

13th Fraud Conference Wednesday, April 27, 2016 raw.rutgers.edu/13fraud

The New Jersey Chapter of Association of Certified Fraud Examiners (ACFE) and the Northern New Jersey Chapter of the Association of Government Accountants (AGA) are co-sponsoring a Fraud Conference with the Rutgers Business School. This event offers a unique forum to discuss emerging issues in the area of Fraud with experts and an outstanding opportunity to earn reasonable CPE credits in today's economic times. The event will be held on April 27, 2016 at the Rutgers Business School located at One Washington Park, Room 220, Bove Auditorium, New Jersey, 07102, from 8:00 am to 4:30 pm. Parking is available at numerous lots at the individual's expense.

Conference attendees will receive an estimated eight (8) CPE credits in Auditing. NASBA Sponsor Identification #116231

The cost for the event is as follows: \$150 for ACFE /ISACA/AGA members with a minimum of 48 hours advance reservation. \$175 for ACFE/ISACA/AGA members with no prior reservation.

\$175 for non-ACFE/ISACA/AGA members with a minimum of 48 hours advance reservation.

\$200 for non-ACFE/ISACA/AGA members with no prior reservation.

All checks will be collected at the door and should be made payable to "Rutgers-The State University". No credit cards will be accepted. To make a reservation, email the attached registration form to <u>Dahlberg@andromeda.rutgers.edu</u>, with attention to Professor Karl Dahlberg, Department of Accounting & Information Systems, of Rutgers Business School

Intended Audience: CPAs, CMAs, Fraud Examiners, Government Accountants, and other Auditors or Accountants who are interested in ethics, fraud, security, and computer systems.

Program Description: Professionally-qualified speakers will present various fraud topics of current interest.

Learning Objectives: To provide updated information in the following areas:

- The role of Big Data and the New Data Standard in Forensic Accounting
- Recent Issues in fraud detection and prevention
- The convergence of physical security and IT security
- Mitigation of enterprise risk in not-for-profit organizations
- Support for fraud investigations
- Text mining to uncover corporate fraud

Delivery Method: Group live Program Level: Update Prerequisites: None Advance Preparation: None Refund Policy: 100% refund if cancelled at least 48 hours prior to the event Complaint Resolution: Complaints will be resolved by the Rutgers Accounting Research Center @ 1- 973-353-5172.

Rutgers Business School is registered with the National Association of State Boards of Accountancy (NASBA) as a sponsor of continuing professional education on the National Registry of CPE Sponsors. State boards of accountancy have final authority on the acceptance of individual courses for CPE credit. Complaints regarding registered sponsors may be submitted to the National Registry of CPE Sponsors through this website: <u>www.learningmarket.org</u>.

Scheduled Speakers and Topics

Big Data and the New Data Standard: Forensic Accounting Implications

Miklos Vasarhelyi, KPMG Distinguished Professor of Accounting and Information Systems, Rutgers University

Professor Miklos A. Vasarhelyi is the KPMG Distinguished Professor of Accounting Information Systems and serves as Director of the Rutgers Accounting Research Center (RARC) & Continuous Auditing & Reporting Lab (CAR Lab). He is credited with developing the original continuous audit application and is the leading researcher in this field. At Rutgers Business School, Professor Vasarhelyi heads the Continuous Auditing and Reporting Laboratory, which is working on projects for such leading companies as Siemens, KPMG, Procter & Gamble, D&B, AICPA, CA Technologies, Workiva, Morgan Stanley, and Brazil's Itau-Unibanco. Vasarhelyi, who received his Ph.D.in Management Information Systems from UCLA, has published more than 200 journal articles, 20 books, and directed over 40 Ph.D. theses. He is the editor of the Artificial Intelligence in Accounting and Auditing series and the Journal of Emerging Technologies in Accounting (JETA). He has been named the Outstanding Accounting educator by the AAA in 2013. He has taught executive programs on AIS, audit automation, continuous audit, and electronic commerce to many large international organizations, including GE, J&J, Eli Lilly, Baxter, ADL, Volvo, Siemens, Chase Bank, Itau Unibanco, and AT&T. He received his PhD from UCLA, his MS from Massachusetts Institute of Technology and earned a Bachelor's of Science degree in economics and electrical engineering from the State University of Guanabara and the Catholic University of Rio de Janeiro.

This presentation will define big data and imagines the all integrated audit of the future and it further discusses five scenarios of using analytic methods in audits and proposes a framework for discrepancy detection. The discrepancy detection model can be applied to fraud examinations.

