

Early Detection of High-Risk Transactions

The Problem

The June 2020 update to the U.S. Department of Justice (DOJ) Evaluation of Corporate Compliance Programs guidance (2020 Guidance) emphasized that corporate compliance programs must be updated to be capable of delivering actionable risk insights on an ongoing basis. The 2020 Guidance specifically notes that companies should focus their resources on high-risk transactions.

“Prosecutors may credit the quality and effectiveness of a risk-based compliance program that devotes appropriate attention and resources to high-risk transactions, even if it fails to prevent an infraction.”

- U.S. Department of Justice, Criminal Division, Evaluation of Corporate Compliance Programs (Updated June 2020)

Traditional auditing and monitoring efforts for identifying high-risk transactions are manual and control-focused and tend to generate too many items to review. The same transaction may be sampled multiple times if it appears in results from different tests. This approach is often inefficient and ineffective, failing to connect the dots between numerous risk indicators for a specific transaction and delaying the detection of high-risk transactions.

The 2020 Guidance further asks if an organization’s assessment of risk is static or dynamic.

“Is the periodic review limited to a ‘snapshot’ in time or based upon continuous access to operational data and information across functions?”

There often is a significant delay until issues are detected. A certain country for example might come up in audits once every 3-5 years and, even then, the sample selected may not adequately assess the risk.

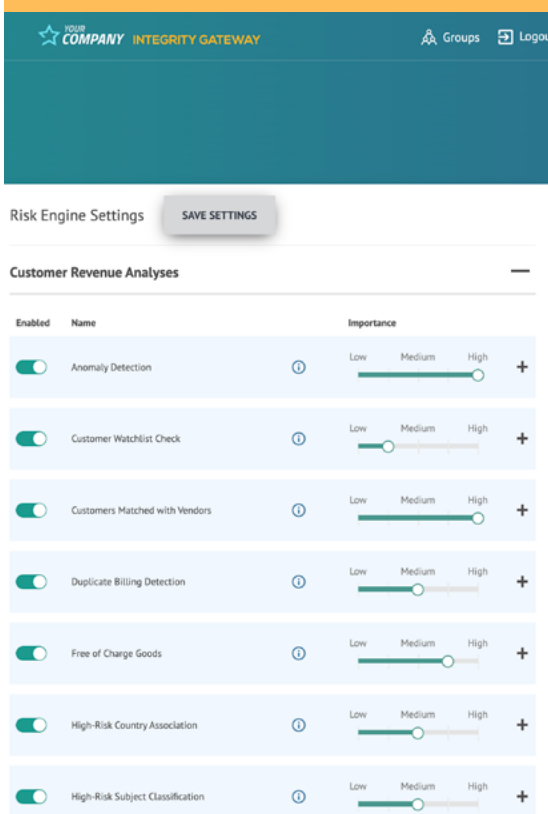
The DOJ has now made it clear that they expect immediate detection of non-compliance. In May 2022, Assistant Attorney General Kenneth Polite, a former in-house Chief Compliance Officer himself, stated:

“I want to know whether you are doing everything you can to ensure that when an individual employee is facing that singular ethical challenge, he has been informed, he has been trained, and he has been empowered to choose right over wrong. Or, if he makes the wrong choice, you have a system that immediately detects, remediates, disciplines, and then adapts to ensure that no others follow suit (emphasis added).”

First generation approaches of periodic, sample-based auditing and testing are clearly insufficient.

Benefits

- Prevent Fraud, Waste & Asset Misappropriation
- Prevent Revenue Losses
- Prevent Anti-Corruption Violations (e.g., FCPA, Sapin II, UK Bribery Act)
- Reduce Enterprise Risk
- Prevent Reputational Damage
- Optimize Time & Resources
- Continuous Compliance Program Improvement



Enabled	Name	Importance
<input checked="" type="checkbox"/>	Anomaly Detection	High
<input checked="" type="checkbox"/>	Customer Watchlist Check	High
<input checked="" type="checkbox"/>	Customers Matched with Vendors	High
<input checked="" type="checkbox"/>	Duplicate Billing Detection	High
<input checked="" type="checkbox"/>	Free of Charge Goods	High
<input checked="" type="checkbox"/>	High-Risk Country Association	High
<input checked="" type="checkbox"/>	High-Risk Subject Classification	High

Monitoring Review

Export

STATUS	DOMAIN	IMPACT DATE ↕	NAME	COUNTRY	ENTITY	TYPE	AMOUNT	RISK SCORE ↕
(MULTIPLE)	(ALL)	(ALL)	(ALL)	(ALL)	(ALL)	(ALL)	(ALL)	(ALL)
Open	Vendor	2020-01-22	Hill Group	Canada	CC-356	PO Related	\$20,832.50	5.0
Open	HCX	2020-01-02	Wesley Miller	United States of A...	CC-650	Services - Non Co...	\$2,671.98	4.6

The Solution

Early detection of high-risk transactions with compliance monitoring using data analytics can address these new enforcement agency standards. As it relates to risks such as fraud, bribery, conflicts of interest, sanctions and asset misappropriation, that means continuous monitoring of financial transactions (e.g., vendor invoices, distributor credit notes, and employee expenses), with risk scoring of those transactions to detect the highest risk transactions.

Compliance monitoring prioritizes your efforts within the monitoring of spend and revenue data by displaying the full context of the transaction and its risk results together so that you can focus on the risk of a transaction holistically.

Since the risk score is calculated at an aggregated level across multiple analytics, compliance professionals can prioritize transactions for review based on the company's risk profile.

A program capable of automatically aggregating risk scores quickly detects suspicious transactions that may otherwise go uncovered and ensures that compliance experts can focus attention and resources on the highest risk transactions.

The Results

Organizations are able to quickly detect high-risk transactions before bad actors repeat the same practice or increase the amounts of money misappropriated from the company or used to fund non-compliance. By doing so, compliance monitoring can prevent non-compliance from becoming systemic and meet enforcement agency expectations for immediate detection and remediation, while avoiding fines and reputational damage. Compliance programs also benefit from continuous improvement as companies use their findings to adjust further monitoring, internal controls, policies and training, reinforcing a culture of compliance across the business. And risk management becomes a dynamic and ongoing process rather than a "snapshot" process.

About Lextegrity

Lextegrity provides innovative enterprise data analytics and automation technology for compliance and audit professionals at leading global companies. This first-of-its-kind software is created by former in-house compliance and audit professionals who have operationalized compliance and audit programs globally. Organizations use our software suite to prevent and detect risks related to fraud, corruption, sanctions, kickbacks, and conflicts of interest. Our software unifies compliance systems and manages risk across the spend lifecycle for an end-to-end view in real-time.

Lextegrity's software has been before enforcement agencies globally in 12 separate company engagements and was even cited by the SEC as a remediation factor in a client's FCPA resolution. It has been chosen by several companies after the appointment of compliance monitors or after the start of an investigation and has been a factor in resolving those matters, including helping to secure a DOJ declination.

To learn more about how Lextegrity can digitally transform your compliance program, visit [Lextegrity.com](https://www.lextegrity.com) or email info@lextegrity.com.