

Shielding the Ledger in the Age of Agentic AI: A Lifecycle Approach to Assessing AP Fraud Risk Session Description

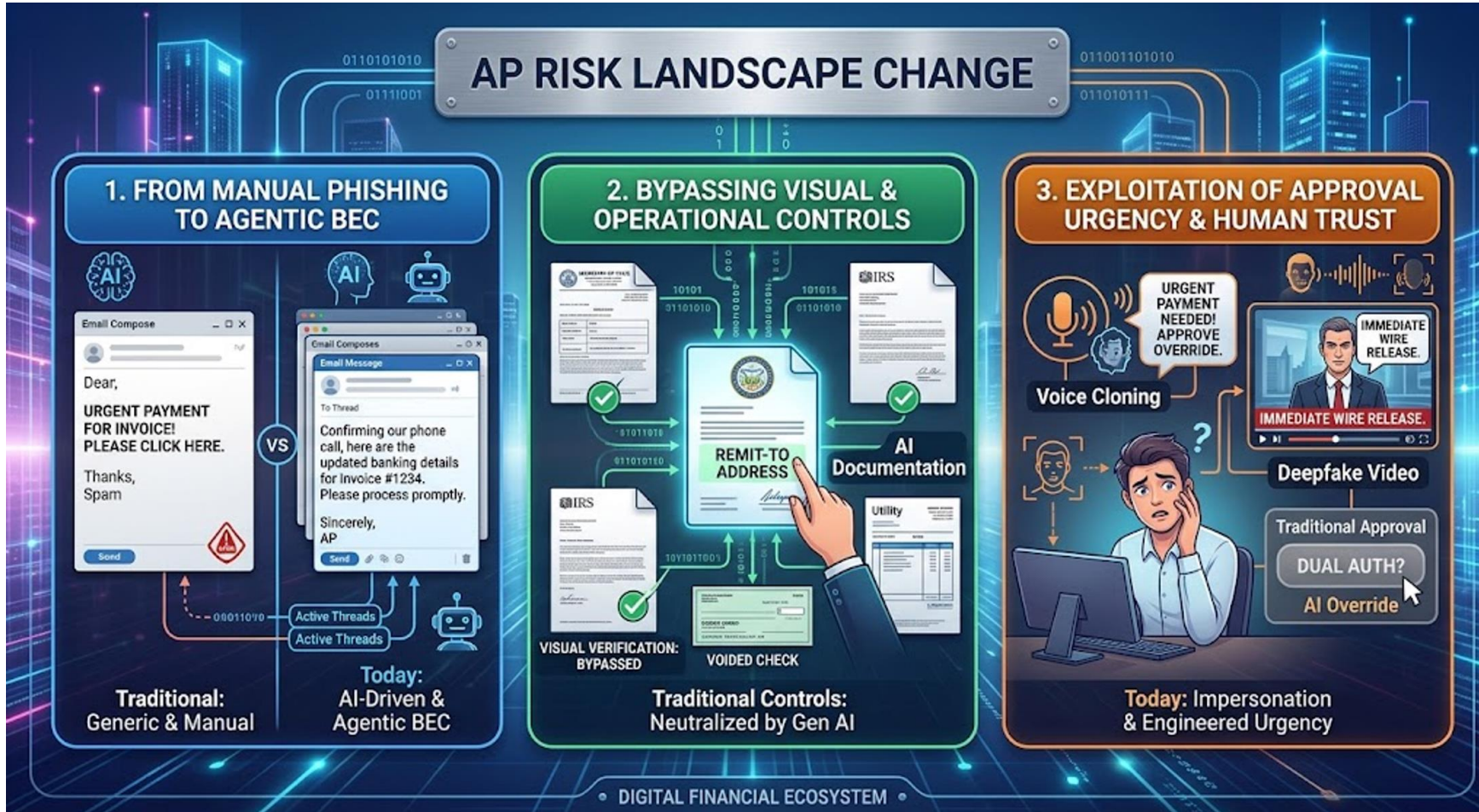
Presented by: Paul Zikmund

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