

Putting Agency Data to Work in the Age of Resilience

Strategies to Modernize
Governance, Risk Management
and Compliance

The pandemic has provided the ultimate test of operational resilience for many state and local government organizations, regardless of their mission or function. Government workers and their organizations had to adjust and innovate in unprecedented ways to meet day-to-day urgencies and prepare for the unknown. Governance, risk management and compliance (GRC) teams are now working to ensure changes associated with this new normal meet requirements. While few could foresee the pandemic, it highlighted ongoing challenges and revealed lessons that state and local governments can now use to improve GRC and enhance their operational resilience and business continuity for future crises. The pandemic also shined a spotlight on the value of GRC and its important role in management and decision-making.

Data is at the center of these challenges and opportunities. State and local governments need to easily access, share, analyze and act on data to help break down siloed areas of governance, risk management and compliance, and run government more effectively and efficiently.

The key to doing so is an integrated approach that consolidates technology and data across governance, risk management, security, compliance and audit functions. With integrated, automated GRC technology that incorporates advanced data analytics, GRC teams can use objective real-time and historical data to run more leanly, make better (and faster) decisions and provide greater visibility. This will help enhance organizations' risk

According to an Open Compliance & Ethics Group (OCEG) survey about crisis planning throughout the pandemic, respondents with well-integrated GRC capabilities (technology, processes and teams) were substantially more prepared to respond to the crisis than those who had siloed and/or primarily manual capabilities.¹

posture and ensure operational resilience as they move into an uncertain future.

Extreme Complexity Amid Massive Change

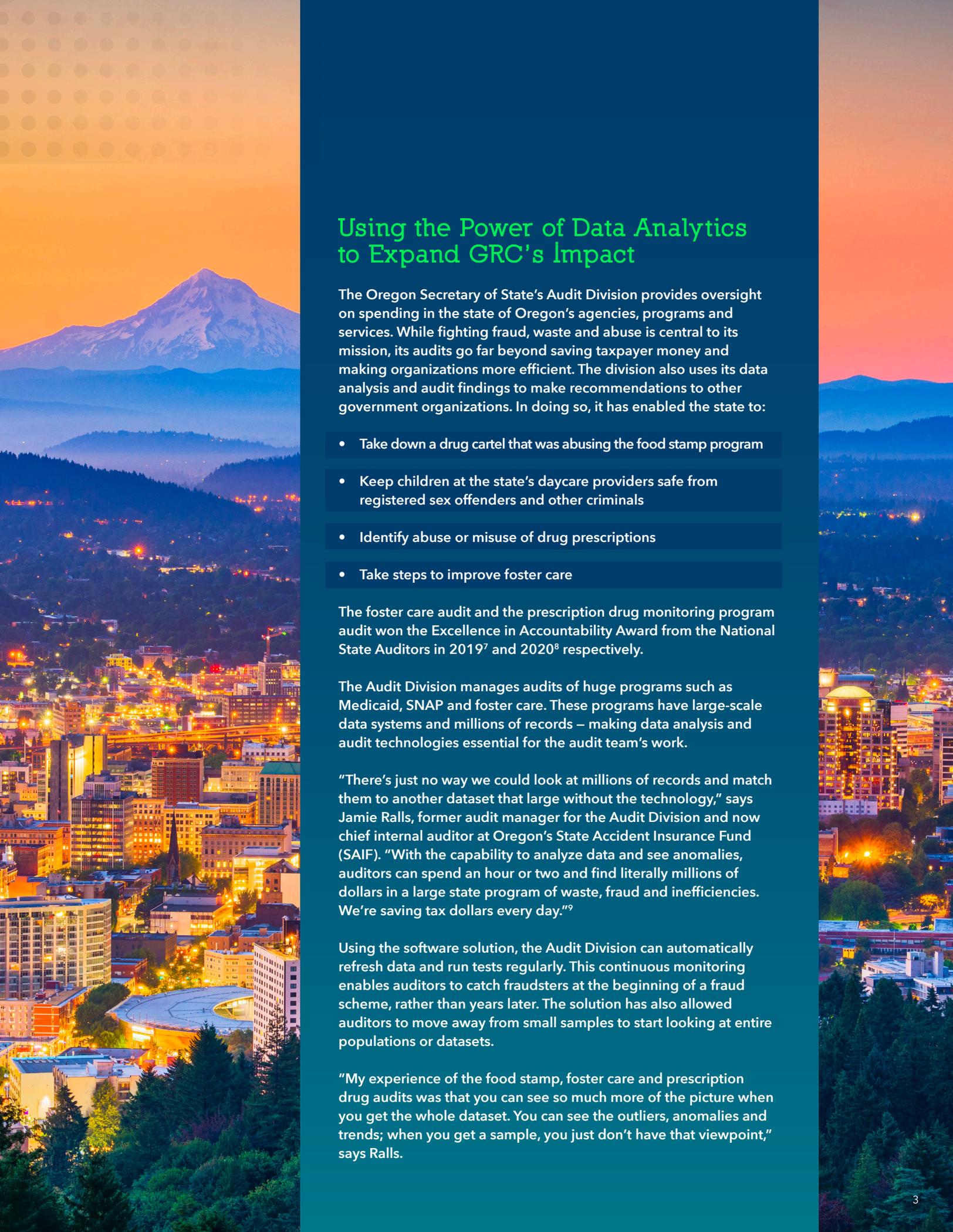
Governance, security, audit, risk management and compliance teams face numerous challenges:

