

## SOLUTION OVERVIEW

### PURCHASING CARD MONITORING SOLUTION

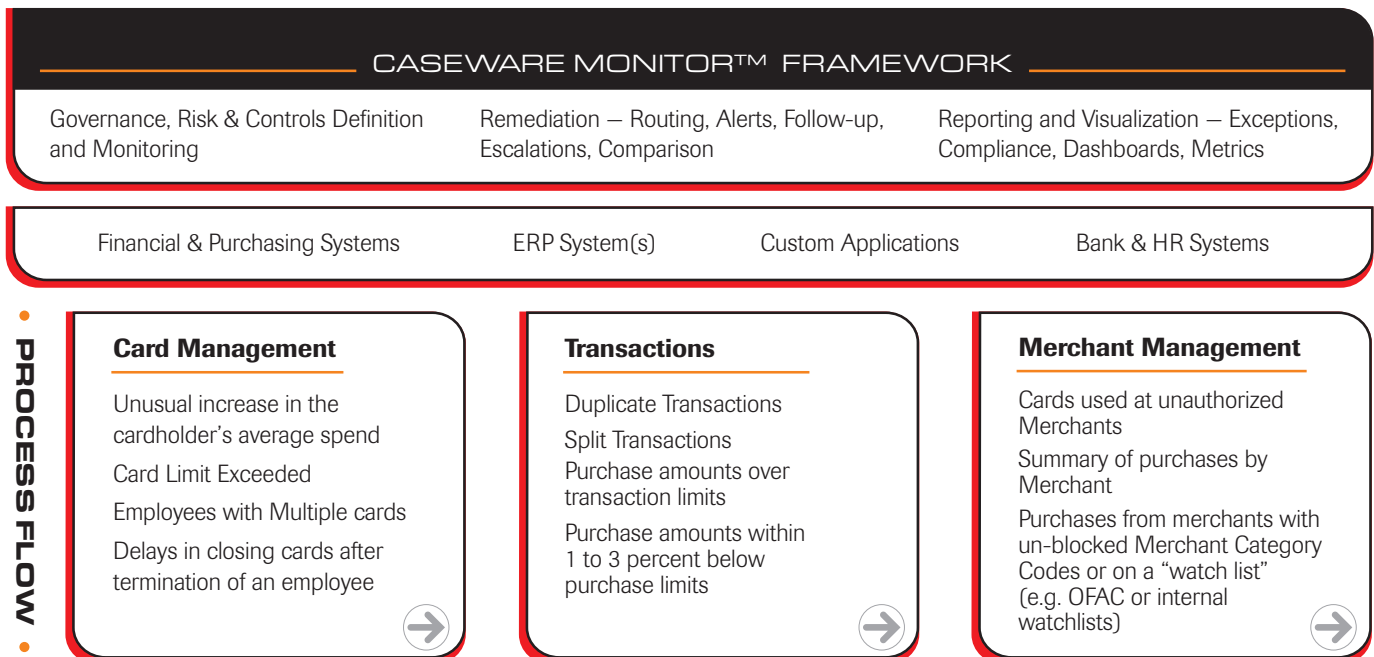
#### Purchasing Cards

As organizations continue to strive for more cost-effective operations, the move from traditional purchasing processes to the widespread adoption of Purchasing Cards (P-Cards) continues to grow. “Annual purchasing card spending is expected to increase to \$213 billion by 2012 and \$255 billion by 2014.” P-Cards can lower operational costs by automating supplier payments and streamlining the overall procurement process. However, the newfound benefits and cost synergies created by empowering employees to make direct purchases can pose new risks. Increasing P-Card transaction volumes, coupled with fraud and misuse, can pose major challenges for senior management and other stakeholders who want to realize the complete benefits of the card program or achieve program expansion. When the average time taken to detect procurement fraud is 24 months, at which point 89% of all proceeds are unrecoverable, organizations must be able to immediately identify and resolve control breakdowns before they have a negative impact.

#### Continuous Monitoring of Purchasing Card Controls

In keeping with best practices for P-Cards, Continuous Monitoring solutions provide an independent point of observation over P-Card processes, transactions and associated controls. Continuous Monitoring solutions allow for the immediate identification of control breaches, fraud and money leakage, while ensuring data quality and providing feedback on key performance metrics across the entire P-Card process. A key feature of an effective solution is the ability to track fraud and deficiency issues as they occur in an accountability framework, and to ensure that they are addressed in a timely manner.

