



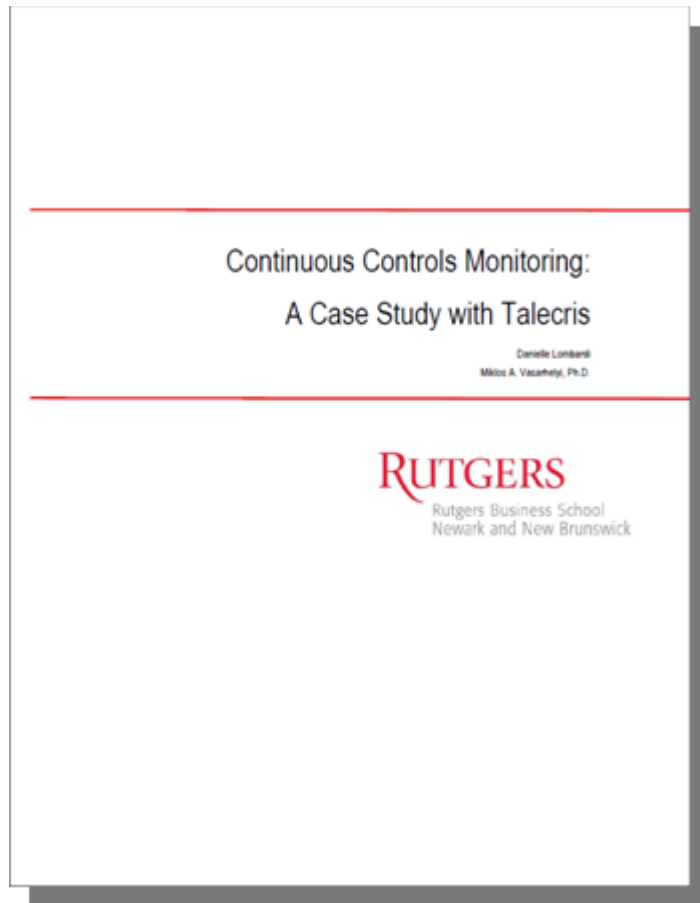
Talecris Biotherapeutics: A Case Study in Continuous Monitoring

Anthony Chalker,
CPA, CFF, CIA, CISA
Managing Director
Protiviti

Agenda

- Background
- Business Challenge
- Business Environment
- Management System Overview
- Audit Needs
- Solution: Center Audit Scorecard
- How did we get to the final product – the “scorecard”?
- From Raw Data to Scorecard
- Value to Client

Rutgers: Case Study with Talecris



- Talecris Biotherapeutics implemented controls monitoring of financial transactions
- Mitigate control, error and fraud
- Rutgers Business School conducted study of Talecris implementation
- Report available at www.acl.com/rutgersstudy

Background

Industry: Bio-Pharmaceutical and Manufacturing

Global company that utilizes human plasma to create products that treat life-threatening disorders in a variety of therapeutic areas.



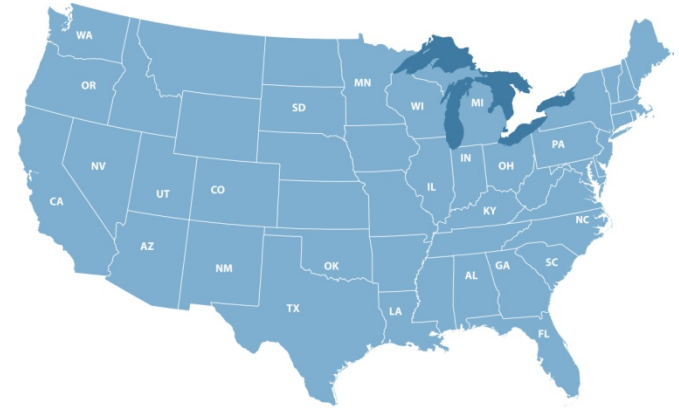
Subsidiary: A Number of Donor Centers



- A wholly owned subsidiary – a network of 60+ plasma collection centers.
- Every day, approximately 7,000 donors flow through the centers.
- Compensation for plasma donations is entirely cash-based, with over \$2.5 million disbursed weekly.
- Critical component of the Company's overall success strategy. The Company can secure a safe and reliable supply of plasma for their products.

