Introducing SAP Fraud Management

Jérôme Pugnet
• Impacts and Challenges of Fraud
  – How Big is the Problem?
  – Fraud is Typically Found Without Technology: an Undetected Potential!
  – What are the Challenges for Companies?
  – What Does This Mean for Your Business?
• Solution Overview
  – SAP Fraud Management Value Proposition
  – Functional Architecture Overview
  – Fraud Management as a Closed-Loop, Cross-Functional Process
  – Positioning within SAP GRC

• User Discovery

• Wrap-up
Impacts and Challenges
How Big Is the Problem?

Global View

The typical organization loses 5% of its revenues to fraud

5%

2011 estimated and projected global total fraud loss

$3.5 trillion

Source: 2012 Report to the Nations on Occupational Fraud and Abuse, Association of Certified Fraud Examiners
More than 1/5 of these cases caused losses >$1 million
The median loss caused by occupational fraud cases in the study is $140K
The frauds reported lasted a median of 18 months before being detected.

SOURCE: REPORT TO THE NATIONS ON OCCUPATIONAL FRAUD AND ABUSE 2012, ACFE
Fraud Is Typically Found Without Technology

Can Automation be Leveraged to Find More?

Source: 2012 Report to the Nations on Occupational Fraud and Abuse, Association of Certified Fraud Examiners

Tip - hotline: 43%
Management review: 15%
Internal Audit: 14%
By accident: 7%
Account reconciliation: 5%
Document examination: 4%
External audit: 3%
Notified by police: 3%
Surveillance/monitoring: 3%
Confession: 2%
IT controls: 2%
Other: 1%

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What Are the Challenges for Companies?

- Fraud costs public and private enterprises hundreds of billions of dollars each year
- Exponential increase of frequency and sophistication of fraud, waste, and abuse
- Diverse, complex, and constantly changing fraud schemes and strategies
- Huge volumes of data from multiple sources
- Operational and organizational silos
What Does This Mean for Your Business?

- How can we identify fraud before damage occurs?
- How can we keep track with changing fraud behaviors?
- How can we reduce the false positive signals?
- How can we improve the fraud investigation efficiency?
- What is the best approach to automate the fraud detection process and predict the likelihood of fraud?
- How do we manage to check all transactions for fraud but ensure no business impact?
Solution Overview
SAP Fraud Management
Identify Fraud Quicker and Better, and Prevent Fraud Situations

Detect Fraud Earlier
Leverage the Power and Speed of SAP HANA Integration into Business Processes
Alert Notification and Management

Improve the Accuracy of Detection
Minimize False Positives with Real-Time Calibration and Simulation
Ability to Handle Ultra-High Volumes of Data by Leveraging SAP HANA

Prevent and Deter
Detection based on Rules and Predictive Analytics to Adapt to Changing Fraud Patterns

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Big Data

- Terabytes analyzed at the speed of thought
- Compress large data sets into memory
- Integrate insights from Hadoop analysis

Text Search and Mining

- Native full text search
- Graphical search modeling
- UI toolkit

Predictive Analytics

- Unleash the potential of Big Data
- Intuitively design and visualize complex predictive models
- Bring predictive analytics to everyone in the business
<table>
<thead>
<tr>
<th>Capability</th>
<th>Description</th>
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<tbody>
<tr>
<td><strong>Detect</strong></td>
<td>Fraud in real time within business processes and by mass detection by multi-rule strategies</td>
</tr>
<tr>
<td><strong>Investigate</strong></td>
<td>Fraudulent transactions efficiently with alert management capabilities and network analyzer tool</td>
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<tr>
<td><strong>Prevent</strong></td>
<td>Fraud by stopping fraudulent business transactions and process optimization</td>
</tr>
<tr>
<td><strong>Improve Performance</strong></td>
<td>By real-time calibration and simulation on current and historical data</td>
</tr>
<tr>
<td><strong>Powered by SAP HANA</strong></td>
<td>High performing, configurable and scalable standard solution</td>
</tr>
</tbody>
</table>
Operational Systems
(SAP and non-SAP)
- Payments
- Purchase Orders
- Travel Expenses
- Salary Payments
- ...