New demands created by the pandemic. In the wake of the pandemic, organizations rushed to deliver unemployment benefits, remote work solutions, digital constituent services, collaboration tools and more. When an event like this occurs, security and compliance assessments must be completed as quickly as possible to manage the risks associated with these solutions – creating a backlog of work for risk managers and auditors.

Fifty-five percent of compliance officers in a Compliance Week survey reported they spend anywhere from 25 to 100 percent of their time on crisis-related activities.² Adding to the pressure are looming deadlines for demonstrating compliance with regulations and laws like the Health Insurance Portability and Accountability Act (HIPAA), payment card industry and consumer privacy laws.

Concerns around benefits fraud and errors. Weekly unemployment claims peaked at more than six million in April 2020, with a record \$48 billion in benefits being paid out.³ While this activity has slowed down, as recently as January 2021 new state claims exceeded 900,000 in one week.⁴ Unfortunately, unemployment, Medicaid, the Supplemental Nutrition Assistance Program (SNAP) and other safety net programs also have very high error rates. The U.S. Department of Labor's inspector general estimates at least \$87 billion in fraudulent and improper unemployment payments made their way through the system by the time pandemic-linked jobless aid programs expired in September 2021.⁵ In addition, the U.S. Secret Service estimates criminals have stolen nearly \$100 billion in pandemic relief funds, including funds from the Small Business Administration's Paycheck Protection Program and the Economic Injury Disaster Loan program.⁶

Barriers to data access. Disparate systems, organizational silos and the sheer volume of data prevent GRC professionals from having the visibility and agility they need to do even routine tasks. As Ian Green, audit manager for the Oregon Secretary of State's Audit Division,



Using the Power of Data Analytics to Expand GRC's Impact

The Oregon Secretary of State's Audit Division provides oversight on spending in the state of Oregon's agencies, programs and services. While fighting fraud, waste and abuse is central to its mission, its audits go far beyond saving taxpayer money and making organizations more efficient. The division also uses its data analysis and audit findings to make recommendations to other government organizations. In doing so, it has enabled the state to:

- Take down a drug cartel that was abusing the food stamp program
- Keep children at the state's daycare providers safe from registered sex offenders and other criminals
- Identify abuse or misuse of drug prescriptions
- Take steps to improve foster care

The foster care audit and the prescription drug monitoring program audit won the Excellence in Accountability Award from the National State Auditors in 2019⁷ and 2020⁸ respectively.

