

Continuous Monitoring: Paving the Road to Continuous Auditing



The Less Subtle Sequel to Patrick's Last Three Presentations

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Historical Context

Three Years Ago

- ROI from Continuous Monitoring

Two Years Ago

- Continuous Monitoring Driving Operational Value

One year ago

- The Top Ten Wrong Things in Continuous Auditing Projects

The Problem with Continuous Auditing is *Audit*

Audits are Pass/Fail

- Little incentive for “extra credit”
- Objective is to “check the boxes”

Audit Budgets are Tight

- External audit fees are under pressure
- Internal audit department budgets are under pressure

There is Tension Between Reduced Budgets and the Investments Required to Leverage Technology

That's Not Bad, It's Just Reality

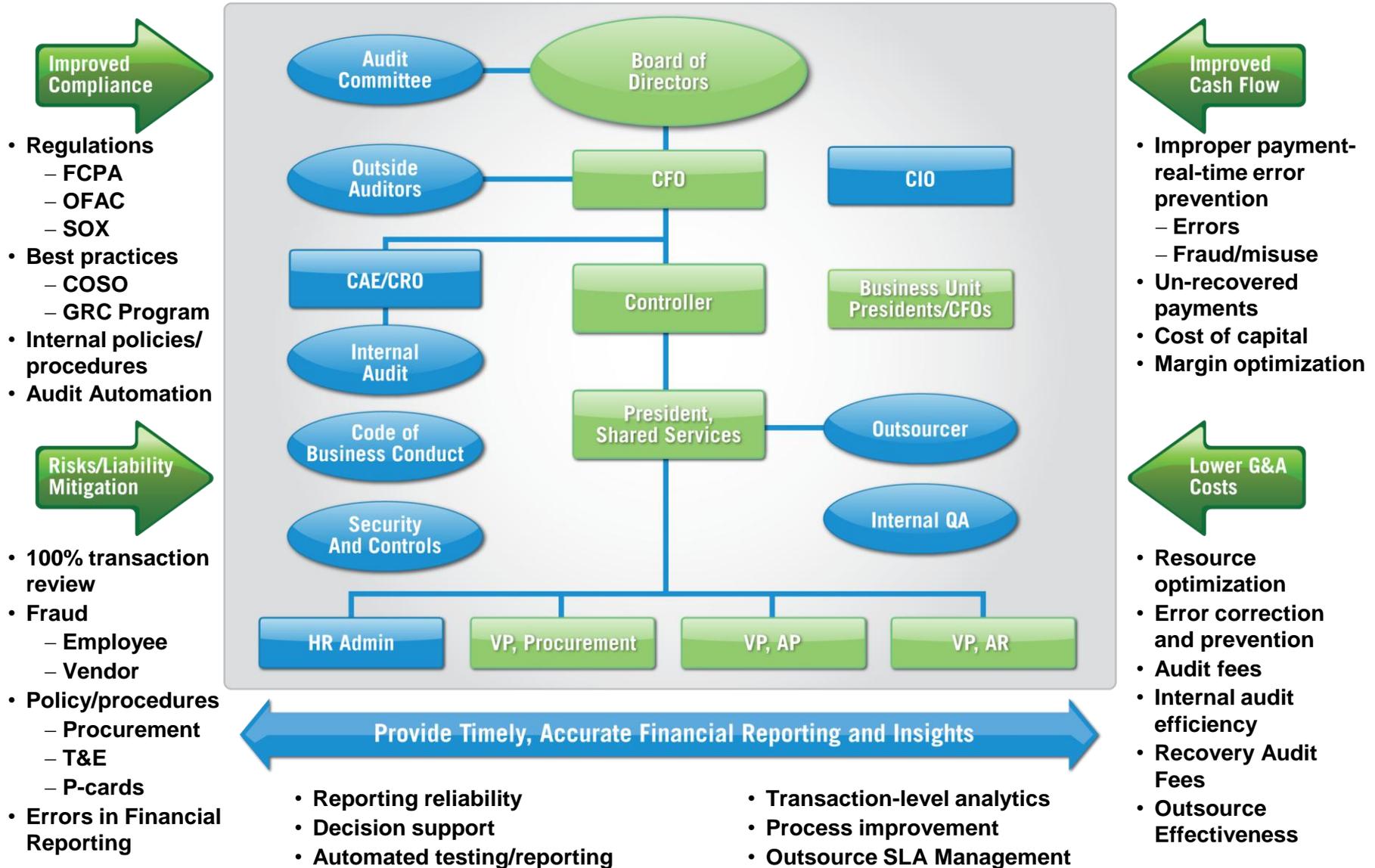
CM Drives Large ROI ... and Does It in a Short Period of Time

CA Create Value, Just Not as Large and Visible as CM

But ... CM Can Pave the Road to CA

Let's Look at Some Examples ...

