Building the Business Case for Data Analytics
Contents

Go for the quick win.....................................................................................................................5
Benchmark your organization .......................................................................................................6
Benchmark data analytics solutions ..............................................................................................6
Quantify opportunities for ROI ......................................................................................................7
Calculating potential ROI..............................................................................................................8
Calculating potential ROI: revenue leakage calculator ...............................................................9
Analyst research.........................................................................................................................10
News media...................................................................................................................................11
Look for efficiency gaps in current processes ..............................................................................12
Highlight the costs of NOT using data analytics.........................................................................13
Who benefits from ACL data analytic solutions? ........................................................................15
Use the experts to get you started quickly ...................................................................................16
Building the business case – the checklist ...................................................................................17
Business case templates .............................................................................................................18
Getting your data to ‘talk’ could be the single most important thing you do for your organization.

More than ever, organizations are relying on data analytics technology for complete insight into transactions to manage risk and improve efficiency.

This e-book will help you build a business case to get started with data analytics or expand your current program. You’ll find a selection of case studies, statistics from leading research firms, information your department can use to quantify opportunities for ROI, and a template to help you build your case for data analytics.
This e-book on Building the Business Case for Data Analytics is dedicated to transactions everywhere that have not yet been analyzed.
Go for the **quick win**

- Test for fraud, waste and error in high-risk areas
- Use established ACL scripts to demonstrate value
- Leverage the ‘quick win’ to get management buy-in
Searches on the employment web site Monster.com turned up a preference by employers for ACL skills (average ratio 22:1) versus other analytics software skills.

Benchmark your organization:
- Case studies
- User groups
- IIA, ISACA, ACFE Chapter meetings
- Industry Events
- Webinars

Benchmark data analytics solutions:
- 95% of the Fortune 100
- Over two-thirds of the Global 500
- All of the Big Four public accounting firms

Primary software used for Data Extraction:
- ACL 58%
- Other 22%
- Excel 3%
- SQL 5%
- SAP 5%
- Application queries 7%

Primary software used for Data Analysis:
- ACL 51%
- Excel 14%
- Access 9%
- IDEA 6%

Primary software used to Detect or Investigate Fraud:
- ACL 53%
- Excel 5%
- IDEA 5%

Primary software used for Continuous Auditing:
- ACL 65%

IT Audit Benchmarking Study 2009,
The Institute of Internal Auditors (The IIA)
Quantify opportunities for ROI

**Cost recovery:** Revenue leakage tracing to fraud, waste, abuse

**Case study:** Austrian Ministry of Finance

- Helped auditors quickly extract information from a multitude of companies’ databases faster
- Recovered over € 85 million in tax revenues lost due to businesses under reporting sales
- Provided more comprehensive, accurate, and reliable audit coverage

**Fine Avoidance:** Navigating complex regulatory environments

**Case study:** Fidal Direction Internationale

- Minimized financial and tax risk
- Provided full data coverage
- Prevented over US$1 million fine from government regulator

**Improved Productivity:** Significant efficiencies through automation

**Case study:** Hawaiian Airlines

- Reduced the time required to complete projects by approximately 99% with automation
- Gained 100% data coverage, which significantly reduced the incidence of improper flight benefit usage
- Achieved a monetary ROI by using trend-based analytics and automated continuous monitoring routines
U.S. organizations lose 7% of their annual revenues to fraud.

Calculating potential ROI

- U.S. organizations lose 7% of their annual revenues to fraud. This 7% figure translates to about $994 billion in fraud losses.
- Lack of adequate internal controls was most commonly cited as the factor that allowed fraud to occur.
- The implementation of anti-fraud controls appears to have a measurable impact on an organization’s exposure to fraud.
Calculating potential ROI: revenue leakage calculator

<table>
<thead>
<tr>
<th>Process area</th>
<th>Avg. error rate for organizations with Total Employees between 1000 – 4999</th>
<th>Avg. error rate by Industry - Manufacturing</th>
<th>Rank – Manufacturing versus other industries</th>
</tr>
</thead>
<tbody>
<tr>
<td>Vendor payments with errors</td>
<td>1.3%</td>
<td>1.6%</td>
<td>All other industries lower except Gov’t and Services</td>
</tr>
<tr>
<td>T&amp;E payments with errors</td>
<td>1.4%</td>
<td>1.2%</td>
<td>All other industries lower except Services</td>
</tr>
<tr>
<td>Vendor invoices with errors</td>
<td>4.7%</td>
<td>5.4%</td>
<td>All other industries lower except Wholesale, Gov’t and Healthcare</td>
</tr>
<tr>
<td>T&amp;E expense vouchers with errors</td>
<td>4.5%</td>
<td>3.7%</td>
<td>Ranges from 2.5% - 11.3%</td>
</tr>
<tr>
<td>ACFE (Assoc. of Fraud Examiners) Fraud</td>
<td>4.5%</td>
<td>3.7%</td>
<td>7% of annual revenues equate to fraud</td>
</tr>
</tbody>
</table>

Source: IOMA 2007 AP Department Benchmarks and Analysis

CLICK HERE to access a live revenue leakage calculator
Analyst research

Show IT that data analysis is not only endorsed by top industry analysts, it’s recommended.