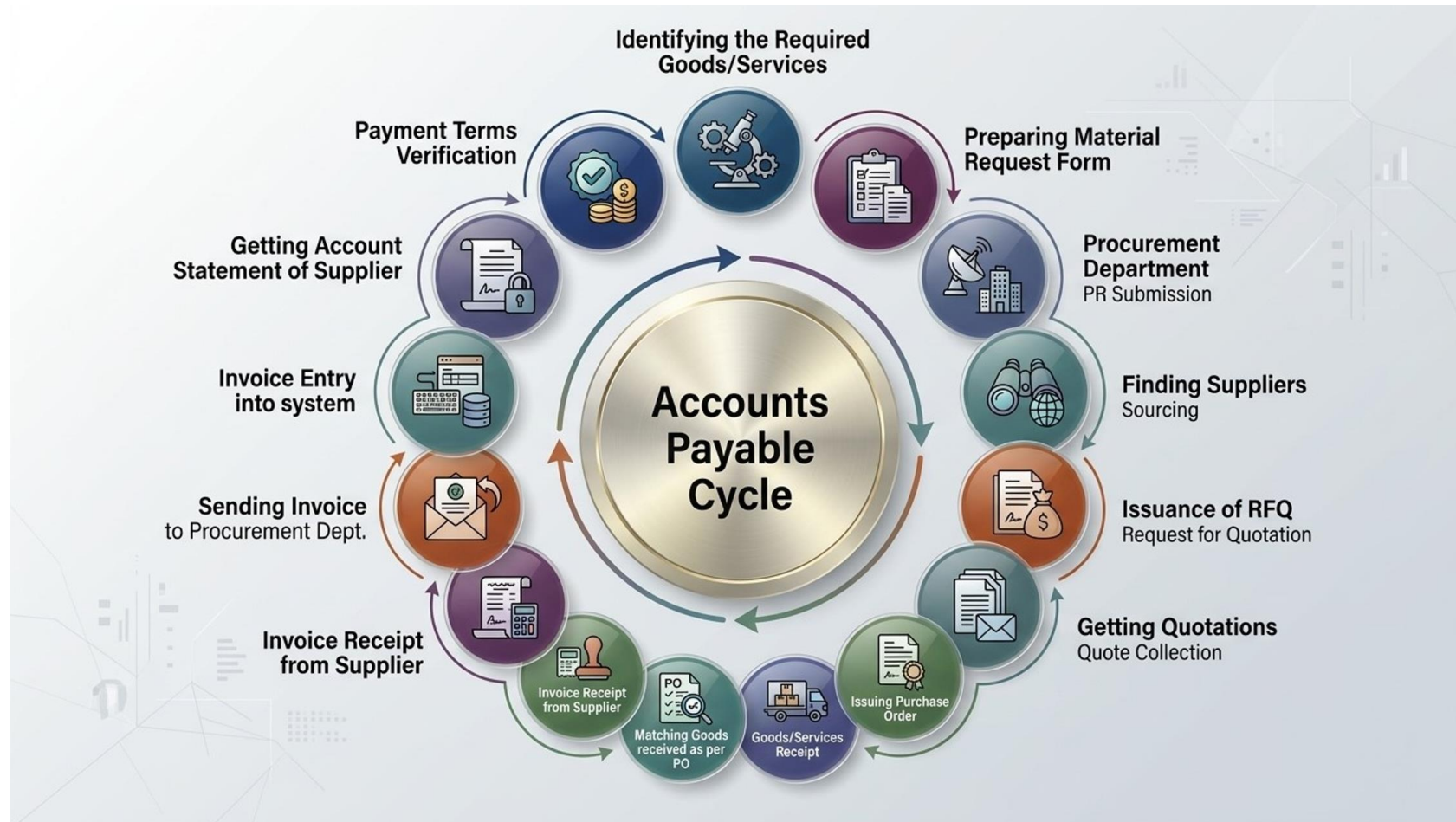
Today's Risk Landscape