The Audit Division manages audits of huge programs such as Medicaid, SNAP and foster care. These programs have large-scale data systems and millions of records – making data analysis and audit technologies essential for the audit team's work.

"There's just no way we could look at millions of records and match them to another dataset that large without the technology," says Jamie Ralls, former audit manager for the Audit Division and now chief internal auditor at Oregon's State Accident Insurance Fund (SAIF). "With the capability to analyze data and see anomalies, auditors can spend an hour or two and find literally millions of dollars in a large state program of waste, fraud and inefficiencies. We're saving tax dollars every day."⁹

Using the software solution, the Audit Division can automatically refresh data and run tests regularly. This continuous monitoring enables auditors to catch fraudsters at the beginning of a fraud scheme, rather than years later. The solution has also allowed auditors to move away from small samples to start looking at entire populations or datasets.

"My experience of the food stamp, foster care and prescription drug audits was that you can see so much more of the picture when you get the whole dataset. You can see the outliers, anomalies and trends; when you get a sample, you just don't have that viewpoint," says Ralls.

illustrates, “In one audit, I was looking at 200 million Medicaid claims – it’s impossible to look at that many data points manually.”¹⁰

In many cases, the high volume of data to be analyzed reduces the frequency of audits – often to every two or three years – and can lead to the audited entity relaxing its compliance behavior. Spreadsheets, Word documents and vast lakes of unstructured data further impede the ability to access, share and analyze data.

Complexity and number of reporting requirements. Security standards, industry regulations and internal best practices are constantly evolving, making it difficult for staff to keep pace with changes – especially if they rely on manual processes. In addition, organizations may not have a high-level view of requirements across regulations and policies, creating redundancies and inconsistencies

as they attempt to address each requirement or regulation in isolation. New guidance emerging from the pandemic – for example, relaxed HIPAA requirements related to the use of communications technology – exacerbates these ongoing issues.

Expanding risk landscape. State and local governments have accelerated their use of the cloud, mobile devices and other external resources to enable remote work, digital services, collaboration, automation and more. As the enterprise perimeter expands, the risk landscape expands with it – often into new areas where staff may not have risk control expertise or experience in auditing new technologies such as artificial intelligence and machine learning.

Staffing and budget challenges. Many of the challenges discussed require a breadth and depth of skills that is often difficult to afford

and maintain in state and local governments. GRC teams are already stretched thin by work furloughs, hiring freezes and ongoing staffing shortages. Many GRC tasks are done manually, which eats up precious time and can introduce errors and inconsistencies. Even when organizations implement new technology to automate processes and alleviate manual work, finding the time to properly train staff is an issue – especially when they are up against numerous audit deadlines and other externally driven requirements.

Using Consolidation and Advanced Analytics to Transform GRC

To address challenges, run more leanly and contribute more fully to the functions of government, GRC teams are adopting solutions that consolidate separate governance, risk management, security,

The Economic Impact of a Modern GRC Platform

When analyst firm Forrester, Inc. interviewed a state government administration agency to assess the benefits and costs of its integrated GRC platform, it estimated the agency realized a 702 percent return on its \$554,000 investment.

The agency – which manages the processes, compliance and auditing for purchasing, human resources, fleet management and other functions for all state entities – needed to streamline its human resource and procurement compliance processes to maintain cost control and use taxpayer dollars effectively. However, it faced a number of challenges. Purchase-card fraud was a significant risk. It was using spreadsheets to manually track vendor payments, which made it difficult to spot overcharges. High volumes of data consumed auditors’ time and meant that fewer audits could be performed each year. And inaccuracies in purchase prices complicated invoicing and reporting processes.