Leveraging the power of analytics and data visualization techniques to elevate internal audit and aid in the detection of potential fraud

James Littley and Gregory Frank, KPMG

Organizations continue to do more with less. It is important to identify ways to continually improve audit coverage and effectiveness to protect your organizations — not only from a compliance perspective, but from a fraud and business performance perspective. This session will provide:

1. Insights into the most current trends in data, analytics, technology, and continuous monitoring

2. Expert techniques and examples for incorporating data analytics and data visualization techniques geared towards detecting potential fraud on internal audits

3. Live demonstration of an example fraud analytic technique

Jim Littley is a Principal in KPMG LLP's Risk Consulting practice. He is KPMG's Global and Americas leader for Continuous Auditing & Continuous Monitoring Services. Jim has over 30 years of experience providing advisory services to clients in the areas of risk assessments, forensic investigations, regulatory compliance, contract compliance, data analytics, and continuous auditing and continuous monitoring across a variety of industries.

Greg Frank is an Advisory Senior Associate working in KPMG's Risk Consulting Services practice with experience in the Healthcare, Financial Services, and Manufacturing industries. He is a member of KPMG's Data & Analytics-enabled Internal Audit center of excellence where his contributions have included developing continuous auditing applications and visualization dashboards using Alteryx, QlikView, Tableau, and other third-party tools for the Procure to Pay (PTP), Purchasing Card (P-Card), Travel & Entertainment (T&E), and Order to Cash (OTC) business processes. In addition, Greg's contributions have also included assisting clients develop a data & analytics-enabled continuous auditing program through pilot audit support and facilitation of on-site training and strategy workshops.

The Convergence between Physical Security and IT Security

Frank B. Halpin, CPA

Frank B. Halpin has been engaged in the fields of Security / Loss Prevention, Auditing, and Asset Protection since 1979. He has held senior management and investigative positions with Macy's, J. Crew Group, Barney's New York, Honeywell International, Public Service Enterprise Group (PSEG), Day & Zimmermann and McRoberts Protective Agency. He is a graduate of Rutgers University with a Bachelor of Arts Degree in Psychology. Frank is a 30 year member of ASIS International (Former Chairman of the Central New Jersey Chapter, member of the ASIS International Investigations Council and the Central New Jersey Young Professionals Chairman).. He is a Certified Fraud Examiner (CFE) with The Association of Certified Fraud Examiners since 1993. Frank is also a member of InfraGard – the FBI infrastructure public outreach program. Frank has been designated as an "Honored Citizen" in the Honor Legion for the Police Departments of the State of New Jersey since 2002. Frank served as Former Trustee for the Coalition for the Prevention of Economic Crimes (CPEC) under the National White Collar Crime Center (NW3C) / US Justice Department in Washington, D.C. Because of his extensive successful experience in the security and investigative fields he has lectured throughout the United States and internationally on a variety of business and security topics related to the protection and recovery of corporate assets.

As a result of the ever increasing threats from security issues facing our businesses and economy today such as Cyber / IT related threats, the security industry is rapidly changing. Corporations are now seeking to hire security professionals with both knowledge and certifications in Physical Security and Cyber / IT Security. The dynamics of these needs are providing security professionals and corporations great opportunities and challenges.

Continuous Auditing and Monitoring to Mitigate Enterprise Risk in Not-for-Profits

Charlie Dietz III, C.P.A., C.F.E.

Charlie Dietz III is a retired partner from one of top 15 CPA firms in the United States. His entire professional career of over 37 years was in public accounting, as a Certified Public Accountant. Charlie is licensed in Virginia, Maryland & Washington, DC as a Certified Fraud Examiner. An overview of Charlie's career in public accounting is a follows: Extensive audit experience including audits of not-for-profit entities; Proactive and progressive in approach to utilizing the latest audit techniques, communications with management, internal control review and in making insightful recommendations to clients; Listed five times by Virginia Business Magazine as a "Super CPA" in the small business consulting category and once in the not-for-profit category.

The purpose of the current research is to provide an overview of the aspects of enterprise risk management, present the case for implementing auditing and monitoring capabilities, and discuss the authors' experiences in implementing Continuous Auditing and Monitoring technologies at Not-for-Profit (NFP) organizations. Many large, and generally publicly-held organizations have implemented Continuous Auditing and Monitoring (CA/CM) tools into their internal and managerial activities to some degree (Alles et al, 2008), to support their internal audit function. Small-to-medium sized (SME) organizations, and especially NFPs, have not had an opportunity to participate in the benefits of CA/CM technology due to cost/benefit concerns, a general lack of product designed and priced for smaller organizations, and a lack of technical expertise in the organization.

