Securing the enterprise

Tailored approach to mitigate fraud in IT & ITeS industry

Fraud Investigation & Dispute Services
Recent trends in the industry

While traditional service offerings like infrastructure services or software development/maintenance have been under significant pressure, emerging technologies have presented significant new opportunities for Information Technology (IT) & Information Technology enabled Services (ITeS) companies.

Fraud risks pertaining to cloud computing, spear phishing, data thefts and customer account management have emerged as the severity, volatility and pace of change fostered opportunities and incentives for fraud. Today, risk of fraud exists not just within an organisation, but in the clouds as well.

As the industry prepares to quickly and continuously adapt itself to new business models and emerging technologies, risk of fraud has further increased impacting the growth plans of several companies in the IT/ITeS industry. For example, recently, a global outsourcing firm lost a multi-million dollar contract with a key client due to breach of confidential client data by a few of its employees.

While the industry is yet to fully understand all the dimensions of new age fraud risks, it continues to grapple with traditional fraud risks in the areas of recruitment, transportation, capex/procurement and revenue recognition.
Assess the risks

Tone at the top
- Is there an appropriate tone at the top?
- Is the top management trained and committed toward prevention and detection of fraud?

Good governance
- Has your organization documented a formal code of conduct/ethics policy?
- Does this policy include your organization’s stand on cloud computing and bring your own device (BYOD)?
- If yes, have you adequately and appropriately communicated these policies to your employees and relevant third parties?
- Does your organization have an effective whistle blower mechanism in place to enable the reporting of instances of observed/ suspected instances of fraud?

Comprehensive Fraud Risk Management
- Has your organization undertaken a fraud prevention health check to assess vulnerabilities to fraud?
- Does your organizations’ risk assessment process specifically cover the risk of fraud?
- Have you ever identified any fraud risks emerging from the existing assessment?
- Does your organizations’ internal risk team have adequate tools to detect suspicious or fraudulent transactions and skill sets to investigate fraudulent/ dishonest acts?

IT & ITeS is today approximately 150 billion USD industry, employing 3.5 million people, and constituting 9.5% of the GDP of India.¹

Why do frauds occur?

- Absence of or inadequate policies and procedures
- High attrition/growth which puts pressure on existing controls
- Inadequate infrastructure to prevent, detect and monitor frauds
- Absence of or inadequate controls
- Misuse of the trust and responsibility
- Pressure to meet targets

Snapshot of key fraud risks in IT & ITeS industry

- Recruitment frauds
- Payroll frauds
- Transportation frauds
- Software piracy/counterfeiting
- Conflict of interest situations
- Data theft/data leakage/identity theft
- IP theft/infringement
- Financial misstatements
- Procurement frauds/capex frauds
# How can EY help you?

<table>
<thead>
<tr>
<th>Assist in creating an anti-fraud framework</th>
<th>Help in prevention and/or early detection of fraud risks</th>
<th>Implement and monitor the fraud response procedures</th>
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</thead>
<tbody>
<tr>
<td>- Anti-fraud policy</td>
<td>- Fraud Risk Assessment</td>
<td>- Escalation and investigation protocols</td>
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<tr>
<td>- Code of Conduct</td>
<td>- Forensic Data Analytics</td>
<td>- Investigation of internal and external fraud</td>
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<td>- Whistle blower policy and mechanisms</td>
<td>- Surprise audits</td>
<td>- Root cause analysis and remediation</td>
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<td>- Training and communication</td>
<td>- Behavior pattern tracking</td>
<td>- Final recovery/assistance to legal representative</td>
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<td>- Software License Forensics</td>
<td>- Mystery shopping</td>
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<td>- Third party background checks</td>
<td>- Proactive investigation of red flags/trends</td>
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<td>- Prevention of Sexual Harassment</td>
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Key features of FDA

- Adopt proactive and reactive information-driven approach
- Analyzes data to understand characteristics of behaviors
  - Prevent, detect and investigate instances of error, misuse, abuse, non-compliance and fraud; and
  - Establish facts that are legally defensible
- Uncovers anomalous patterns in both structured (transactional) and unstructured (electronic documents) data sets

Forensic Data Analytics

Forensic Data Analytics (FDA) refers to the ability to collect and use structured and unstructured data to identify potentially improper payments, patterns of behavior and trends of fraud or other misconduct.

EY capabilities

<table>
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<tr>
<th>Advanced data analytics: Tools and techniques</th>
<th>Customizable business process: Touch points</th>
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<tbody>
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<td>Multi data acquisition</td>
<td>Contract management</td>
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<tr>
<td>Automated data mapping</td>
<td>Electronic payment systems</td>
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<tr>
<td>Investigative data linking</td>
<td>Sales and marketing</td>
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<td>Social network analysis</td>
<td>E-commerce</td>
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<td>Data visualization</td>
<td>Procure-to-pay</td>
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<td>Statistical inference</td>
<td>Insurance claims</td>
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<tr>
<td>Text mining and analysis</td>
<td>Time and expense</td>
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<td>Artificial intelligence</td>
<td>Human resources</td>
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<td>Predictive modelling</td>
<td>Enterprise resource planning</td>
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<tr>
<td>Unsupervised pattern recognition</td>
<td>Customer relationship management</td>
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<td>Programming and decision support</td>
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</table>
Our IT & ITeS sector experience

Client engagements executed by us in last four years

- FCPA investigations
- ABAC review and training
- Proactive compliance reviews
- Employee fraud and embezzlement investigations (recruitment, procurement, transportation, sexual harassment)
- Background checks

35+
Clients comprising of domestic as well as international clients within last 4 years. This includes nine out of the top 10 technology companies

