



Enterprise Resource Planning (ERP) / Electronic Data Interchange (EDI)
 Supply Chain Vendor Compliance
 Internal Controls / Fraud Detection & Reduction
 Business Analysis / Data Analysis / Systems Analysis

Since January 1996

The use of data analytics to mitigate supply chain fraud, waste, and abuse: 4-year statistics perspective.

Since 2014 – two years after the 2012 publication of my book “Detecting and Reducing Supply Chain Fraud” – Deloitte has been performing annual polls seeking feedback relating to how companies use data analytics to mitigate supply chain fraud, waste, and abuse.

The number of poll respondents for each year are: 3,056 in 2014; 2,596 in 2015; 3,115 in 2016; 3,185 in 2017.

Despite the implementation of advanced ERP and business intelligence systems, deeper views into supply chain activities with demand planning and forecasting systems, forging stronger data relationships with supply chain partners, and the drive towards the acquisition of more data, overall companies are still experiencing more fraud, waste, and abuse in their supply chains than not in the prior 12 months:

In 2014, 31.4% versus 22.0%; in 2015, 28.9% versus 25.6%; in 2016, 31.3% versus 24.6%; in 2017, 31.6% versus 26.7%.

What is perhaps more disconcerting is the significant percent of companies that don't know if they have experienced supply chain fraud, waste, or abuse: 46.6% in 2014; 45.0% in 2015; 44.1% in 2016; 41.7% in 2017. Inasmuch as this trend shows a 5% decline from 2014 to 2017, all years still show that greater than 41% of companies don't know if they have suffered supply chain fraud, waste, and abuse, so I am not sure the slight decline is statistically significant enough to celebrate.

What would be worse is that if companies implemented new technologies and still failed to realize they were subject to supply chain fraud, waste, and abuse. The polling does not go in to the age of or the types of technologies used at the respondent companies: that would be a very interesting aspect, e.g. whether the company was using a legacy or custom ERP system; whether the company was using a business intelligence system or working from spreadsheets.

What could possibly explain the gap in visibility of knowing if supply chain fraud, waste, or abuse has occurred? Certainly, software system sophistication is one consideration.

Companies may be also experiencing skill gaps in the technologies they are relying upon or have implemented, as well as talent shortages in critical thinking and data analysis. Quite simply, companies cannot “tech” their way out of their problems. Companies need to ensure their employees are able to master the technologies the companies are implementing and have the necessary critical thinking and analytical skills to creatively and subjectively harness the data output into meaningful and actionable information.

My book describes a business model where standard supply chain systems – Enterprise Resource Planning (ERP), Electronic Data Interchange (EDI), and Automatic Identification (e.g. barcode labeling and scanning) such as that used in a warehouse or distribution center – and the transactions that are output, can be utilized to not only analyze supply chain performance but also to audit for fraud.

If you are interested, please go to www.katzscan.com for more information and to contact me for a further discussion and assistance.

Thanks for reading.

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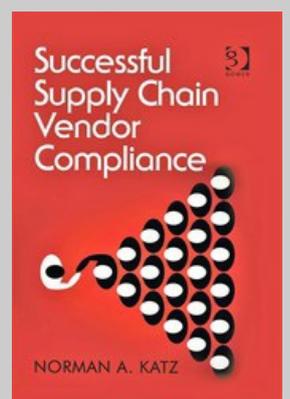
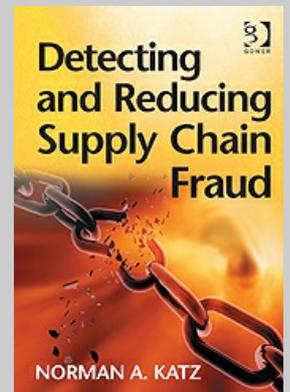


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