Since implementing the new analytics and GRC platform, the agency has been able to standardize vendor pricing and reporting, improve the procurement process, enhance audit quality and efficiency, and more. As a result, over three years, the organization saved \$2.9 million related to incorrect pricing and vendor overpayments, more than \$250,000 in prevented purchase-card fraud and mistakes, and nearly \$1.3 million in staff hours. In addition, the organization was able to increase its number of audits from 30 per year to 90 per year.¹¹

Even when organizations implement new technology to automate processes and alleviate manual work, finding the time to properly train staff is an issue — especially when they are up against numerous audit deadlines and other externally driven requirements.

compliance and audit functions into a single, integrated technology platform that has advanced data analytics capabilities. By using this platform to connect to virtually any data source, apply predictive analytics, generate reports and automate repetitive tasks, organizations gain a deeper, wider and more objective view into what's happening within their programs. This translates to faster, better data-driven decisions. By helping organizations recover revenue and increase efficiency, these solutions can also produce a rapid return on investment (see sidebar "The Economic Impact of a Modern GRC Platform" on page 4).

Mature GRC Capabilities

What should government organizations be looking for when evaluating technology solutions? Besides wide systems integration, a mature, consolidated GRC platform includes the following capabilities:

- + Data analytics, artificial intelligence and machine learning so organizations can continuously, automatically and rapidly analyze data for fraud, risk analysis, compliance, audit and other functions
- + Automation of workflows and reporting to minimize manual, repetitive tasks
- + Data visualization, trend analysis and real-time reporting on a unified dashboard to drive risk identification, assessment and data-driven decision-making
- + Risk assessments and weightings to help quantify and rank risks
- + Built-in security controls and FedRAMP or StateRAMP authorization
- + Other important features such as mobile device support, ease of use, scalability and technical support



A Closer Look at Data Analytics, Artificial Intelligence and Machine Learning

According to the Association of Certified Fraud Examiners, government organizations using data monitoring and analysis software experienced 52 percent lower losses and 58 percent faster detection of fraud occurrences. At a process level, artificial intelligence and machine learning can make compliance and audit processes more efficient and effective by mapping controls to risks based on approaches that have worked in the past. These technologies also help remove the qualitative nature of typical risk assessments and make them more data-driven.

Using the analytics capabilities of its integrated GRC platform, the state of Georgia's Department of Administrative Services

went from auditing 20 percent of payment card (P-card) transactions to 100 percent.