50+

75+
Interviews of senior executives/ functional heads/ state heads

45,000+
Man hours spent by qualified and experienced forensic professionals

100+
Qualified and experienced team in the area of

- Technology
- Data Analytics
- Accounting
- Market intelligence

10 Partners
Closely worked with international and domestic law firms, or in response to the various regulatory requests
# Our select credentials

## Background

<table>
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<tr>
<th>Case 1</th>
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<th>Case 3</th>
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<td>• The client (Global IT &amp; ITeS company) received threatening letters containing confidential information and demanding huge sum of money. Further, they threatened to leak the data to competitors and make it a media scam if the demand was not met</td>
<td>• EY was appointed to identify the modus operandi followed by the identified third parties and to identify the source of information leakage pertaining to customers of a particular country</td>
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## Key issues

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<td>• Data leakage</td>
<td>• Investigation into third parties claiming to be the client’s technical support partner</td>
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## How did we help

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| • Identified the potential deviations, inconsistent approach and adjustments made in the reported numbers  
• Assisted in identifying instances of employees reporting less than the amount of hours worked  
• Assisted in quantifying the incorrect cost savings reported for the select period and incorrect utilization rate reported for select samples | • Understood the current process and existing standard operating procedures  
• Interviewed the key stakeholders across functions from operations, IT/security, administration, technology and HR  
• Performed forensic imaging and review of the available evidence  
• Performed forensic data analytics, CDR analysis, tower dump analysis and resigned employees  
• Establishment of preventive and detective controls against fraud risks arising from hacking | • Identified the modus operandi followed to provide technical support to customers  
• Identified the individuals responsible for these improper practices  
• Gathered information on potential sources of information leakage  
• Helped the client identify and improve the process gaps that led to such practices |
### Background
- The senior management of a large IT company identified cases of potential over-reporting of utilization rates and cost saving.
- The client (Global IT & ITeS company) received threatening letters containing confidential information and demanding huge sums of money. Further, they threatened to leak the data to competitors and make it a media scam if the demand was not met.
- EY was appointed to identify the modus operandi followed by the identified third parties and to identify the source of information leakage pertaining to customers of a particular country.
- EY was appointed to perform an anti-fraud risk assessment as there were fraud instances in procurement, employee transportation and payroll processes.
- Management suspicion on existence of improper practices in the campus recruitment process across three regions, where it had operations.
- Based on a report received by the global compliance team of a multinational US IT company, its management initiated a fact finding review of specific areas in administration function of its India operations.

### Key issues
- Incorrect reporting of employee utilization rates and cost saving.
- Data leakage.
- Investigation into third parties claiming to be the client’s technical support partner.
- Fraud risk assessment of the procurement, transportation, US payroll, UK payroll and contract management systems.
- Conflict of interest situation, employees sharing confidential information with college representatives, gifts and petty cash being received by select employees.
- Investigation into renovation contracts, employee transportation and contract labor of the company’s administrative function in India.

### How did we help
- Identified the potential deviations, inconsistent approach and adjustments made in the reported numbers.
- Assisted in identifying instances of employees reporting less than the amount of hours worked.
- Assisted in quantifying the incorrect cost savings reported for the select period and incorrect utilization rate reported for select samples.
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- Interviewed the key stakeholders across functions from operations, IT/security, administration, technology and HR.
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- Identified the modus operandi followed to provide technical support to customers.
- Identified the individuals responsible for these improper practices.
- Gathered information on potential sources of information leakage.
- Helped the client identify and improve the process gaps that led to such practices.
- Identified gaps/ control weaknesses that could lead to a fraud.
- Provided recommendations for improvement in business functions to mitigate fraud risks.

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<td>Identified gaps/ control weaknesses that could lead to a fraud.</td>
<td>Identified the employees involved in the improper practices pertaining to the campus recruitment process. The investigation involved data analytics, computer forensic analysis of computer systems of select employees, review of transactions, field checks and interviews.</td>
<td>Understood processes of vendor selection.</td>
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<td>Provided recommendations for improvement in business functions to mitigate fraud risks.</td>
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<td>Reviewed sample ledgers and transactions.</td>
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<td>Performed computer forensic analysis of select employee systems.</td>
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<td>Corroborated evidence around red flags noted.</td>
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About EY Fraud Investigation & Dispute Services (FIDS)

Dealing with complex issues of fraud, regulatory compliance and business disputes can detract from your company to achieve its potential. Enhanced management of fraud risk and compliance is a critical business priority, whatever the industry sector. With more than 3,300 fraud investigation and dispute professionals around the world, we will assemble the right multi-disciplinary and culturally aligned team to work with you and your legal advisors. In addition, we will provide you broad sector experience, our deep subject matter knowledge and the latest insights from our global activities.

FIDS India

- **Deep competencies:** Our FIDS team has specific domain-related knowledge along with wide industry experience.
- **Forensic technology:** We use sophisticated tools and established forensic techniques to provide requisite services to address individual client's challenges.
- **Global exposure:** Our team members have been trained on international engagements and have had global exposure to fraud scenarios.
- **Market intelligence:** We have dedicated field professionals, who are experienced and trained in corporate intelligence, and are capable of conducting extensive market intelligence and background studies on various subjects, industries, companies and people.
- **Thought leadership:** We serve a variety of leading clients, which gives us a deep insight into a wide range of issues that affect our clients and business globally.
- **Qualified professionals:** We have a qualified and experienced mix of chartered accountants, certified fraud examiners, lawyers, CIAs, CISAs, engineers, MBAs and forensic computer professionals.
## Contact us

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<thead>
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