How to save $40 Million

Nathaniel Rivera

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The Situation

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What Happened

- Ivy League School
- Wire fraud
- 8 years
- $40M cost

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How it Happened

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How It Happened

- Lack of governance
- Falsified hardware asset needs
- Received the orders themself
- Took custody of devices
- Resold devices
- Kept profit

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What "Good" Looks Like

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How it Should Have Happened

- Procurement purchases asset after approval process
- PO is drafted
- Advance Shipping Notice (ASN) is triggered
- ASN is uploaded to Asset Management Database (AMDB)
- Asset is received by designated personnel
- Asset received at appropriate facility and recorded into AMDB
- Payment is approved by three-way match (PO, receipt, and invoice)
- Inventory manager deploys the asset

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Pillars of Success

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Pillars of Success

- Governance
- People
- Technology
- Process

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Governance

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Governance

- Governance
  - Establish Policies
    - Policy management is one of the Core Key Process areas as identified by IAITAM
    - Polices govern the behavior of people
      - Receiving assets at the appropriate facility
      - Dedicated personnel performing specific functions
      - Establish RACI
  - Because the university did not have established policies and roles, the guilty party was able to explain away thier purchases

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People

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People

- Knowledge
- Experience
- Established Roles & Responsibilities
  - Defined roles for authorized updates
  - Assets are purchased, received, deployed, and disposed by designated personnel
  - When questions arise the correct personnel, as defined by their role, should research & resolve discrepancies
- Had the school had established roles the guilty party would not have been able to receive the assets themself

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Technology

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Technology

- Tool
  - Maintaining assets in a centralized repository is a leading practice
  - Utilizing Advance Shipping Notices to indicate the expected delivery of equipment help identify purchases that have not been received
  - Receiving capability against ASN
  - Security in place by roles
  - Reports and KPIs are continually monitored for discrepancies and acted upon in a timely manner
  - Had the university utilized sufficient technology, electronic records would have existed of the purchased assets

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Process

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12 Key Process Areas

- Core Key Process Areas
  - Program Management
  - Policy Management
  - Communications & Education Management
- Operating Key Process Areas
  - Acquisition Management
  - Asset Identification & Tracking
  - Disposal Management
  - Documentation Management
- Controlling Key Process Areas
  - Project Management
  - Financial Management
  - Vendor Management
  - Compliance Management
  - Legislative Management

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Acquisition Management

- Identify Business Objectives
- Prepare asset justification
- Approval process
- Because there was no business approval process, the guilty party was able to purchase assets freely and without scrutiny

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Asset Identification & Tracking

- Create a shell record via ASN
- Receive the asset into inventory
- Order reconciliation (3 way match)
- Had an electronic record of the purchased assets existed in the AMDB, the guilty party would not have been able to take custody of them

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Disposal Management

- Reduces risk
  - Environmental
  - Legislative
  - Security
- Disposal report reconciliation
- Disposal vendor due diligence
- Had proper disposal management processes been in place the guilty party would not have been able to unilaterally resell the purchased assets

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Documentation Management

- Storing of documents
- Access to the documents
- Retention Policies (both physical and electronic)
- Had proper documentation management processes been observed, discrepancies created by the fraudulent purchases would have been more apparent

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Closing Statements

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Closing Statements

- Extreme example of a common occurrence
- Misalignment can happen by accident, or due to neglect
- Adhering to proper process creates multiple control points, layering security over the assets

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Thank you

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