Business Challenges

- Rapidly growing business unit with 60+ center locations spread throughout a large geography.
- To assess internal controls at the centers, Internal Audit has to conduct “surprise” cash audits at all the centers nationwide.
- Internal Audit needs to effectively cover all of the locations in a proactive and timely manner while managing costs.
- System reports are not cash-focused; mainly focused on operations and marketing activities.
- Data not readily available and not well-linked in the database to provide quick reporting or data mining capabilities for audit purposes.
- Surprise cash audits done in silos. Internal Audit teams had visibility only to the centers they visited.



Business Environment

- Heavily dependent in the past on manual processes for donor processing and donor payment.
- Outdated cash processes at the centers.
 - Center Financial Workbooks are not up-to-date to reflect standardization of payment types and donor payment processing.
- Weak controls over cash management causing fraud activities.
 - Clerks could alter the amount paid to the donor.
- Internal Audit needs to leverage the new management system to maximize its coverage while controlling its costs.

Management System Overview

- Transition from a manual-based donor management process at all centers to a system-based process utilizing a management system.
- Automation of donor processing and donor payment.
- ATM-linked – use of cash is no longer needed unless ATM malfunctions.
- Donor-focused, not cash focused.
- Concerns:
 - Lack of system controls around handling of cash processes.
 - Ability to modify system-generated amount to be paid to donors based on their donation activity.
 - Ability to issue additional payments (bonus, inconvenience fees, etc.) to donors without additional approval controls.
 - No standardized payment plans with minimum and maximum payment limits.

Audit Needs

- An independent internal assessment, improvement, and reporting tool.
- Define key metrics focused on cash management to assess control effectiveness and the centers.
- Prioritize “surprise” cash audits based on center’s risk level.
- Ability to drill down on the center’s cash activity.
 - Use of Cash vs. ATM while ATM runs at 100% up time.
 - Use of excessive bonus and inconvenience payments.
 - Clerk’s misuse of payment plans.
 - Trends on clerk’s usage of payment plans.
- Better method to measure and assess centers’ remediation and improvements based on prior audit findings.

Solution: Center Audit Scorecard

Purpose:

To help establish a risk-based audit plan for the center audits. The scorecard allows Internal Audit to assess centers based on key metrics and to assist in the prioritization of centers for upcoming “surprise” audits.

Overview:

Identified 14 different risk metrics for the Scorecard, which are primarily directed at cash processes within the donor center.

- The Scorecard provides a risk rank for each individual metric by center.
- The Scorecard provides an overall risk value for all metrics relative to its ranking among all centers.

Solution: Center Audit Scorecard

Key Features:

- ACL is utilized to import and analyze raw financial transactional data from the management system.
- A custom-developed ACL script is run to calculate values for the 14 predetermined metrics. An output table is produced by the ACL script and imported into the Scorecard.
- The Scorecard incorporates and summarizes six months of data at a time.
- Centers are evaluated as high, moderate, or low risk – a classification which is user-defined according to the center's risk ranking.
- Results can be viewed by metric, center, division, or region.
- The Center Snapshot provides a specific month's results at the selected center; shows trends at the center over a six month time frame; and compares the center's performance to other centers, division, and region.
- Data, summarized on the results of each center, is produced by the ACL script and available for further inquiry or investigations.