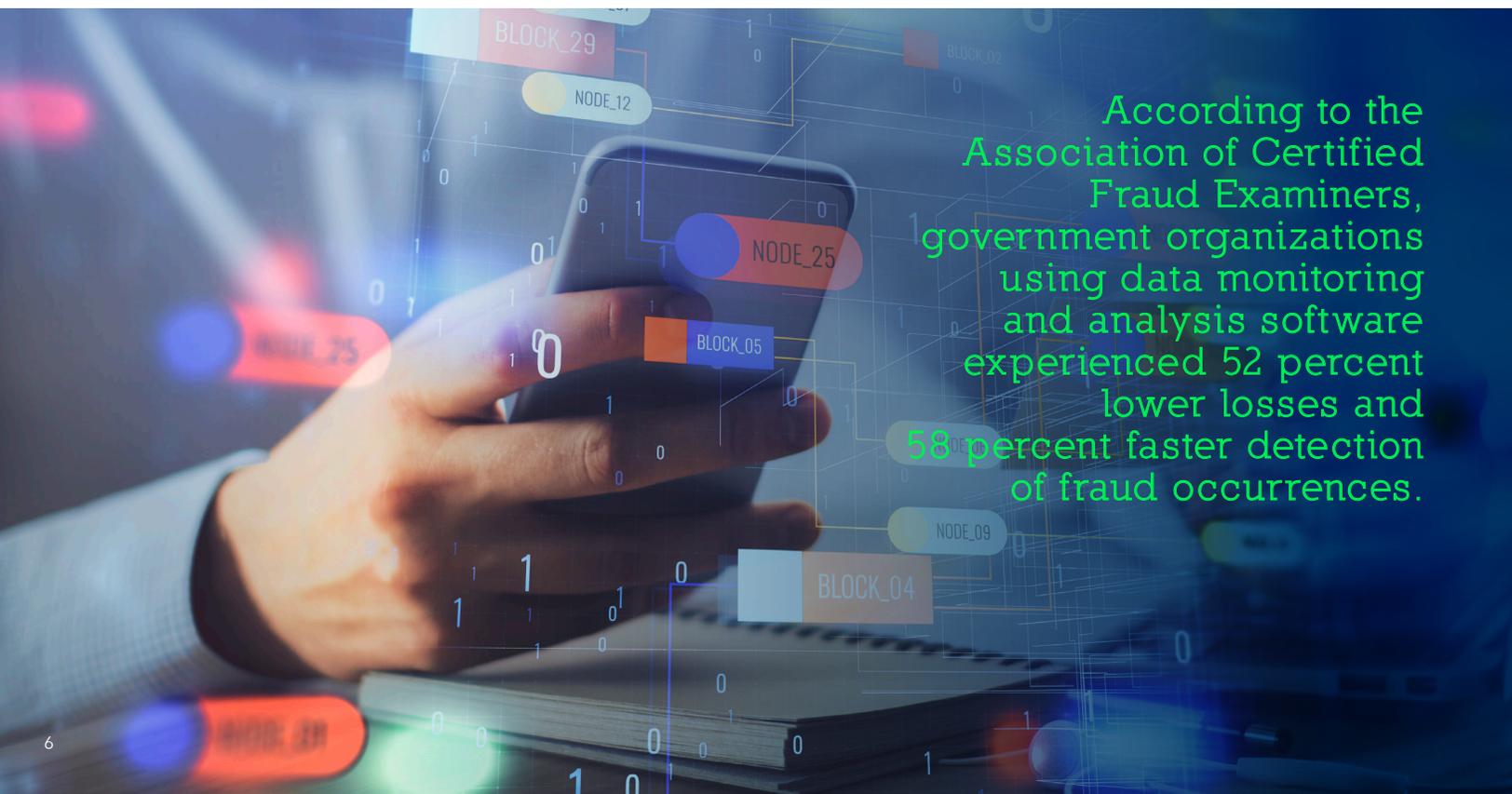
"In the first week, we found something in the P-card area that had been going on for about three years; our old audit process allowed those purchases to slide through the cracks," says Kristine Splieth, former deputy CIO, Business Integration Information Technology. "We were doing it retrospectively and now we're doing it in real time."¹²

Leading into the Future: Best Practices for Managing Change

The following practices can help government organizations get started on GRC modernization and make effective, lasting change.

Gain buy-in from executive leadership. Strong support from the C-level as well as the audit committee and managers helps communicate the value of GRC; sets the tone for the GRC culture; and helps align security, compliance, audit and other disciplines within a unified, strategic framework. It also can remove roadblocks by ensuring teams have access to needed data and by encouraging cooperation and data sharing among disciplines.

Appoint project champions. When change management teams are large, details may fall through the cracks and the project can stall. Nominate a small team of champions whose focus, in addition to their usual jobs, is learning how new GRC technology and approaches can be used within the organization. This team



According to the Association of Certified Fraud Examiners, government organizations using data monitoring and analysis software experienced 52 percent lower losses and 58 percent faster detection of fraud occurrences.

Demonstrating productivity, cash savings and other gains early encourages buy-in of leaders, managers and staff, and creates enthusiasm for future projects.

can bring their research and learnings back to the larger group and help others better understand and implement new technology and processes.

Seek external expertise. To round out skill sets and bring staff up to speed on new ways of doing things, seek expertise outside of your role, your department or even outside of government. This includes hiring data scientists and experts from non-compliance or non-audit roles, inviting other departments to share relevant expertise and then marrying that into GRC functions, and leveraging existing work (for example, a vendor risk assessment completed by a second-line IT team). Building strong relationships with IT staff is also critical to understand how systems are set up and where data lives.

Set realistic, quantifiable goals. “If you’re looking at using robotics and artificial intelligence down the road, it can be a far stretch if you’re currently using spreadsheets and doing these kinds of things manually. So, get a vision and then take some small steps toward that goal,” recommends Ralls.

