

International Seminar on Power, Corruption and Impunity: Leveraging Intelligence

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GAO's Role In Combating Corruption and Promoting Accountability In Public Sector Programs

- As the Supreme Audit Authority of the United States, GAO is tasked with providing the U.S. Congress timely, objective, fact-based, non-partisan information.
- Our work, done at the request of Congress or mandated by law, focuses on a wide range of issue areas and includes determining if federal funds are being spent efficiently and effectively and investigating issues of illegal and improper activities.
- We advise Congress and the heads of executive agencies about ways to make government more efficient, effective, ethical, equitable and responsive.
- Our work leads to laws and acts that improve government operations, saving the U.S. government and taxpayers billions of dollars.

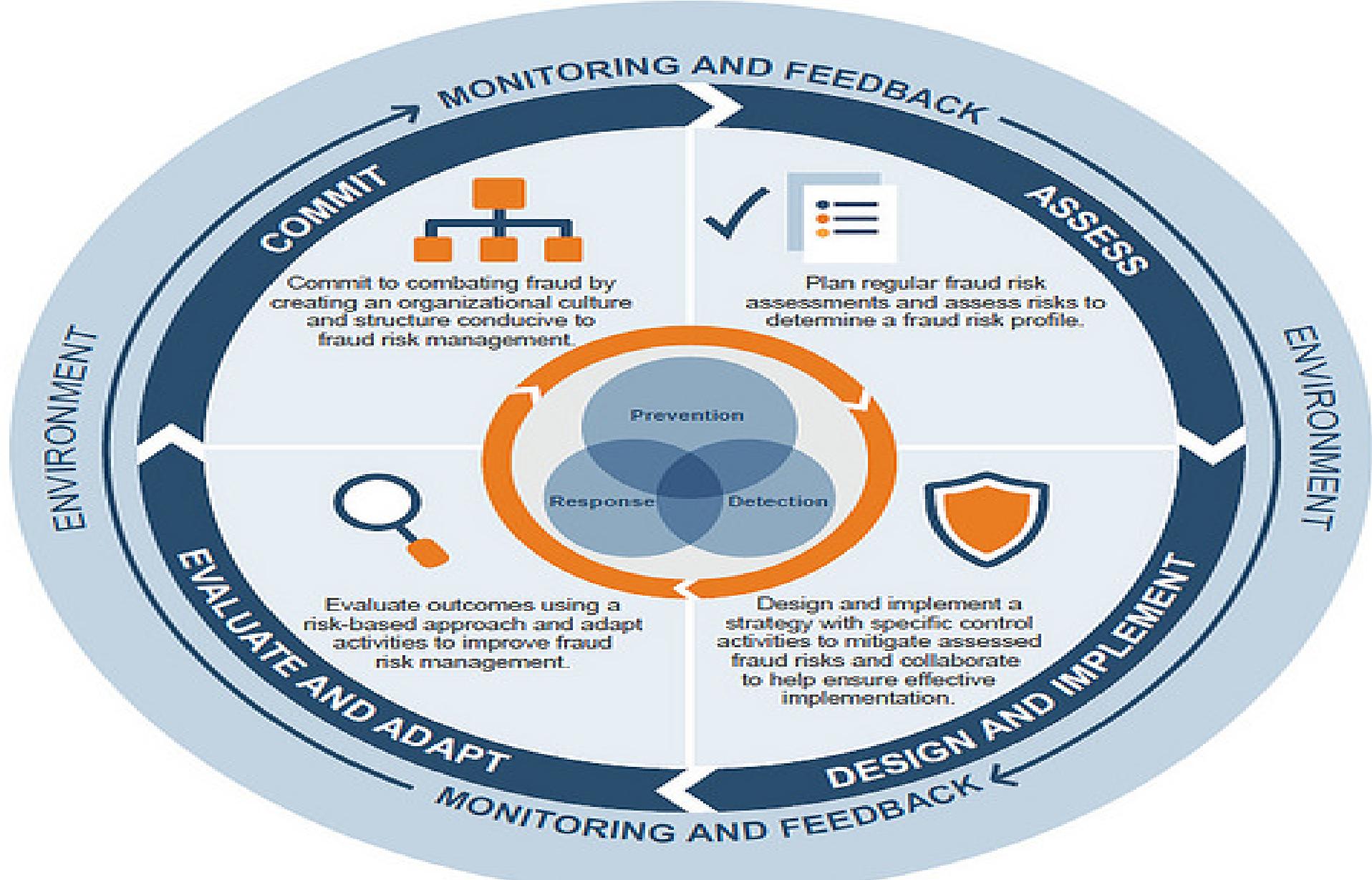
GAO Fraud Risk Framework