Center Snapshot

Summary of metrics for a selected center

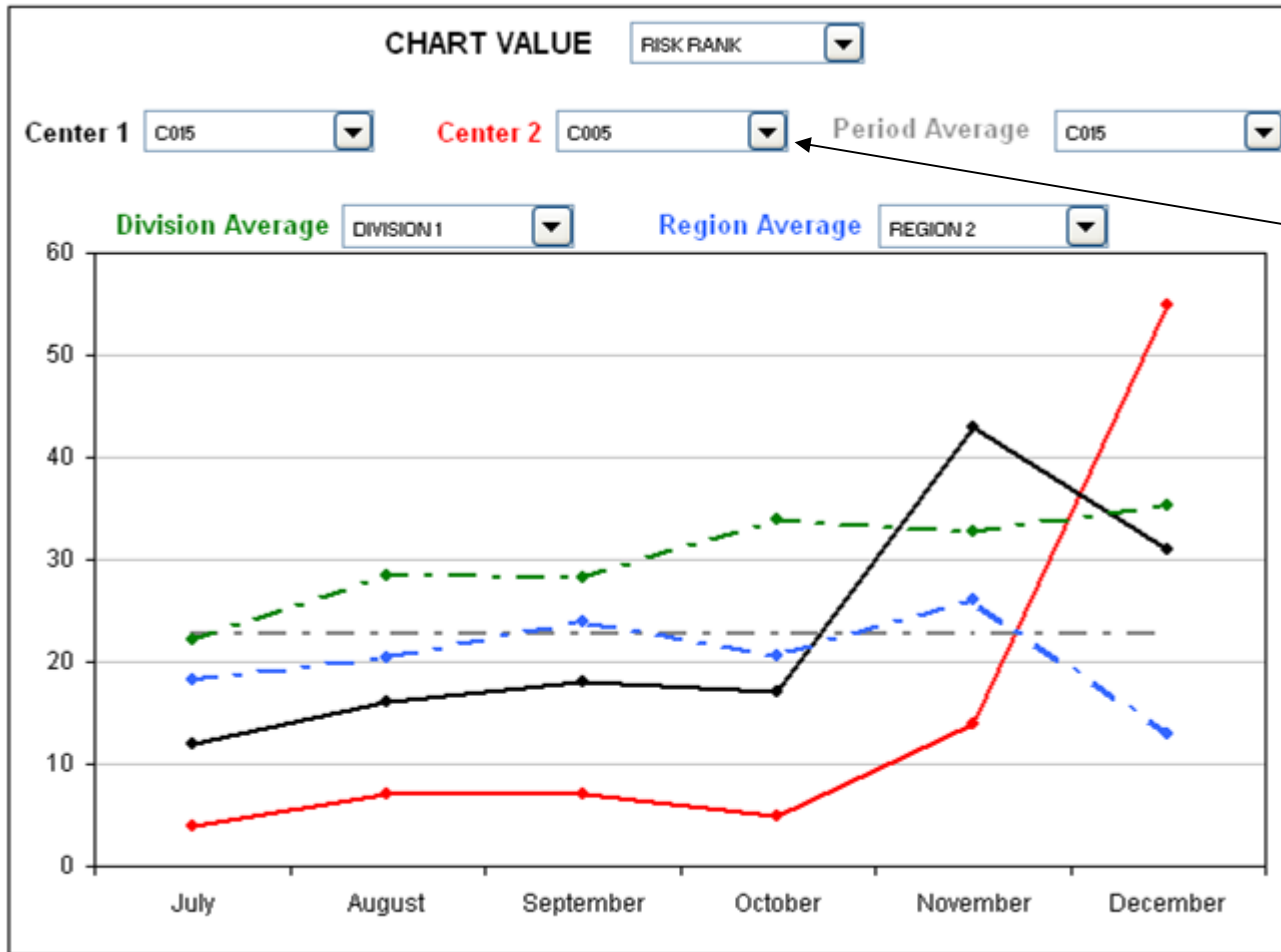
C018		Risk Rank 14	
341		Total Score 27.7143	
Division: 1 Region: 2		Risk Category High	
September			
Metric	Risk Value	Risk Rank	Risk Level
Cash Policies and Procedures	4.00	8	High
Actual vs. Default Payments (Volume)	19.60%	13	High
Actual vs. Default Payments (\$)	17.80%	12	High
Payment Code Usage per Month	16.70%	18	Moderate
Cash Management	17.61	13	High
User vs. Payment Code	0.18	3	High
% of Inconvenience Payments (Volume)	0.01	18	Moderate
% of Inconvenience Payments (\$)	0.80%	19	Moderate
% of Buddy Bonus Payments (Volume)	0.00%	41	Low
% of Buddy Bonus Payments (\$)	0.00%	39	Low
% of Cash Payments (\$)	0.40%	25	Moderate
% of Cash Payments Overpaid (Volume)	50.00%	3	High
% of ATM Payments Overpaid (Volume)	19.40%	13	High
Duplicate Donor Payment ID	0	58	Low
Cash Reporting	6	55	Low
Payments per Visit	6.13	55	Low
Terminated Payment Codes	0	58	Low
Overall			
Aggregate Center Risk Rating	27.7143	14	High

By selecting the Center name in the Center Snapshot tab of the Scorecard, users can view a high-level summary of the center's performance for the period.

The Division and Region of the center are displayed dynamically based on the entries in the Center Setup.

Metrics are organized by category, and thus users can assess the center's overall performance in a certain category. The lower risk rank, the higher risk level the center will be.