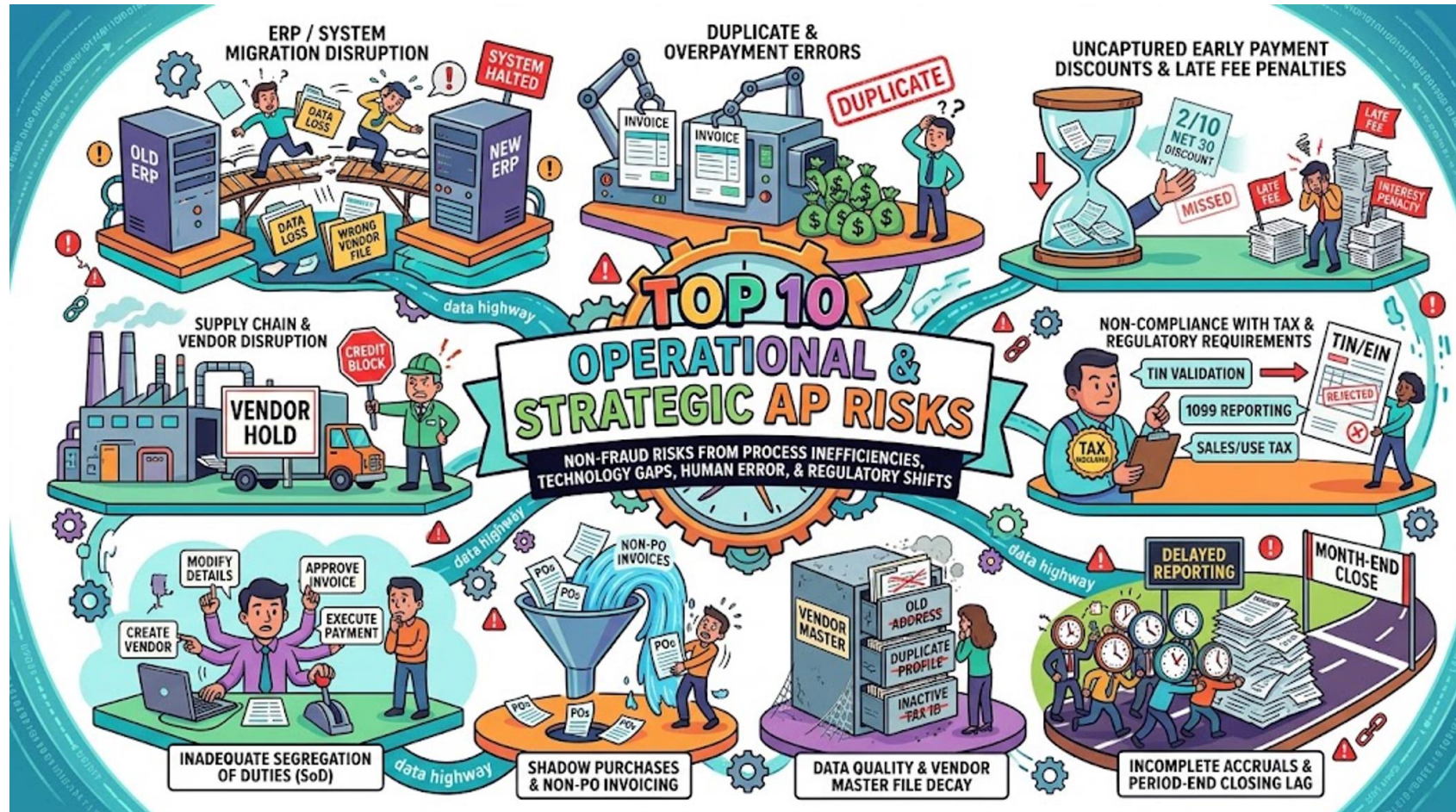
Accounts Payable Lifecycle



Accounts Payable Lifecycle



