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Ongoing Compliance Monitoring Using Aggregated Risk Scoring

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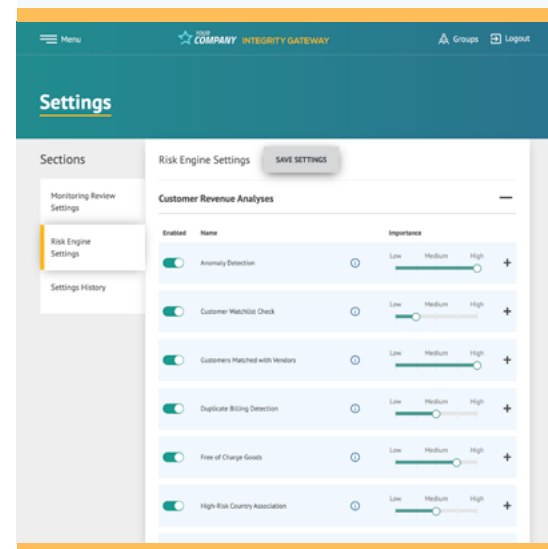>
> *- U.S. Department of Justice, Criminal Division, Evaluation of Corporate Compliance Programs (Updated June 2020)*

Continuous compliance monitoring that risk scores financial transactions, such as invoices, credit notes and travel and expense reimbursements is an essential part of an effective compliance program. However, traditional methods of risk scoring are incomplete if they do not include a mechanism to weigh transactions and aggregate the scores based on weighing. Having a scoring formula that is too rigid may lead to false positives, false negatives, and inaccurate overall scores. Having a consistent approach also allows an organization to review all transactions, rather than focusing only on certain discrete countries, businesses or general ledger accounts. Focusing only where one may expect to see risk may miss non-compliance where an employee has evaded oversight, for example by using generic general ledger accounts (e.g. Other, Miscellaneous, etc.)

For example, the highest-risk vendor in a customs broker category might be in the middle of your spend distribution and may be in an otherwise low-risk country. However, suppose the broker's invoice payments are frequently expedited, paid to an offshore bank account, always in round values and the vendor's address matches an employee's home address. The aggregation of these multiple risk factors makes it even more likely that this invoice is high-risk compared to an invoice that has only one of these risk factors. However, traditional scoring methods don't include multi-dimensional risk analysis using multiple data sets.

Benefits

- Prevent Fraud, Waste & Asset Misappropriation
- Prevent Revenue Losses
- Prevent Anti-Corruption Violations (e.g., FCPA, Sapin II, UK Bribery Act)
- Reduce Enterprise Risk

Monitoring Review

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 (A)
Open	HCX	2020-01-02	Wesley Miller	United States of A...	CC-650	Services - Non Co...	$2,671.98	4.6

The Solution

Aggregated transactional risk scoring is fueled by various analyses, including behavioral, statistical, and policy-based analyses, to ensure the transaction is scored through multiple discrete risk lenses. 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 for long periods of time. As a result, compliance experts can focus attention and resources on the highest-risk transactions. If the expert also has access to the full context of the transaction and its risk results, they can further focus on the risk of a transaction more holistically.

The Results

Aggregated transactional risk scoring enables organizations to detect high-risk transactions, prevent further violations, and meet regulator expectations 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.

Transaction Risk Score

5.0 (A)

RISK RESULT	ANALYSIS IMPORTANCE	ANALYSIS FOCUS	ANALYSIS NAME	
Strong	Medium-High	Text	Keyword Detection	⋮

A match was made on: "EXPEDITE | EXPEDITING" (3 matches for this word in the last 60 days including this match).

During the prior 60 days, there were 125 (1.2% of 10,000) transaction(s) in the strong tier (including this transaction). Note that the search was performed on these fields: payment item text, payment document text, po line item text, po custom reference text.

Further, this transaction matched an automatic criteria keyword.

Strong	Medium-High	COI	Conflicts of Interest - Vendor to Employee Details	⋮

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 or email info@lextegrity.com.