Centers Comparison

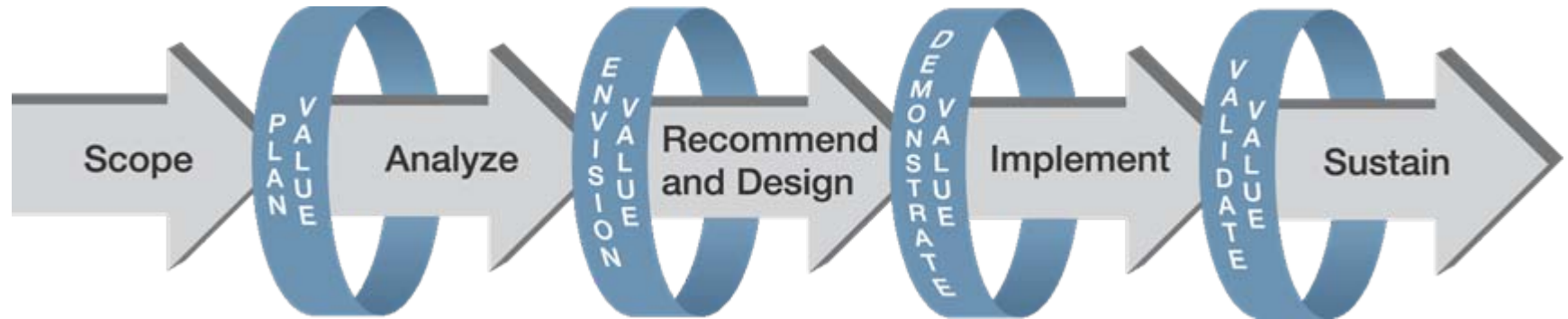


For an overall, aggregate center risk ranking, a center can be compared to another Center, to Period Average, Division Average, and Region Average. All comparisons are based on user selection from the drop-down list.



How did we get to the
final “product” – the
SCORECARD?

Developing the Scorecard...



- Understood the description of the problem from the Client
- Determined client functions and departments in scope
- Determined timeline and milestone expectations
- Discussed proposed approach and scope with the Client
- Obtained management buy-in

- Assessed client problem
- Understood “as-is” state and envisioned the end state
- Drilled down the problems / risks
- Submitted data requests to client personnel
- Review the data and process mapping to analyze the data
- Identified root causes
- Identified potential solution options
- Obtained management buy-in

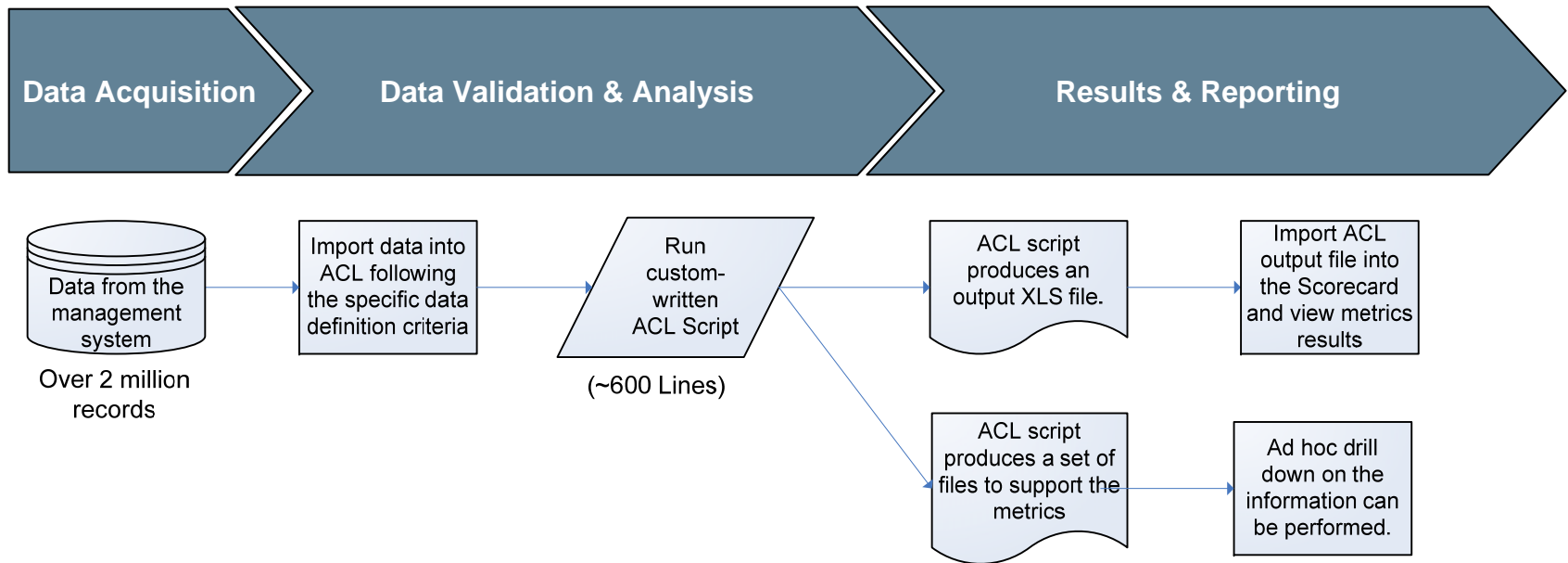
- Prioritized and selected solution
- Prepared detailed design and recommendations
- Prepare road map for implementation
- Obtained management buy-in