For example, when moving forward with artificial intelligence and automation, set the goal of adding one analytic per audit. By the end of the year, the team will have something to show, will be more proficient and will have learned

more about the opportunities the solution provides. This tactic also supports an agile, iterative approach, where the team can deliver something quickly and then refine and improve as it moves forward.

Start with low-hanging fruit and quick wins. Demonstrating productivity, cash savings and other gains early encourages buy-in of leaders, managers and staff, and creates enthusiasm for future projects. For example, to demonstrate the value of analytics, pilot a project in accounts payable where analytics can recover thousands of dollars by identifying things like duplicate payments or duplicate vendors.

Provide continuous training. Block out time to train current teams, and then embed ongoing professional development into the culture by formalizing and documenting it along the way. This also includes having early adopters share their tips informally, inviting guests to share expertise, and requiring attendance at webinars or other trainings. In addition, organizations should take advantage of training and onboarding services provided by their software solution vendors.

As Ralls explains, “It’s a huge skill set. If auditors are not trained how to use big data in their auditing and they’re still doing the old school approach of pulling a tiny sample and then trying to project that up

to the population, they are going to really be behind the curve, because big data is our future.”

Take your vision a step further.

When building a business case, identify potential cost recoveries, time savings and other returns, and then go beyond that to consider what the organization will do with the extra time and money. Will an extra week of time enable more audits, more training or more work on a committee for further innovation? What will the recovery of thousands or millions of dollars enable?

Elevating the Role of GRC

GRC teams hold a wealth of institutional knowledge and expertise that is often unnoticed and underutilized in the wider organization. Consolidating and automating governance, security, risk management, compliance and auditing functions creates a whole that is greater than the sum of its parts. It improves operational resilience and produces returns that are difficult – if not impossible – to achieve without modernization. As GRC organizations modernize and consolidate their function, their opportunity to add value and influence outcomes grows. The sooner they recognize these opportunities, the sooner they can begin to not only make life easier for their teams, but also improve the lives of the public they ultimately serve.

This piece was written and produced by the Center for Digital Government Content Studio, with information and input from Diligent.

Endnotes:

1. OCEG Crisis Readiness Planning Survey 2020.
2. https://www.complianceweek.com/surveys-and-benchmarking/survey-lessons-from-those-who-werent-ready-for-coronavirus/28701.article?utm_campaign=coronavirus-survey-lessons&utm_medium=email&utm_source=newsletter&utm_content=story-1-nicodemus
3. <https://www.cnbc.com/2020/05/14/americans-got-48-billion-in-unemployment-benefits-in-april.html>
4. <https://www.nytimes.com/2021/11/24/business/economy/jobless-unemployment-claims.html>
5. <https://www.propublica.org/article/how-unemployment-insurance-fraud-exploded-during-the-pandemic>
6. https://www.nbcwashington.com/news/business/money-report/criminals-have-stolen-nearly-100-billion-in-covid-relief-funds-secret-service-says/2916119/?_osource=db_npd_nbc_wrc_eml_shr
7. https://www.nasact.org/accountability_awards
8. Ibid.
9. <https://www.wegalvanize.com/case-studies/>
10. Ibid.
11. <https://www.wegalvanize.com/assets/infographic-forrester-tei-us-govt-agency-highbond-platform.pdf>
12. <https://www.wegalvanize.com/highbond-state-government/#>

Produced by:  CENTER FOR
DIGITAL
GOVERNMENT

The Center for Digital Government, a division of e.Republic, is a national research and advisory institute on information technology policies and best practices in state and local government. Through its diverse and dynamic programs and services, the Center provides public and private sector leaders with decision support, knowledge and opportunities to help them effectively incorporate new technologies in the 21st century. www.centerdigitalgov.com.

For:  **Diligent**

Galvanize is now Diligent. Diligent is the leading governance, risk and compliance (GRC) SaaS company, serving 1 million users from over 25,000 customers around the world. Our innovative technology gives leaders a connected view of governance, risk, compliance and ESG across their organizations, sparking the insights they need to make better decisions and lead with purpose. Learn more at diligent.com.