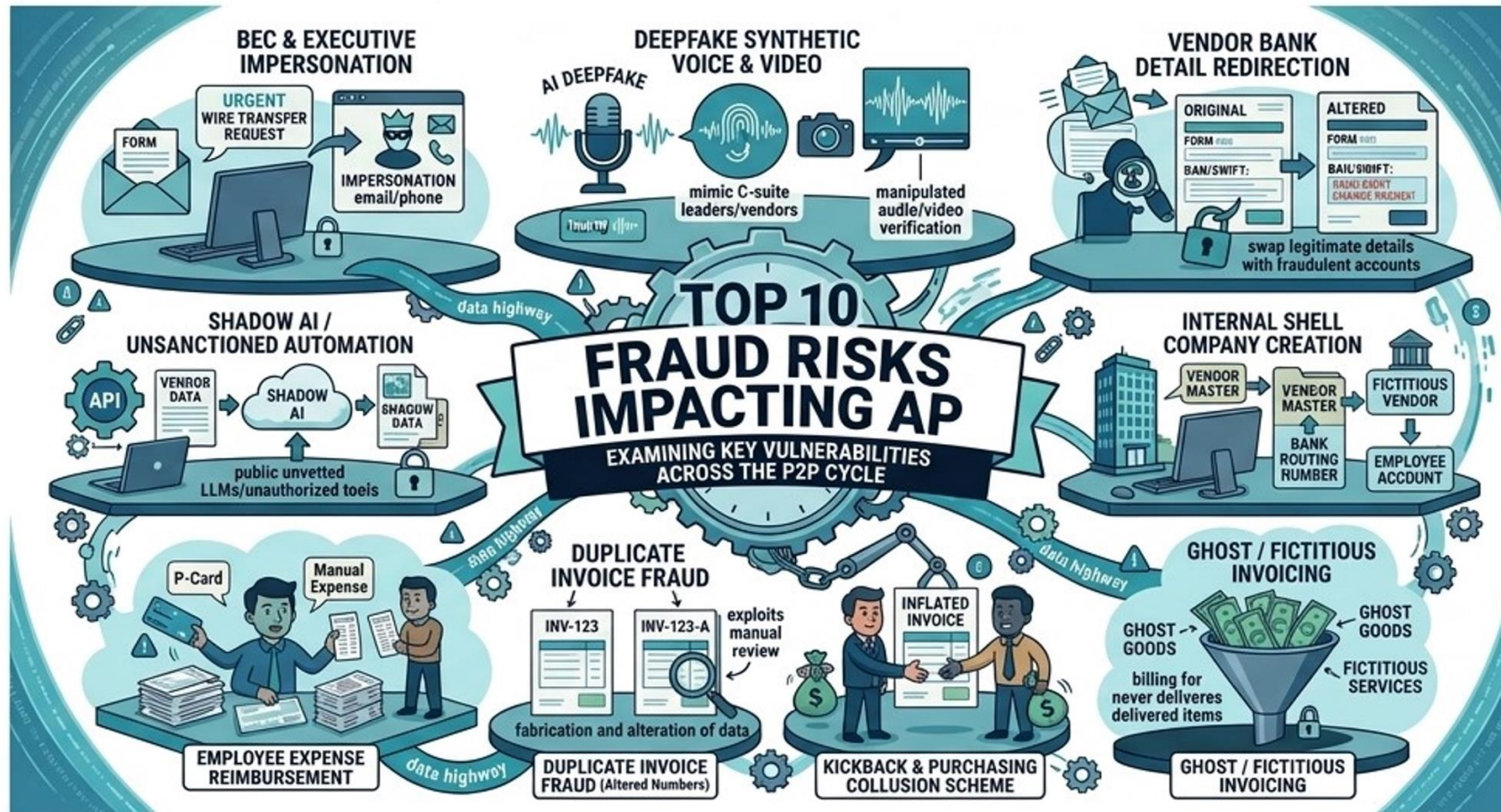
Top Operational & Strategic Risks



Operational & Strategic Risks