- In July 2015, GAO issued *A Framework for Managing Fraud Risks in Federal Programs*. This guide provides managers across the federal government tools to help prevent, detect, and respond to fraud.
- Among other things, the framework describes how data analytics can be used to detect fraud and details steps to do so successfully.



A Framework for Managing Fraud Risks in Federal Programs





Intelligence Leveraging Tools to Combat Financial Crimes

- Big data
 - Data Mining
 - Predictive Analytics
 - Forensic Data Analytics
- Artificial Intelligence
 - Machine Learning
 - Rules-Based/Expert Systems

Lessons from AML

- Network analysis by Financial Intelligence Units and others
 - Mapping social connections to disentangle crime networks
- Customer and transaction risk scoring by financial Institutions
 - Potential for Data Mining Techniques
- Even still, outdated AML systems result in billions spent on manual approaches that generate large numbers of false positives.

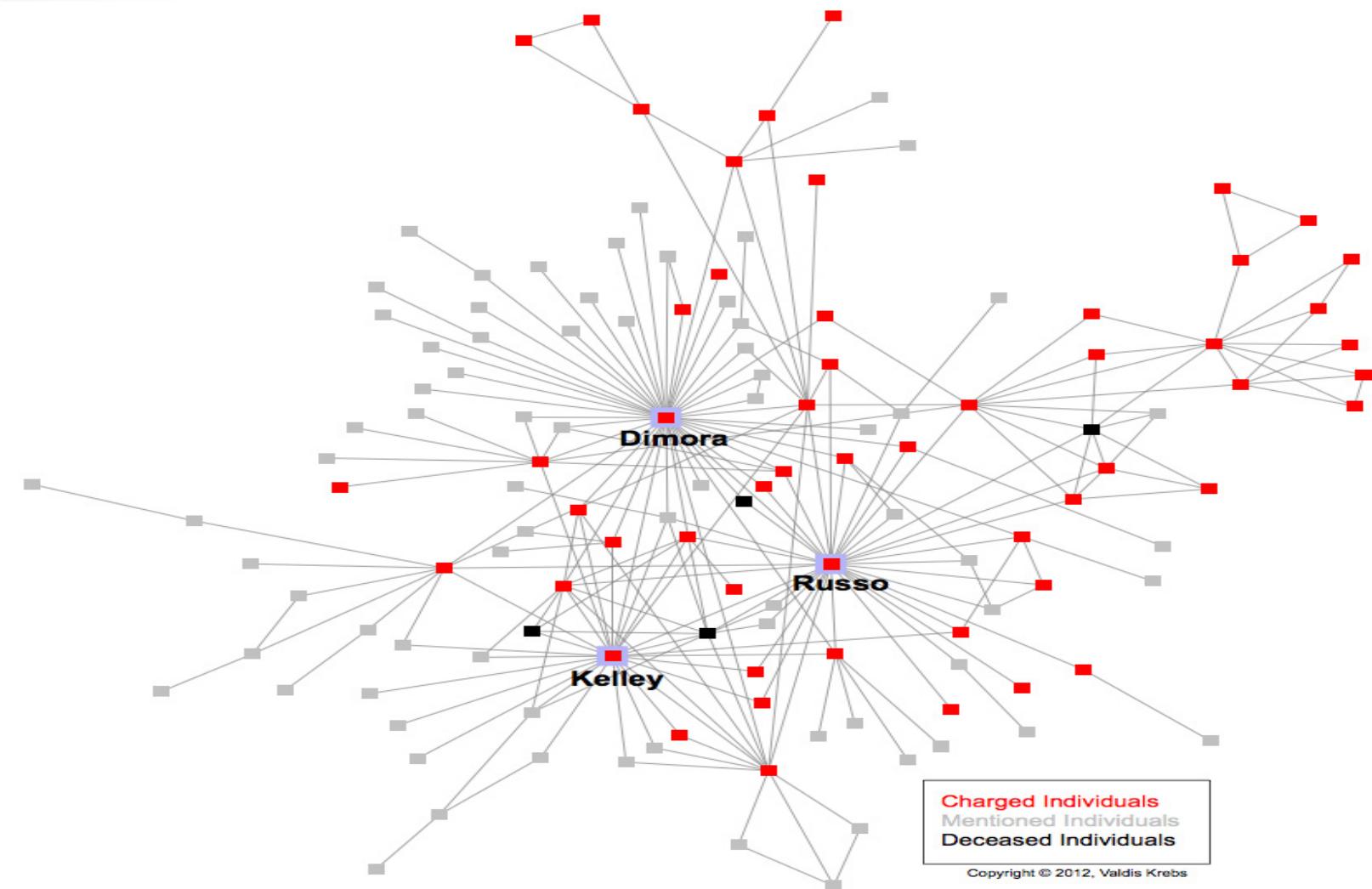
Use of Data Analytics In GAO Engagements