**Figure 1 – Monitoring Purchasing Cards**



<sup>1</sup> RPMG Research Corporation 2010 Purchasing Card Benchmark Survey Results

## **Workflow and Reporting**

When an event occurs, alerts are triggered in CaseWare Monitor™ and a stringent remediation process is initiated to ensure that high-risk activities are addressed as stipulated by the organization's internal policies.

CaseWare Monitor automates key reporting for stakeholders, including regulators, and provides visualization of the control environment through dashboards.

Reports include:

- Key P-card risks
- Segregation Of Duties policy enforcement

Standard dashboards include:

- Trending of results across dates
- Grouping by risk ranking and status (new, pending, overdue, etc.)
- Comparisons across processes and users

## **CASE STUDY – GOVERNMENT**

As the agency responsible for negotiating labor agreements and serving as the country's Comptroller General, its mandate was clear—to ensure managerial accountability of federal spending by utilizing best-in-class accounts payable technology with a strong commitment to enforcing internal controls.

### **Challenges**

After conducting several successful recovery audit projects on its P-Card transactions, the finance division was able to recover only a limited percentage of erroneous payments. It also needed to meet the internal mandate of implementing best practices at a speed that mirrored the maturity of the P-Card program. To ensure on-going accountability, the division wanted to be able to find exceptions in-house and more quickly than with periodic audits.

### **Solution**

The finance division's practical management team decided to implement the CaseWare Monitor solution based on compelling results produced by the Proof of Concept (POC). The POC contained analytics for areas that had been audited several times before, as well as in those recommended by the CaseWare team. These were all areas that the finance division knew were potentially problematic.

Now the government agency is continuously monitoring 100% of its P-Card transactions. Through a single portal, members of the finance team can distribute issues using a customizable workflow where overdue exceptions can be escalated to upper management. CaseWare Monitor's ability to easily adjust or implement new P-Card controls is critical in helping the finance team fulfil its mandate to stay ahead of risk as the P-Card program expands.

### **Value**

- Continuously monitors 100% of P-Card transactions
- Implements relevant analytics that follow internal policies and procedures as the program matures
- Finds exceptions as they occur, leading to almost perfect recovery rates
- Proactively manages errors, which solidifies merchant relationships, often leading to favorable pricing

## SAMPLE OF P-CARD REPORTS AND ALERTS

### Card Management

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Unusual increase in the cardholder's average spend and/or highest spend amount

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Card limit exceeded

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Cardholders with zero activity within a specific time period

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Validate changes to card limits

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Employees with multiple cards

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Delays in closing cards after termination of an employee

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Open cards for non-active employees

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Invalid employees (i.e. identify cards used by persons not found in HR data)

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### Transactions

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Verify data integrity

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Split transactions (i.e., two or more transactions which show the following similarities: same date, same supplier, same cardholder and same amounts)

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Purchase amounts over transaction limits

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Purchase amounts one to three percent below purchase limits

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Duplicate transactions (same merchant, same amount, same day)

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Multiple cards with duplicate transactions (i.e., identify multiple transactions with same merchant and same amount on multiple cards)

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Even dollar net amounts

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Extract transactions that took place during public holiday or vacation periods

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### Merchant Management

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Purchases from merchants with blocked Merchant Category Codes (MCC)

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Purchases from merchants with un-blocked MCC

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Purchases from merchants on a "watch list" (e.g., OFAC or internal watch lists)

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Cards used at unauthorized merchants

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Summary of purchases by merchant

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## BENEFITS

### BUSINESS CHALLENGE

### CASEWARE™ MONITOR SOLUTION

#### STAKEHOLDERS' REQUIREMENTS

Escalating risk and compliance requirements

- Provide enterprise-wide definition and monitoring of controls and assurances that they are effectively implemented across all business processes.

#### AUTOMATION

Automating control breach detection and remediation

- Detects breaches at the data source.
- Distributes data across the enterprise by user-defined rules via dashboards, e-mail, SMS
- Provides workflow for remediation including automatic detection of resolution of errors
- Allows the user to define controls in multiple business processes with a consolidated view
- Increases efficiency by making analytics repeatable with the ability to adjust tolerances
- Business rules and parameters are customizable and new logic can be built by the organization
- Monitoring can also be applied to business metrics
- Issues are identified as soon as they occur

#### INTEGRATION

Seamless integration into existing solutions

- No changes required to underlying systems being monitored
- Non-intrusive access to data and cannot amend source data
- User and group security with LDAP support
- Strong encryption
- Distributed service oriented architecture (SOA).

#### PROCESS OPTIMIZATION

Makes the process more efficient and less costly

- Issues detected on a more timely basis
- Lower recovery costs
- Greater level of automation
- Compliance and other reporting automatically generated
- Knowledge and expertise captured in the control systems



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