RADAR Monthly Update Call

Meeting Minutes

4/4/2018

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- The purpose of this conference call was to provide an update to the board on the MADs and Process Mining projects.
- Dan Balla was introduced as the new Vice Chair of RADAR. Brian Miller will continue on as Chair.
- The following project updates were given:
  - **Multidimensional Audit Data Selection (MADs) –**
    - An overview of the MADs process was given. The purpose of MADs is to filter through a whole population of data in order to identify "notable" or riskier items.
    - The MADs research team is focused on developing four examples of how to apply the MADs framework in practice. The four examples include the: (1) Expenditure cycle, (2) Revenue cycle, (3) General Ledger (i.e. journal entry testing) and (4) Payroll.
      - *Expenditure Example* - The research team is working with a procure-to-pay data set for this example. The team has applied specific filters (based on the data set and feedback from the board) to the data set covering the existence audit assertion. Based on the output from step 1, additional filters have been applied to further filter through the data set. The final population of "notable items" will be prioritized by the research team based on a developed criteria. As a next step, this team will begin to identify methods to help evaluate the MADs framework and compare it against traditional auditing procedures. This comparison will help to measure the efficiency and effectiveness of the MADs framework.
      - *Revenue Example* – This team is working with a Sam's Club data set for the revenue cycle. Similar to the expenditure team, the researchers have developed specific filters to sift through the population of data. They have identified their population of "notable items" and are determining whether to apply additional sub-filters to further sift through the population or begin prioritizing the final output for review.
      - *General Ledger (i.e. Journal Entry) Example –* The team is working with a data set and is focused, more specifically, on one business unit due to the large size of the data set. The team has developed a number of filters, and has begun applying them to the data set. Similar to the

other teams, the researchers are determining ways to prioritize or weight the "notable items" and evaluate the framework.

- *Payroll Example –* This team is working with a payroll data set, and has applied their specific filters. This team has also begun to prioritize their final population of notable items, and are considering ways to evaluate the framework.

Next Step – Detailed presentations will be given at the 4/30/18 in person meeting. Research teams will discuss how the filters were developed, the data analytic techniques used, the scoring/prioritization methods being used, evaluation methods being considered and preliminary results obtained. Slides and additional documentation will be provided ahead of the in person meeting in order to facilitate the discussion.

- **Process Mining –** The team is using event logs to analyze a business process. The team is developing a framework using both event log and transactional data to support risk assessment procedures. Following their framework, the team has identified "notable" variants (i.e. an item that doesn't follow the standards process flow/path).   The team is requesting input from the board of the risk scores, thresholds, and risk levels used in the framework.

- The meeting adjourned at 5:00pm. The next meeting will be an in person meeting held at Rutgers Business School on Monday, April 30th. An agenda and materials will be sent out prior to the meeting.