- GAO has recently used data analytics and mapping to successfully identify fraud and corruption.
- For example, GAO used a technique called web scraping to identify fraud against participants in a public housing program.
- GAO also plans to use network analysis to identify relationships among businesses engaged in contracts with the federal government to identify fraud.
- While these techniques have not yet been used in our work on the financial sector, these techniques could be applied to work across the wide spectrum of areas GAO engages in.
- Other entities involved anti-money laundering and anti-corruption have been employing a number of innovative tools

Corruption and Fraud Applications

- Corruption Research Center Budapest
 - Researchers used data mining techniques on large administrative data sets to identify anomalies in public procurement
 - corruption risk indicators for individual public procurement transactions
 - Provides a potential mechanism for measuring high-level corruption and favoritism
- Australian Taxation Office
 - Data-matching techniques using data scraped from public and private sources, including social media platforms to identify tax cheats (netted billions of dollars)
- EU/transparency International
 - Data analytics software to

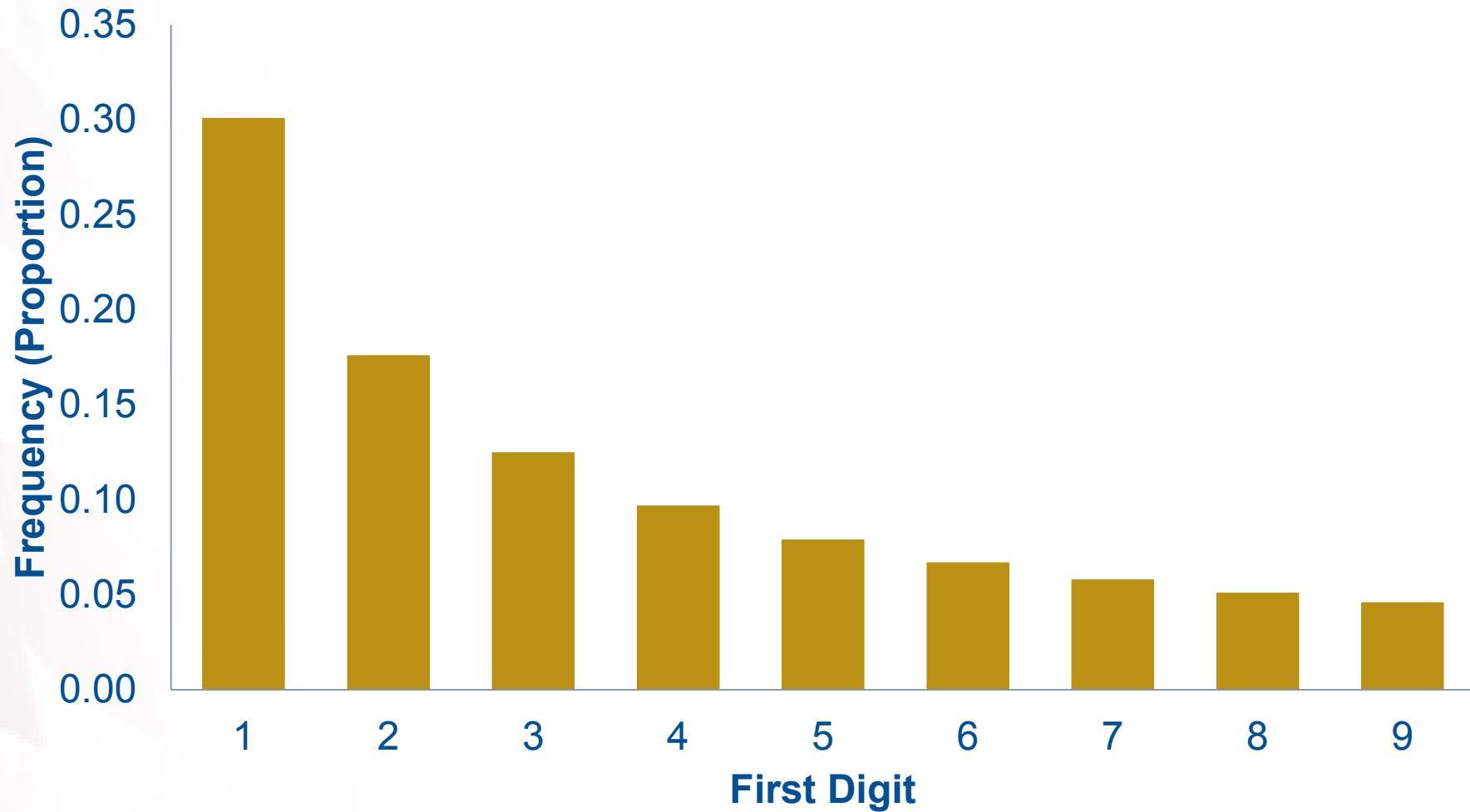
Network Analysis: Corruption in Ohio



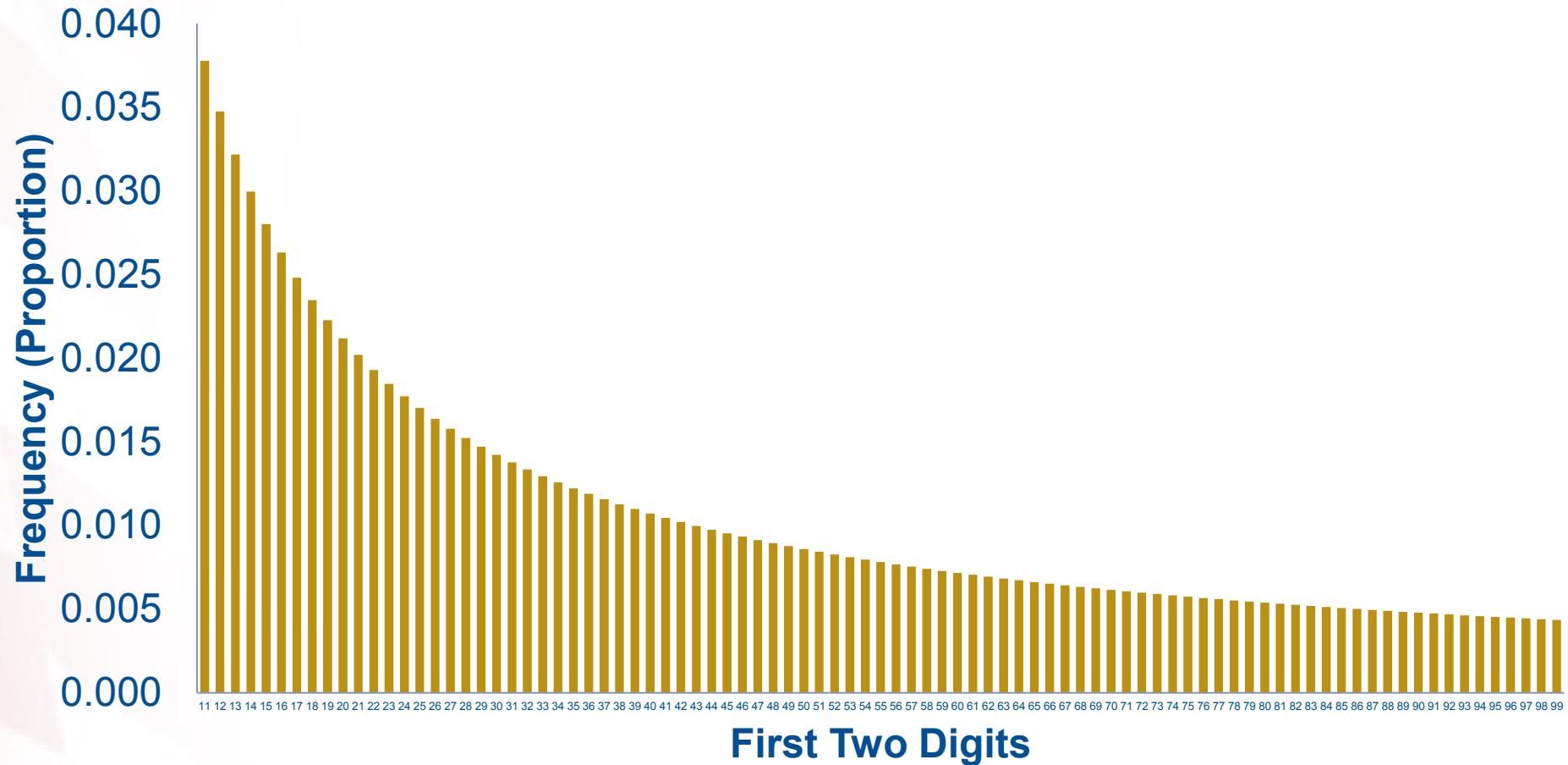
Appendix I

- Benford's Law
 - a mathematical principle that predicts the frequency distribution of leading digits in many sets of numbers
- Describes the tendency of the first digit of numbers to follow a logarithmic distribution, with many more 1s occurring than 9s.
 - Distribution of first digits occurs when the numbers are generated as a consequence of “organic” processes (the normal conduct of business)
 - unlikely to occur when numbers are fabricated by a fraudster or generated through other, artificial processes