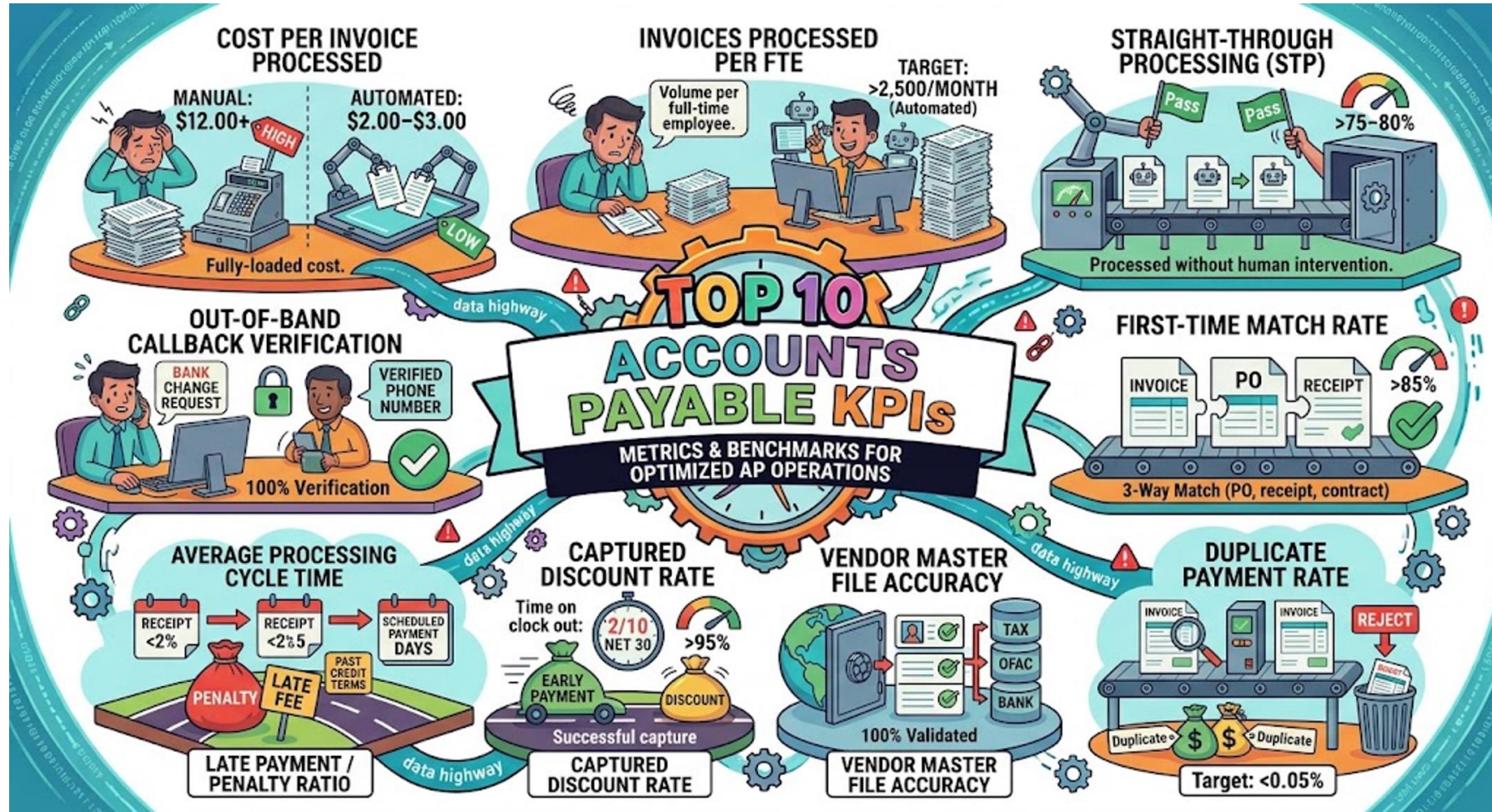
Top Ten Fraud Risks



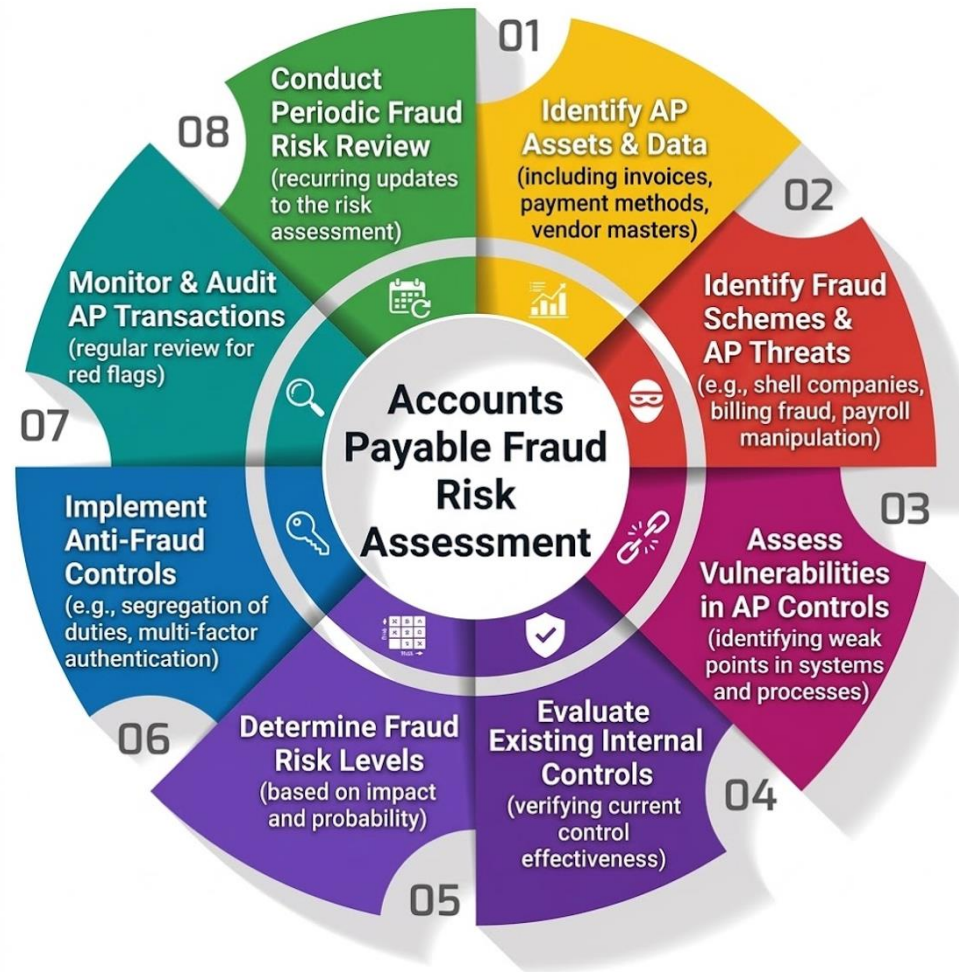
Top Accounts Payable KPIs