“There’s no time like the present to take on responsibility for automating the controls that can stop fraud and improve process control. Siemens is an example of a company acting decisively and is implementing ACL to automate controls for all of its accounts payable transactions worldwide.”

Who’s to Blame for the Credit Crisis?
by French Caldwell - Gartner

“Delivered on the ACL Audit Exchange platform, ACL’s products makes the audit process itself more effective, leading to even more potential payback.”

Gartner
News media

Cite industry news stories that relate to your organization

Continuous auditing: The next trend in compliance?

The Numbers Don’t Lie: Why You Should Monitor Expense Reports for Fraud

Monitoring the Monitors

See acl.com/media for all the latest news
Look for efficiency gaps in current processes

Identify existing audit procedures that can be replaced by more efficient approaches for better results.

Data access is a great example. Gaining secure, direct access to the data you need can increase productivity exceptionally.

Webinar: **Quick Guide to Dealing with your SAP Data Access Challenges**
- Access the data you need and extract it when you need it while maintaining data integrity and security
- Format data automatically
- Build continuous monitoring analytics with a connection and transfer of SAP data

Case Study: **Palomar Pomerado Health**
- Timely, secure data access and user-specific viewing privileges
- Structured communication and continuous monitoring protocols
- Cost recoveries and audit cycle efficiencies
Don’t do anything you wouldn’t want to have on the front page of the *New York Times*.

~ Newspaper Rule

Highlight the costs of NOT using data analytics

Traditional audit methods are inefficient and less effective—with tangible organizational costs:

- Costs associated with doing manual testing that could be automated
- Business costs of researching and quantifying issues identified from sampling
- Cost of correcting errors that have accumulated over months and years of going undetected

Reputation Risk

- The Front-Page-of-the-Newspaper-Test
  - An analysis of the consequences of a negative front-page story

“We have implemented a commercial card early warning system to ward off the risk of an unfavorable front-page story.”

---

Rick Swartwood, Commercial Card Operations, Lockheed Martin
Highlight the costs of NOT using data analytics

Non-Compliance & Regulatory Fines

Sample testing does not provide substantial insight into regulatory and compliance issues. Data analysis technology allows auditors to review 100% of data populations to detect potential violations early, reducing their impact and overall exposure. The cost of non-compliance can be significant:

**FCPA (Foreign Corrupt Practices Act)**

- KBR and Halliburton were fined $177 million by the SEC. Kellogg Brown & Root LLC was fined $402 million to settle criminal charges brought by the U.S. Department of Justice.

**OFAC (Office of Foreign Assets Control)**

- Maximum civil penalties for violations equal the greater of $250,000 or 2x the amount of the transaction. Criminal penalties are $1 million per violation and up to 20 years imprisonment.

**Sarbanes-Oxley**

- Requires the CEO and CFO to certify the accuracy and truthfulness of periodic (annual or quarterly, etc.) reports. If certification is made and the reports are found to be financially unrepresentative, the CEO and CFO can be found criminally liable and face imprisonment of 10 to 20 years. In addition, civil penalties can include fines of up to $5 million.
Who benefits from ACL data analytic solutions?

**Audit**
- Improve quality of audits by testing 100% of business data rather than rely on system reports or sampling techniques
- Increase audit efficiency by automating transaction testing and task review for key risk areas
- Improve audit consistency by applying standard audit analytic techniques across projects and over time

**Finance**
- Monitor manual journal entries and identify exceptions that require correction or resolution
- Reduce manual efforts to perform or follow-up on account reconciliations
- Combat internal and external financial fraud with timely detection & prevention of questionable transactions

**Business Process Owners**
- Monitor business processing systems to verify that business process controls are working as designed
- Use analytics as an objective, automated and consistent way to measure and improve business controls over time

**C-Suite**
- Improved risk management: gain detailed, data-driven insight into operations of high-risk business processes
- Reduce the overall cost of regulatory compliance initiatives with automated testing of business system controls

**IT**
- Simplify data access for Internal Audit, while enhancing data security
- Better understanding of system controls and operations
- Identify data quality issues in the business
“ACL consulting, in support of our Analytics Exchange implementation, has provided us with quick results that have increased internal audit’s perceived value throughout the organization. Together we have streamlined data access, implemented key analytics, and made our audit processes sustainable and repeatable.”
Building the business case – the checklist

- Cost recovery savings from identifying duplicates and over-payments
- Leakage and process inefficiencies identified
- Efficiencies gained from automated exception management
- Reduction in consulting and percent-of-finding costs currently paid to cost recovery vendors
- Reduction in consulting and outsourced auditing costs by leveraging automated testing
- Reduction in training and on-boarding costs for new audit staff by providing access to a secure repository of proven tests
- Reduced audit travel costs
- Save IT time and money acquiring and preparing data that audit can now access directly
- Reduce operational costs associated with following up on issues identified through sampling (no longer necessary with 100 % data coverage)
- Identify issues closer to the point of a control failure and resolve them faster, thereby improving recovery rates
- **No matter what your objectives are, ACL experts can help you gain access to your data, analyze 100% of transactions and automate testing for ongoing success and huge productivity gains.**
Business case templates

Here are some examples of business cases:

1. PowerPoint presentation format
2. Talksheet format
3. Traditional 2 page formal recommendation