What Value Does Monitoring Deliver?



Case Study 1 – DFAS



-  Finance Operations
-  Compliance
-  Internal Audit

- **> \$3.5 billion in prevented improper payments in less than three years**
- **Short ROI**
- **Supports compliance with IPERA and OMB A123 Circular C**
- **Leveraged for audit assertion**

Case Study 2 – US Navy



-  Finance Operations
-  Compliance
-  Internal Audit

- **Matching disbursements with Treasury funds monthly for the first time in 20 years**
- **Short ROI**
- **Supports compliance with Treasury and OMB requirements**
- **Leveraged for audit assertion**

Case Study 3 – US Bureau of the Census



- ✓ Finance Operations
- ✓ Compliance
- ✓ Internal Audit

- **Focused on improper payments prevention and identifying government excluded parties**
- **Short ROI, first agency to comply with DNP via automated means**
- **Supports compliance with IPERA, DNP, OMB A123 Circular C**
- **Leveraged for audit assertion**

Case Study 4 – US Department of Education



-  Finance Operations
-  Compliance
-  Internal Audit

- **Focused on improper vendor payments prevention and monitoring for irregularities in government grants**
- **Short ROI**
- **Supports compliance with IPERA and OMB A123 Circular C**
- **Leveraged for audit assertion**

Case Study 5 – Top 10 US Utility



-  Finance Operations
-  Compliance
-  Internal Audit

- **Focused on preventing improper payments**
- **Short annual payback**
- **Company has changed its business process to only make payments after all exceptions have been addressed**
- **Eliminated recovery audit**
- **Leveraged for internal audit review and external audit use**

Case Study 6 – Global Media Company



-  Finance Operations
-  Compliance
-  Internal Audit
-  External Audit

- **Focused on assuring accurate financial reporting**
- **Short payback due to decreases in internal audit LOE and external audit scope.**
- **Company identifies unusual journal entries as they occur and documents review and remediation for later review**
- **Leveraged for internal audit review, external audit use, and compliance with reporting requirements**

Case Study 7 – Global Products Distributor



-  Finance Operations
-  Compliance
-  Internal Audit

- **Focused on margin optimization**
- **Short payback**
- **Company reviews quotes and sales orders in near real-time to identify pricing anomalies (even when compliant with policy)**
- **Results contribute to continuous process improvement**
- **Leveraged by internal audit to identify government pricing compliance challenges and price over-rides resulting in margins below policy and even below cost**

Case Study 8 – Global Chemicals Leader



Finance Operations



Internal Audit

- **Focused on improper payments that were in excess of corporate tolerance. Operational visibility declined during relocation of Shared Services Center to Eastern Europe.**
- **Six-month ROI was five times greater than the one-year ROI plan**
- **Company reviews automatically distributes pending payment exceptions to global subject matter experts to review, remediate, and document**
- **Accounts payable success has caused expansion into order-to-cash, general ledger, and HR/payroll**
- **Leveraged by internal audit to identify audit opportunities and business process improvement potential**

Lesson Learned

ROI drives technology adoption and long-term value

Good solutions have more than one stakeholder

Monitoring solutions don't have to be exceptions-focused to generate big returns

CM Works Because ROI is Less Than 3-6 Months

- Today's budget realities predicate this
- The quicker the ROI, the greater the project priority

CM Works Because the ROI is Easily Measured

- Results are tangible
- Progress is obvious

More Than One Stakeholder

Financial Line of Business

Office of Compliance and Ethics

Internal Audit

IT

External Audit

Solutions Don't Have to Be Exceptions-Focused to Generate Big Returns

Understanding Trends Can Help Predict Events

- Exceptions are important to the process
- But addressing them is not critical to the value

Identifying Outliers is Essential to Predicting Unusual Activities

- Good place to start for identifying fraud, waste, and abuse
- Requires multi-dimensional analysis

What Does This Mean?

CM and CA Really Only Differ in the Eye of the Beholder (and the Keeper of the Checkbook)

CA Objectives are Consistent with Most CM Information Repositories

The Quickest and Most Cost-effective Path to CA is CM

Solutions Optimized for CM are Readily Leveraged for CA – the Opposite is Not True

If CA is the Objective, You Really Need to Be Pushing CM

- Identify a critical business need and address it
- Quick time to value is essential to future CM and CA success
- CM is not going to be successful as a “big bang” project

Internal Audit Should Partner with Owners of the Lines of Business

External Auditors Should Partner with Internal Audit

Thank you.



Oversight[™]

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