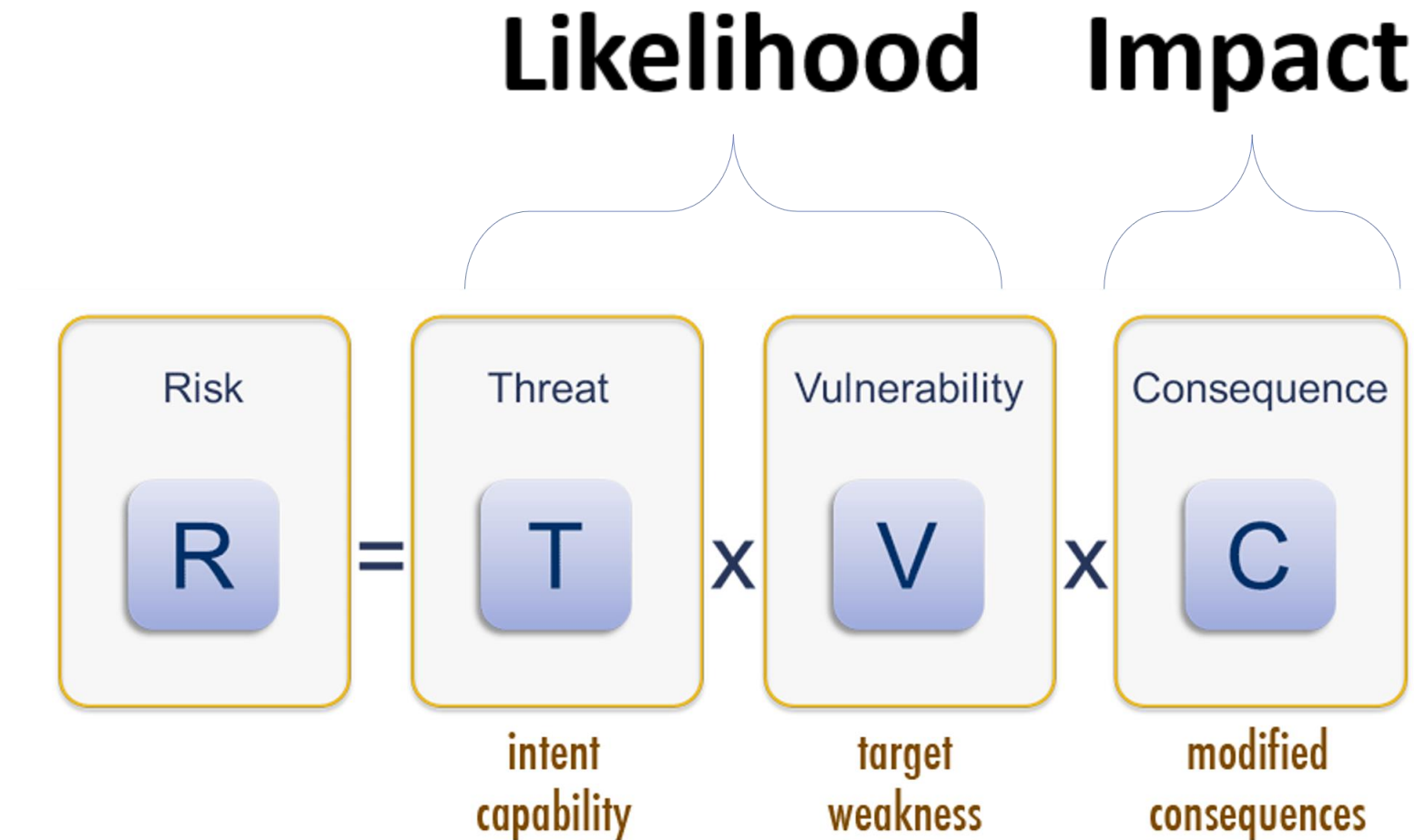
Accounts Payable KPIs



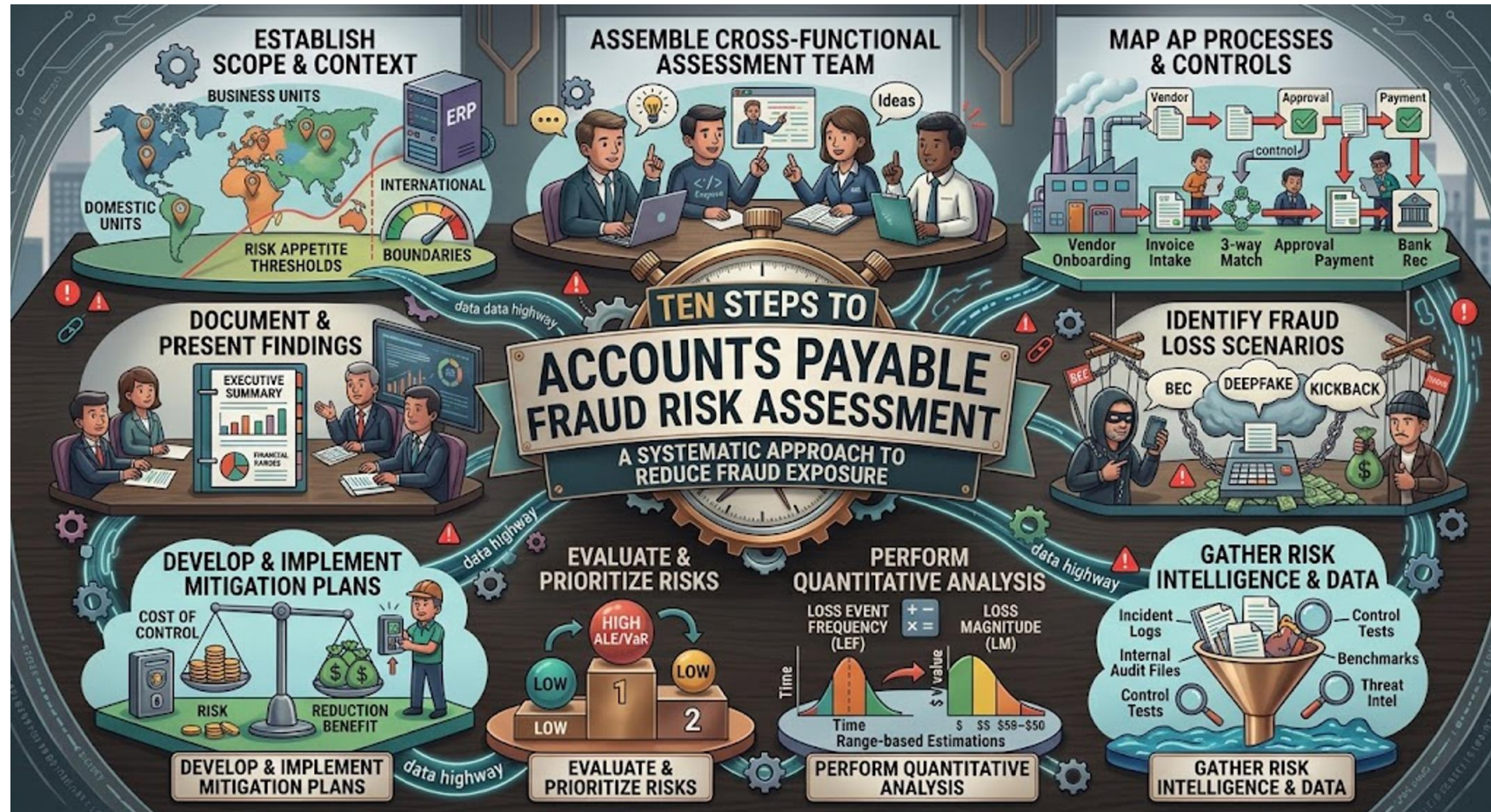
