

CHALLENGE	SOLUTION	BENEFIT
<ul style="list-style-type: none"> <li>The VP Finance for Global 500 firm was concerned about P-Card fraud and misuse</li> <li>He wanted to test the effectiveness of Bankcard issuer's tools and gain deeper insights into potential fraud and misuse of P-Cards at his company.</li> </ul>	<ul style="list-style-type: none"> <li>IDEA® Data Analysis Software from Audimation Services was used for analysis of P-Card spend, in part because its use could be easily sustained by users in Internal Audit, Treasury or Finance.</li> </ul>	<ul style="list-style-type: none"> <li>\$200,000 in fraud and recoverable out-of-compliance spending was identified within one month, representing nearly a 6x ROI</li> <li>Another \$2.5 million in non-compliant spend was identified that will be prevented in future periods through improved controls, resulting in less anxiety about P-Card issues.</li> </ul>

## Purchase Card Fraud and Misuse: Are the tools and controls provided by the card issuer, combined with normal internal monitoring, sufficient to prevent it?

In a program where a client was using tools and processes provided by their issuing bank, Visual Risk IQ found large amounts of recoverable card misuse, and an even greater amount of spending that was counter to policy. They recommended improvements in the client's controls and put in place measures to reduce or eliminate non-compliant spend, producing a total ROI (direct and prevented errors) of greater than 10x.

**Situation:** This project was initiated through discussions with a VP-Finance at a U.S.-based business unit of a Global 500 firm. Based on news coverage of Purchasing Card (P-Card) fraud and losses at other organizations, this manager was concerned about how effectively his firm was monitoring its 8,000+ P-Cards for T&E policy compliance and possible fraud. After a demonstration of their approach, the client engaged Visual Risk IQ to review the most recent 12 months of P-Card spend in the U.S, which was approximately \$200 million. A noteworthy point is that this spending had *already been analyzed using existing P-card software provided by their bank and spot-checked by the client's finance department.*

**Engagement:** After a discussion with the project sponsor, procurement personnel and internal audit, with the objective of understanding and categorizing the firm's P-Card policies, Visual Risk IQ principals developed a series of custom queries using IDEA software that identified unusual and out-of-compliance spend. With IDEA they then analyzed the client's transaction history and, per usual prac-



## Case Study: Purchase Card Analysis

tice, met with the client to discuss the preliminary results to make sure the approach was comprehensive enough and to discuss early findings. They then made minor changes to the queries, re-ran the tests, and produced final findings for this client approximately 12 weeks after agreeing to perform the work.

“We have two FTE’s assigned to review P-Card and T&E spend, and Visual Risk IQ’s IDEA queries identified nearly \$200,000 in direct policy violations and more than \$2.5 million in other compliance issues. We are re-designing our monitoring procedures to implement learnings from this engagement ”

- Client VP/Finance

**Outcome:** Visual Risk IQ identified more than \$200,000 in out-of-compliance transactions and overpayments that the client was able to recover. In addition, they were able to identify \$2.5 million in spending that was clearly out of compliance with company policy. This included payments for personal items (including gift cards, apparel, gasoline and groceries), payments for out-of-policy hotel stays, and even adult-oriented items. Though many of these latter items were considered “unrecoverable” by the client, improvements to policy and monitoring reduced this spending considerably as a result of the project.

**Discussion:** P-Card programs, including Travel & Entertainment cards, are well-documented as best practices for lowering costs and improving controls for Purchasing and Procurement. Many P-Card programs offered by card-issuing banks include analytical tools to help categorize and manage spending.

Our experience with these reviews is that the rate of errors and even fraudulent transactions for P-Card and T&E cards is much higher than for traditional Accounts Payable disbursements. Economic conditions increase the financial pressures for employees and managers, and limited resources for transaction review by managers and finance staff often result in unauthorized purchases of gift cards, out-of-policy spending, and transaction chains or transaction series that cannot be detected by bank analytical tools.

Visual Risk IQ’s reviews of historical P-Card and T&E spending use a leading Continuous Auditing and Monitoring tool that is licensed for one-time use and operates outside of our clients’ computing environment. This approach has the dual benefit of confirming compliance with P-Card and T&E approval policies, and of identifying overspending, unused credits, split transactions, and transaction chains and transaction series that result in real savings on both a historical and forward-looking basis.

Even after implementing controls suggested by Visual Risk IQ, clients may wish to have reviews performed in future years. Due to the fact that clients’ customized business policies are built in our first engagement, subsequent reviews tend to require less consulting manpower. While we usually find fewer problem transactions in future reviews, we are also able to charge less, preserving ROI for our clients over a long-term relationship.

IDEA is a registered trademark of Caseware International, Inc. Audimation Services, Inc. is the sole U.S. distributor of IDEA—Data Analysis Software. Visual Risk IQ and its products and services are independent of Audimation Services, Inc.

**About the Firm:** Visual Risk IQ was formed in 2006 to help large, complex organizations take advantage of new technologies for continuous auditing, continuous monitoring, visual reporting and risk-focused data analysis. We are alliance partners and implementation specialists for Oversight Systems, Metapraxis, and ACL Services and deliver tailored solutions for our clients both directly and in concert with other implementation partners.



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**visual risk IQ.**  
See. Analyze. Act.