Risk Management involves striking a balance between meeting management's strategic, operational, reporting, and compliance objectives with that of identifying the level of risk management is willing to accept in not meeting those objectives. This research discusses these aspects of risk management in greater detail, as well as describing those responsible for managing enterprise risk in an organization.

The case for implementing auditing and monitoring capabilities is discussed from the perspective of 'The Report to the Nations on Occupational Fraud and Abuse – 2014 Global Fraud Study', the COSO report, examples of controls available in current software applications, and recent press articles. A description of automated CA/CM tools, and the benefits they offer to users is provided.

Examples from the recent Rutgers Not-for-Profit CA/CM project, which focused on smaller NFP organizations, are given. Hurdles to the smaller NFPs in implementing CA/CM are discussed, including management buy-in, lack of technological expertise, and inconsistent and non-machine readable data formats, among others. The application of CA/CM tools to achieve organization goals and objectives is described, for example, joining datasets to identify inconsistencies, appending data with attributes to facilitate

testing, and the use of digitized formulas and scripts. Payroll/HR business functions, which were investigated and for which CA/CM technologies were implemented, and their results, are discussed.

The presentation concludes by describing examples of applying CA/CM technologies to mitigate risks brought about by payroll schemes, purchasing and billing schemes, and expense reimbursements.

Applying the ENHANCE Framework to Support Fraud Investigations

Stephen Kozlowski, PhD Candidate Rutgers Business School

Stephen is currently a fourth year PhD candidate at Rutgers. He has spent over twenty years in the information technology area with a career focused on the design, implementation, training and support of Accounting and ERP Systems. Previous to this he held various accounting positions including internal audit, general accounting, and financial reporting. Stephen holds a Virginia CPA license. His research interests include continuous auditing, data analytics, and accounting information systems implementation and use.

This presentation will describe in detail the alterations required to provide ENHANCE-A (for audit), a robust tool in support of fraud investigations. The initial research activity introduced the concept of an ENHanced ANalytic Constituent Environment (ENHANCE) framework facilitated by open government data that fulfills the reporting requirements of the various governmental stakeholders, such as citizens, analysts, bond investors, creditors, vendors, and oversight officials. Auditors should also be considered within the group of governmental stakeholders.

This current research activity and presentation adapts the concepts incorporated in the initial ENHANCE framework in order to support fraud investigations. The initial design of ENHANCE was intended to provide for not only normal constituent inquiries but also be robust enough to support an 'armchair auditor' activity (O'Leary, 2015). Further adaptation to support fraud investigations will not require major changes to the overall design of ENHANCE, but more of a tuning effort within the 'apps' that make up the framework.

Text Mining to Uncover Corporate Fraud: Two distinctive cases.

Yue Liu, PhD student Rutgers Business School

Yue specializes in text mining and its application in auditing, as well as nonfinancial information and predictive auditing. Yue participated in "Arbitrage Strategies of Stock Index Options" research project held by China Financial Futures Exchange, 2013. Yue has a paper submitted for review, "Text Mining to Uncover the Intensity of SEC Comment Letters and Its Association with the Probability of 10-K Restatement". Yue was educated in the Southwestern University of Finance and Economics, Sichuan, China and received a Bachelor degree of Financial Statistics and Risk Management

Specifically, one case is detecting fraud in COBOL code. The other case is detecting fraud in quarterly conference calls. This presentation will first introduce the basics of text mining and a few interesting research papers applying text mining to fraud detection. Then we will focus on two distinctive cases of fraud detection based on text mining techniques. Specifically, the first case is fraud detection in the COBOL code, and the other is fraud detection in the quarterly conference calls. In the first case, a COBOL Analyzer is introduced to identify potential frauds with suspicious scores for manual inspection. Further, files verified to contain malicious code can be used to train classification algorithms to identify files similar to the malicious files. The second case investigates at the utterance level the linguistic and vocalic indicators of fraud in a high-stake setting of the earnings conference calls. Since the earnings conference call contains both a prepared presentation part and an unprepared question and answer (Q&A) part, it provides a natural setting for analyzing the strategic and non-strategic spoken language in detecting deception. The empirical evidence shows a combination of nonstrategic markers being subsequently offset with strategic responses in real time.