Payment Fraud Risk Management

New York State Payment Information

- $144 Billion in Payments

Controls Purpose

- **C**ompliance with laws, rules, and regulations
- **A**ccomplish goals and objectives
- **R**elevant and reliable data
- **E**fficient and effective operations
- **S**afeguarding assets

How can you add value?

- Understand vulnerabilities
- Identify susceptibility - risks
- Design good controls

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Understand Vulnerabilities

- Fraud risk education

- Schemes:
  - Shell companies
  - Under delivery
  - Under qualified professionals
  - Per capita billings
  - Overbilling for labor hours
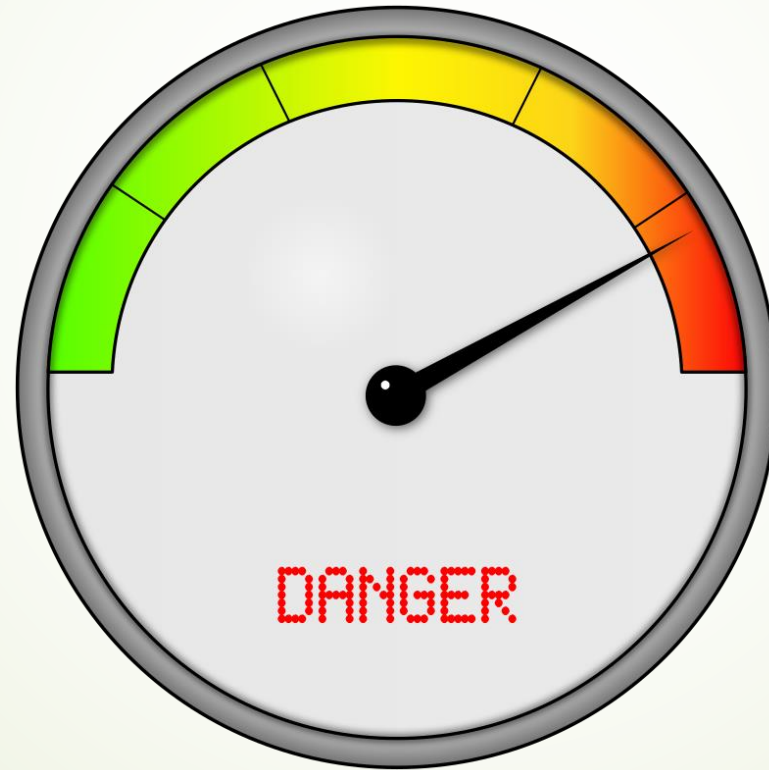 - Billing for items not in the contract

How Does Fraud Happen?

Motive

Opportunity

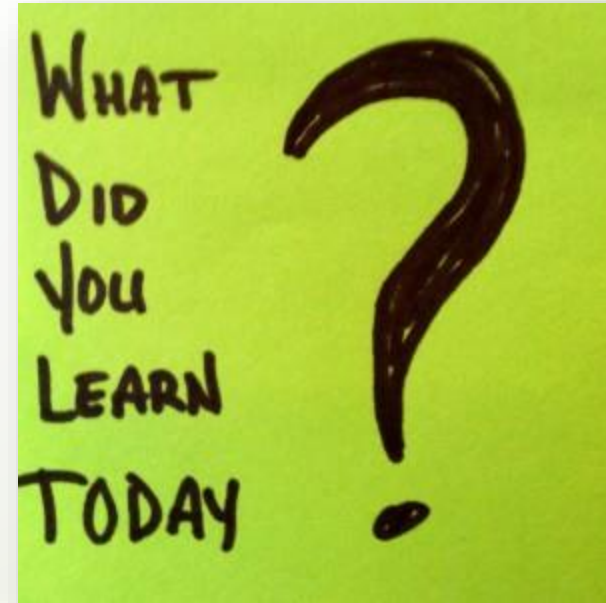Rationalization

Capability

Identify Susceptibility

Design Good Controls

- Design steps to mitigate risks
  - Who is going to do it?
  - How are they going to document it?
  - Whom are they going to give the documentation to?

After the road trip

- What did you learn?
- Was everything "O.K."?
- Were there any red flags?
- Who needs to know?

Degree of reliability	Evidence Type	More reliable	Less reliable
More reliable	Physical	•Evidence obtained through direct physical examination, observation, computation and inspection	•Evidence obtained through indirect means
Less Reliable	Documentary	•Original documentation received from independent parties	•Photocopies of documents •Documents received from the contractor
	Testimonial	•Statements obtained from unbiased persons with direct knowledge under conditions in which the persons may speak freely	•Statements obtained from persons who • Are biased or have only indirect knowledge • May feel intimidated

Skepticism

- Verify using third party evidence
- Review documentation
  - Does it look professional?
  - Are there errors?
  - Does it add up?
  - Do the dates make sense?
  - Are there billings for things you don't understand or that are not on the budget?

Degree of Compliance	Agency Response
High	• Re-evaluate and possibly reduce monitoring frequency
Moderate	• Direct the contractor to correct identified deficiencies
	• Facilitate development of a corrective action plan
	• Advise accounts payable employees
	• Identify and recover any overpayments
	• Increase scrutiny of contractor reports and invoices
	• Increase frequency of follow-up monitoring activities
Low	• Facilitate development of a corrective action plan (where practical) and increase the frequency of follow-up monitoring activities
	• Increase scrutiny of contractor reports and invoices
	• Terminate contract where corrective action is not practical
	• Advise accounts payable employees
	• Identify and recover any overpayments
	• Consider referral for prosecution

Takeaways

1. Get Executive buy-in
2. Tap into Resources:
   - Joe Well's *Occupational Fraud and Abuse*
   - OSC's Training
     - Fraud
     - Risk Assessment 101
     - Contract Monitoring

Takeaways

- Understand vulnerabilities
  - Training
    - In house
    - From OSC
  - Emails
  - Newsletters
  - Intranet site
  - Google alerts

Takeaways

- Identify susceptibility
  - Macro
    - Facilitated workshops
      - Data driven
      - Brainstorm risk profile
    - Design procedures to help programs self-assess vulnerabilities
  - Micro
    - Contract Monitoring Training
    - GFO Section XI.11.F

Takeaways

- Design good controls
  - Evaluate current controls
    - Can I match a task to a high-profile vulnerability?
  - Ensure new controls focus on biggest vulnerabilities
    - Identify willing partner, then offer to
      - provide an assessment
      - help develop controls
      - make sure the right people are at the table

Final thoughts