- Implement solution
- Test and refine
- Validate results
- Train users / knowledge transfer

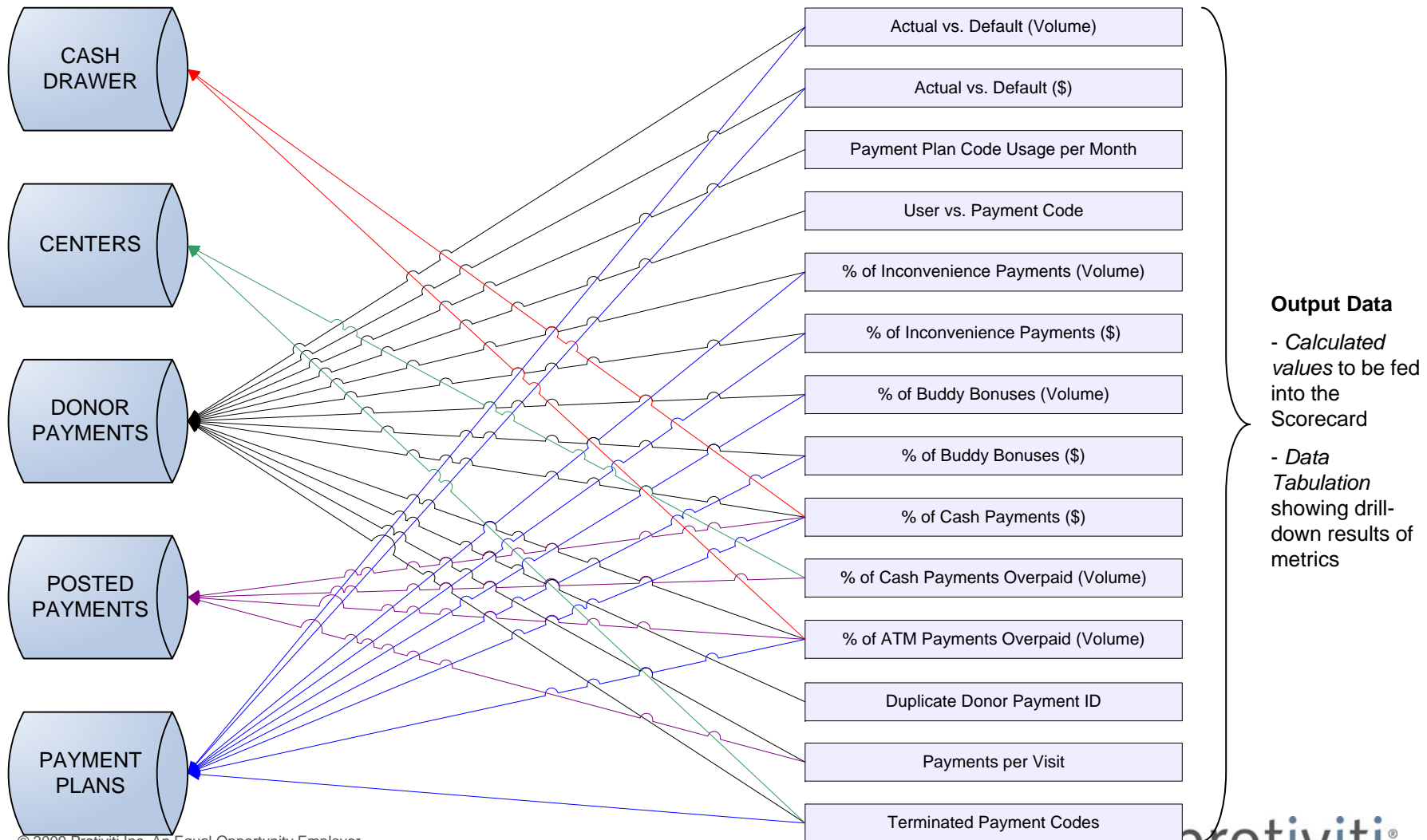
- Monitor solution
- Continuous improvement program
- Support client with new thinking / ideas

Scorecard Data Flow

In a nutshell, the data flows from the original source—the management system—into the Scorecard as follows.



