fraud and corruption risks based on industry, geographical operations, government interactions, supply chain and other company–specific factors typically identified through inquiry and data analytics. The process incorporates U.S.–based knowledge with RSM International's understanding of local country business practices and customs when examining key fraud and corruption risk factors and business operations.

Fraud risk matrix:

In order to identify potential areas of weakness and areas for improvement, we assist organizations in the evaluation and the design of the organization's structure, operations, policies and controls.

Fraud risk heat map:

We summarize and communicate risk assessment results and prioritize next steps. Based upon an organization's assessment of potential fraud risks, it is often helpful to graphically illustrate the significance and likelihood of each identified fraud risk as a heat map which can be used to effectively visualize and communicate areas requiring immediate risk mitigation.

3. Determining fraud control activities

Determining acceptable levels of risk and the potential controls available to detect and deter fraud and corruption can be a challenging task for organizations. We leverage our experience helping clients select, develop and deploy preventive and detective fraud control activities to effectively and efficiently mitigate the risk of fraud events occurring or not being detected in a timely manner.

Prevention and detection scorecard:
A scorecard is critical for every company in the battle to prevent fraud. We help organizations: a) prepare, track and document existing fraud risk control activities as well as b) develop detection controls and techniques to discover fraud events when preventive measures fail or unmitigated risks are realized.

4. Fraud risk investigation and corrective actions

As much as organizations may try to avoid it, fraud may occur at some point. It is therefore critical to ensure your organization has a mechanism in place to respond to these events. We assist organizations in establishing a communication process that obtains information about potential fraud and then deploys a coordinated approach to address fraud appropriately and in a timely manner.

Hotline:
We assist organizations to select, implement, analyze and enhance the effectiveness of fraud hotlines and periodic employee communications to effectively promote awareness.

Event management:
We assist organizations to: a) develop an incident response decision matrix and b) implement a coordinated and collaborative approach to the time–sensitive investigation of potential fraud.

5. Fraud risk monitoring and stress testing

The fraud monitoring and testing component is the cornerstone to ensuring the success of any fraud risk management program. Organizations must be able to demonstrate to regulators, auditors, customers and other stakeholders that high–risk areas in the organization susceptible to fraud and corruption not only have sound controls but are tested regularly to ensure they are operating effectively.

To help ensure a thorough fraud monitoring function is in place, we assist organizations with developing monitoring programs that leverage data analytics, information technology (IT) and local forensic resources to perform testing of high–risk transactions.

Data analytics:
Organizations that use proactive data monitoring and analysis techniques as part of their anti–fraud program suffered fraud losses that were 54 percent lower and detected the frauds in half the time compared to organizations that did not use this technique[3]. Our experts leverage our proprietary data analytics platform, mAnalytics, to perform risk–based analyses of an organization's numerous internal and external data sources. In many instances, we are able to compare an organization's data with public records to identify potential exposure to fraud and out–of–compliance instances with regulations[4].

Cybersecurity and IT risk assessment:
The complexity and number of cybersecurity incidents are steadily rising, and your organization's financial and reputational risk of harm are rising as well. It's critical today that organizations identify and mitigate risks in their global IT environment, including risk of cyberattacks, data breaches and theft of proprietary information stored electronically. Our cybersecurity and privacy teams will test an organization's network vulnerability and incident response, and perform red team exercises (ethical hacking) as well as provide security awareness training to help secure your IT infrastructure.

[1] Association of Certified Fraud Examiners (ACFE), Report to the Nations on Occupational Fraud, 2016 Global Fraud Study.

[2] Committee of the Sponsoring Organizations of the Treadway Commission (COSO), Fraud Risk Management Guide, September 2016.

[3] ACFE, Report to the Nations on Occupational Fraud, 2016 Global Fraud Study.

[4] One example includes the cross–referencing of payroll and disbursement records to local elected officials in overseas operations deemed high risk for corruption.

The right team

RSM's fraud investigation and risk advisory team is staffed with certified public accountants, certified fraud examiners, certified internal auditors and certified anti–money laundering specialists who help clients develop programs to detect and prevent fraud and train employees to ensure a strong anti–fraud culture exists within their organizations. Our team is further augmented with professionals in the fields of data analytics, digital forensics, and cybersecurity and privacy. Our team has investigated frauds ranging from simple occupational fraud and employee embezzlement to violations of corruption laws and money laundering statutes.

RSM is the sixth largest global audit, tax and consulting network with firms in 120 countries. Our ability to collaborate with colleagues throughout the RSM International network allows us to rapidly deploy teams across the world to respond to client demands. RSM professionals have vast experience leading global investigations and providing litigation support services for international engagements.

Through our extensive experience, we are trained to identify and resolve fraud risks that can save your organization potential losses and future litigation costs. We bring the right resources and experience to our clients based on your industry and the needs of your organization. Ensure your organization is doing all it can to prevent and combat fraud. Contact RSM to begin your fraud risk management program.

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