

Q What data is cleaned up? My thought is you don't want the accounts payable clerk or payroll clerk knowing you are mining the data for fraud.

A BKD data mining professionals perform data cleansing on receiving data from the client. This allows us to determine what information should or should not be removed from the data in the cleansing phase.

Q How often do you find issues where none are suspected? How often do you find fraud?

A We almost always find something in the data management was not aware of, so this is a difficult question to answer. That is not to say we find fraud every time. It may be a conflict of interest between an employee and vendor, a large number of obsolete vendors in the vendor master producing unnecessary risk, or a circumvention of controls in the accounts payable department. While we have found fraud using forensic data mining, every project is unique.

Q Is this all Excel-based analysis or some other specialized tool?

A For the majority of our analysis we use ACL, SQL Server and proprietary tools developed by BKD data mining professionals. However, we do still use Excel for some procedures and reporting purposes.

Q Do you also look at compliance hotlines, etc., to make correlations?

A In a typical data mining project we only consider the data, not the control environment of the entity. However, data mining is a component

of a typical fraud risk assessment engagement. In these projects we do look at the control environment and the effect it may have on patterns in the data.

Q Is there a process for checking the validity of accounts payable vendor tax identification numbers similar to checking payroll employee Social Security numbers?

A Yes, the Internal Revenue Service (IRS) provides a service to verify vendor taxpayer identification numbers. This service can be found on the IRS website in the "Tax Professionals" section.

Q What are the backgrounds of the people who have written your automated tools, i.e., IT, accountant, prior FBI?

A Our team of professionals have a variety of backgrounds particularly suited to data mining, including certified forensic accountants, individuals certified in financial forensics and other forensic accounting and fraud certifications, information technology professionals and certified public accountants.

Q Do you have a recommendation on how to convince management data mining is necessary?

A The statistics speak for themselves. With the average company losing up to 7 percent of gross revenues to fraud committed by employees or vendors, there are compelling reasons to take action. While traditional audit techniques involve sampling, data mining involves analysis of 100 percent of the data. This allows the professional to

uncover more types of fraudulent or inappropriate activity. In addition, a data mining engagement normally results in recommendations that may help an organization reduce risk in the vendor and employee files. When informing a board of directors or audit committee of this alternative, many are interested in securing the superior analysis data mining provides.

Q How do you think the economy will affect fraud trends in the coming years?

A Unfortunately, many industry observers anticipate current economic conditions will only provide additional incentive for those prone to engage in fraudulent activity. It also is likely the occurrence of fraud will increase among individuals not normally prone to engage in fraudulent activity. Essentially, as financial pressures increase it is likely the rates of fraudulent activity will increase in the business community.

Q Can you tell us the four files again?

A Vendor master file, accounts payable detail file, employee master file and payroll detail file. These files can be exported to most file types, including delimited (tab, bar, comma), text, Excel or Access.

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