Benford's Law



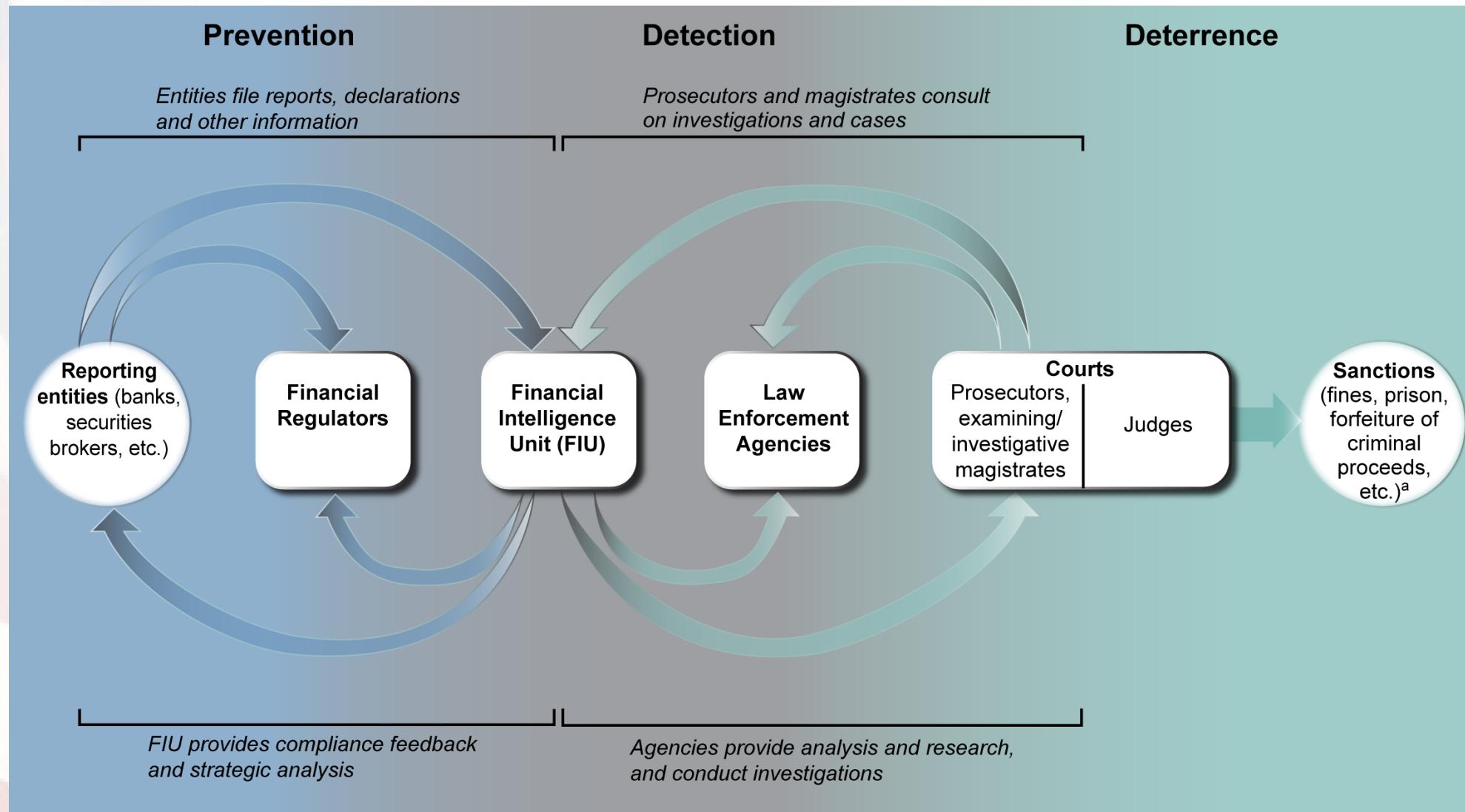
Benford's Law II



Appendix II

- AML Framework in U.S

United States AML Framework



Source: GAO analysis based on Treasury's Office of Technical Assistance, the Financial Action Task Force, and fieldwork in Colombia, Mexico and Panama. | GAO-17-684

AML Framework in the U.S. – Establishing Effective Financial and Institutional Intelligence

- Financial and institutional intelligence in the U.S. crosses many agencies.
- FinCEN, the financial intelligence unit, serves as the repository for financial intelligence information – suspicious activity reports, currency transaction reports, etc.
- Other U.S. agencies such as the Treasury, Department of Homeland Security, Department of Justice, and the IRS are involved in sharing intelligence to help identify, stop, and prosecute fraud and corruption.

AML Framework – GAO's Role

- Providing oversight and accountability of government institutions and agencies
- Ensuring proper and effective use of resources
- Examples of recent GAO reviews:
 - *Bank Secrecy Act: Federal Agencies Should Take Action to Further Improve Coordination and Information-Sharing Efforts* (GAO-09-227)
 - *International Remittances: Money Laundering Risks and Views on Enhanced Customer Verification and Recordkeeping Requirements* (GAO-16-65)
 - *Bank Secrecy Act: Suspicious Activity Report Use Is Increasing, but FinCEN Needs to Further Develop and Document Its Form Revision Process* (GAO-09-226)
 - *Anti-Money Laundering: Improved Communication Could Enhance the Support FinCEN Provides to Law Enforcement* (GAO-10-141)

International Asset Recovery

- Asset recovery is an important tool in breaking the back of kleptocracy
 - Denies illicit actors access to ill-gotten gains and reduces incentives for illicit activity
 - Even a portion of recovered assets would support important developing country initiatives
- Only a small fraction of the billions stolen from developing countries have been returned from OECD countries

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