Feedback on fraud status to external processing of operational business events

Data Provisioning and Integration
- Feed/Upload of operational business events
- Flexible modeling of detection objects

Detection and Alerting
- Rule-based algorithms
- Predictive methods
- Interactive calibration

Investigation and Decision
- Intuitive
- Comprehensive
- Collaborative
- Integrated to GRC

- High performance processing of very large data volumes
- Flexible and powerful environment to increase detection efficiency

SAP HANA

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SAP Fraud Management
Aligning Stakeholders to Achieve Excellence in Closed-Loop Fraud Management

Obtain all information needed for investigation – fast, accurate and always up-to-date

Investigate more fraud cases
Improved investigation results
Intuitive to handle
Detect fraudulent networks

Ability to set-up and optimize best fitting fraud detection strategies without IT Support
Predictive Analytics
Real-Time Analysis
Optimization of strategies
Reduce false positive

Respond rapidly to business needs while keeping costs under control
Integration
Scalability & Configuration
One strategic Fraud solution across functions and LoBs
Reduce TCO

Head of Fraud Investigation
Ensure investigation of the most critical cases in the most efficient and effective way
- Fraud processing performance
- Monitor and optimize quality of investigation
- React on changing patterns

Fraud Investigator
- Obtain all information needed for investigation – fast, accurate and always up-to-date

Business Analyst Fraud Investigation
- Ability to set-up and optimize best fitting fraud detection strategies without IT Support
- Predictive Analytics
- Real-Time Analysis
- Optimization of strategies
- Reduce false positive

CIO
- Integrate
- Scalability & Configuration
- One strategic Fraud solution across functions and LoBs
- Reduce TCO

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SAP Fraud Management
A Closed-Loop, Cross-Functional Process
SAP GRC for Industries and LoBs

Reporting and Analytics

SAP Solutions for GRC

- SAP Access Control
- SAP Access Approver (mobile)
- SAP Audit Management
- SAP Process Control
- SAP Policy Survey (mobile)
- SAP Risk Management
- SAP Fraud Management (powered by SAP HANA)
- SAP Global Trade Services
- SAP Sanction-Party List (mobile)
- SAP Nota Fiscal Eletrônica
- SAP GRC for Industries and LoBs

GRC Shared Compliance Platform

- Controls
- Hierarchies
- Policies
- Risk Response
- Product Updates
- User Experience

NATIVE SAP ERP integration and integration to non-SAP ERP

- SAP
- Legacy
- Others

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SAP Fraud Management
SAP GRC Process Control Integration

Monitoring
- Fraud Monitoring & Performance Optimization

Setup
- Fraud Pattern Analysis
- Rules & Predictive Analysis
- Fraud Detection Strategy
- Calibration & Simulation

Detection
- Online Detection
- Mass Detection

Investigation
- Alert Notification
- Inquire & Analyze
- Investigation
- Evaluation & Decision

Business Transaction
- Business Process

Process Control
- PC Issue Management

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SAP Fraud Management

A Broader Value Proposition for Fraud – SAP Process Control and SAP Fraud Management

- **SAP Process Control primary focus is Control Management/Compliance**
  - Core capabilities like Control Documentation & Evaluation, Policy Management not in Fraud Management
  - Broader audience

- **SAP Fraud Management analyzes transactions in greater depth and larger scale to detect suspicious activities**
  - Transaction monitoring in PC can only detect simpler cases of fraud
  - Rule set up capabilities in Fraud Management enable a more “forensic” approach
  - Fraud Management provides real-time detection and calibration capabilities
  - Fraud Management can be directly integrated in business transactions

- **SAP Process Control and SAP Fraud Management complement themselves for comprehensive fraud protection**
  - Remediate in Process Control qualified fraud cases from Fraud Management
  - Enforce and manage fraud prevention controls and policies in Process Control
  - Evaluate/monitor these controls and policies in Process Control for continuous improvement

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User Discovery
SAP Fraud Management Discovery
An Intuitive User Experience