DB Table-to-Metric Relationship

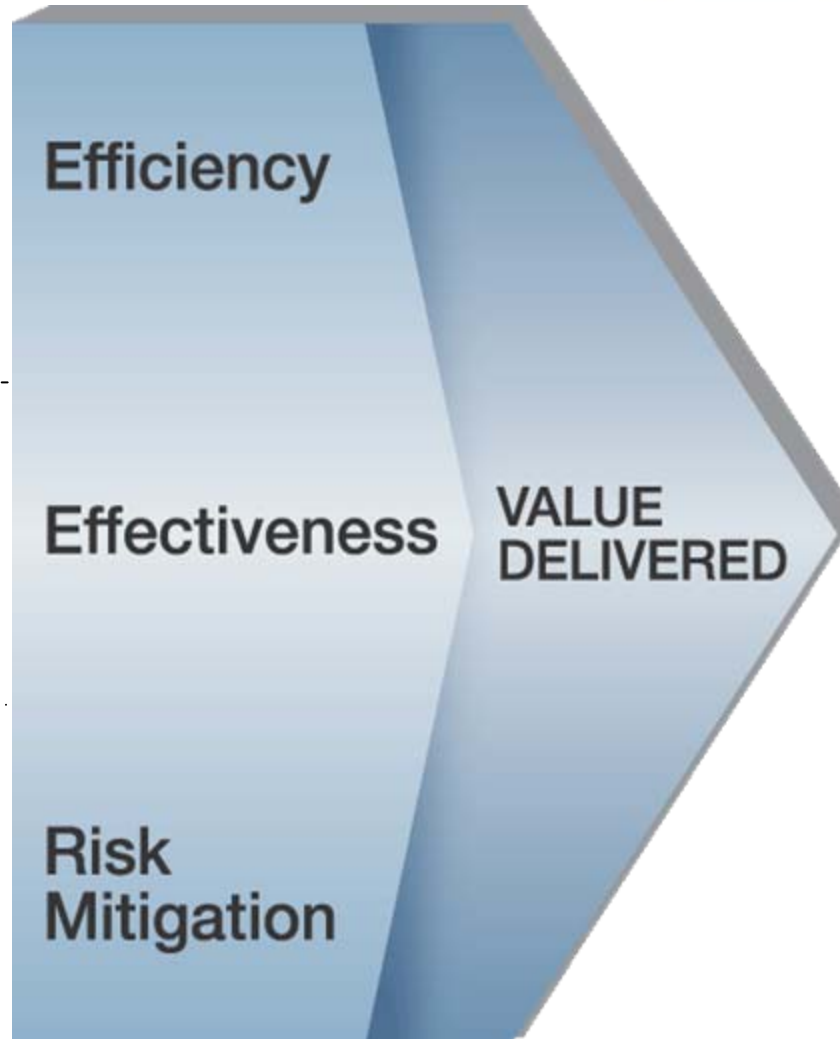


Value to Client

- Directing Internal Audit resources to the highest impact areas while continually monitoring the trending across all locations.
- Utilizing ACL to save audit costs while increasing focus and visibility across a rapidly growing business unit.

-
- Quicker follow-up with the centers and their regional management.
 - Reducing business disruption to the centers. Auditors showed up at the door of the center before it opened for the “surprise” cash audits.
 - Ability to drill down to details on areas of high risk per center.

-
- Monthly monitoring of cash activities based on the identified metrics.
 - Broad visibility of all centers – allowing core teams to be able to identify not only issues and inconsistencies between centers, but potential best practices that should be shared with other centers.



Automated Audit Scorecard with 14 metrics, evaluating centers by risk level.

*Powerful Insights.
Proven Delivery.™*



protiviti[®]
Independent Risk Consulting

Anthony Chalker
Managing Director
3343 Peachtree Rd.
Suite 600
Atlanta, GA 30326

Office: 404.926.4314
Anthony.Chalker@protiviti.com