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Example of the Investigator’s Home Page
SAP Fraud Management Discovery
Manage Alerts and Export to SAP Process Control for Remediation

<table>
<thead>
<tr>
<th>DETECTION</th>
<th>VENDOR</th>
<th>TIMELINE</th>
<th>DECISION</th>
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</thead>
<tbody>
<tr>
<td></td>
<td>Vendor - 1379</td>
<td>In Process</td>
<td></td>
</tr>
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</table>

**Alert Items (1)**

<table>
<thead>
<tr>
<th>Detection Object</th>
<th>Lifecycle Status</th>
<th>Reason for CI</th>
<th>Finding</th>
<th>Financial Outcome</th>
</tr>
</thead>
<tbody>
<tr>
<td>Vendor - 1379</td>
<td>In Process</td>
<td></td>
<td></td>
<td>0,00 EUR</td>
</tr>
</tbody>
</table>

**Vendor Information**

- General Information:
  - Person Responsible: David Smith
  - Fraud Division: EMEA
  - Alert: 90526
  - Investigation Reason: Conflict of Interest
  - Due Date: 03.01.2013 10:34:47
  - Status: In Process
  - Transfer Status: Not Transferred

- Vendor Information:
  - Date: 01.01.2012

**Risk Assessment**

- Risk Rating: ⬤⬤⬤⬤⬤

**Summary**

Investigation proved fraudulent activities according to vendor 1379; further internal measures are initiated; governance department to be informed in order to consider corrective measures as proposed in timeline entry 20326/00034.

- Reason: Fraud proven by Internal Investigation
- Finding: Proven Fraud
- Fin. Outcome: 15,000 EUR

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SAP Fraud Management Calibrator
Minimize false positives to reduce investigation workload
SAP Fraud Management Discovery
Key Metrics and Trends – Dashboard Example

EXECUTIVE INSIGHT

27
Open Alerts

$1,894,780
Total Value

43.5%
Accuracy

3 days
Avg. Close Time

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Summary
SAP Fraud Management powered by SAP HANA enables enterprises across industries to detect, investigate, analyze, and prevent irregularities or fraud in ultra-high volume environments.

The application allows for analyzing different types of objects from SAP and non-SAP source systems that may be subject to fraud ...

It delivers a platform to define detection strategies based on rules and advanced predictive methods. Event-based and periodic detection runs create alerts for further investigation.

Simple and intuitive UIs enable business users to investigate alerts and determine fraud cases. Extensive reporting capabilities allow for the measurement and calibration of the detection efficiency as well as the performance management of the investigation process.

The integration into SAP solutions for GRC bridges the operative fraud detection and investigation with the strategic risk management and process optimization.
The new **SAP Fraud Management** supports …

1. The shift from manual fraud detection to event and value driven fraud management
2. And entire anti-fraud lifecycle process
3. An automated and continuous detection monitoring
4. Real-time adjustment of detection sensitivity to reduce waste ("false positives") without IT involvement
5. Preventive business process integration
6. Seamless integration into GRC Process Control
7. Central investigation and documentation platform

**Effective and efficient fraud detection, investigation & prevention!**
— Other SAP Fraud Management and GRC Activities

— Visit the Analytics Campus
  - 3 Expert tables for GRC
  - Includes 1 dedicated to SAP Fraud Management
  - No appointment necessary

— Participate in exhibit hall microforums (interactive small group discussion)
  1. Improve your Ability to Identify and Reduce Fraud - Tuesday 11 to 11:45am
  2. Quantify the Total Cost of Fraud and Build a Business Case – Thursday 11 – 11:45am
  3. Speed Time to Value for GRC Projects – Wednesday 3 – 3:45pm

— See a live demo
  1. Detect and Prevent Fraud with Speed and Accuracy - Demo Theater 4 Wed 11-11:20am /Thur 1-1:20pm
  2. Combat Bribery and Corruption with GRC Solutions – Demo Theater 3 Tue 2-2:20pm /Wed 3:30-3:50pm

• Analytics Customer Panel Accelerate
  Accelerate Finance Transformation with Technology Innovations (Wed 2:00 – 2:30pm Mobile & Analytics Theater)

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