Accounts Payable Risk Assessment



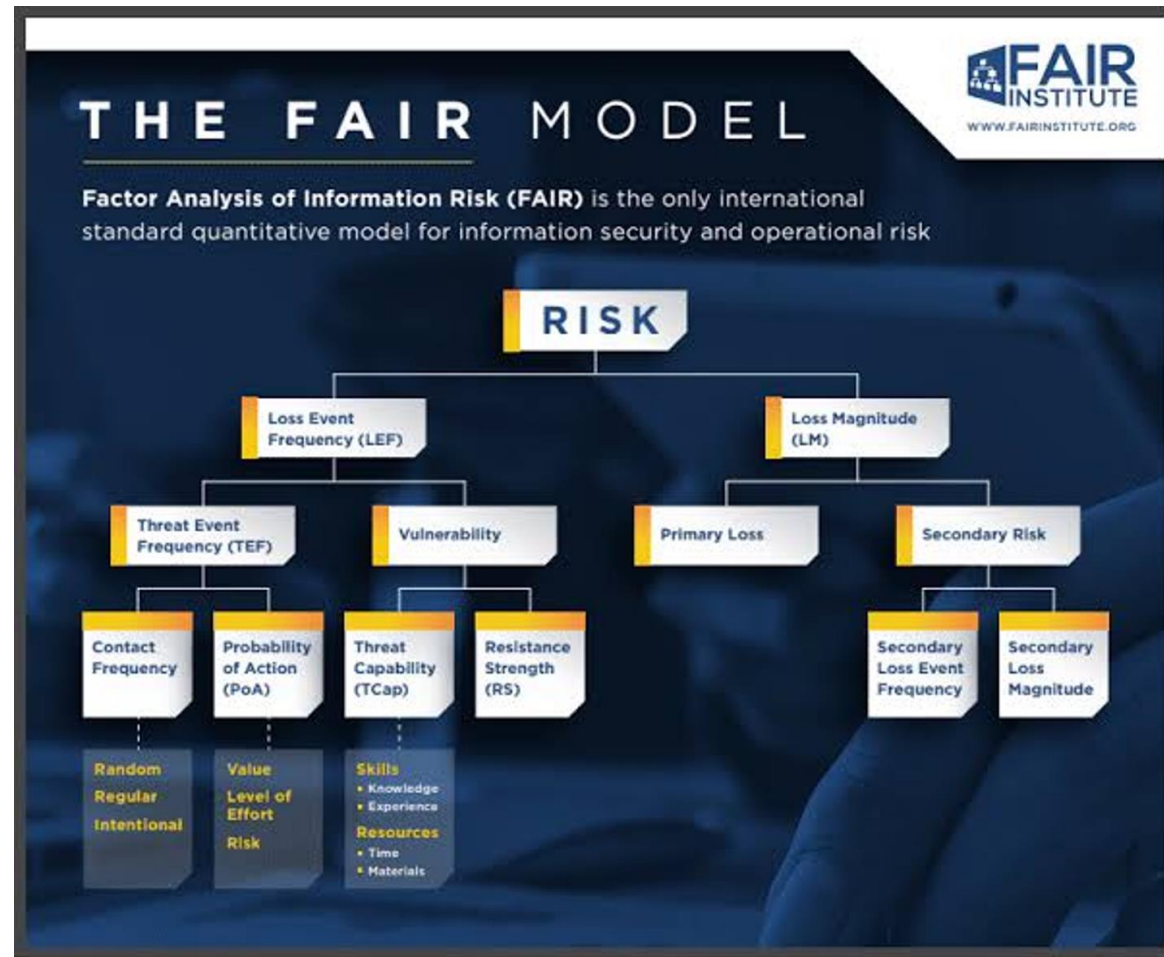
Calculating Risk



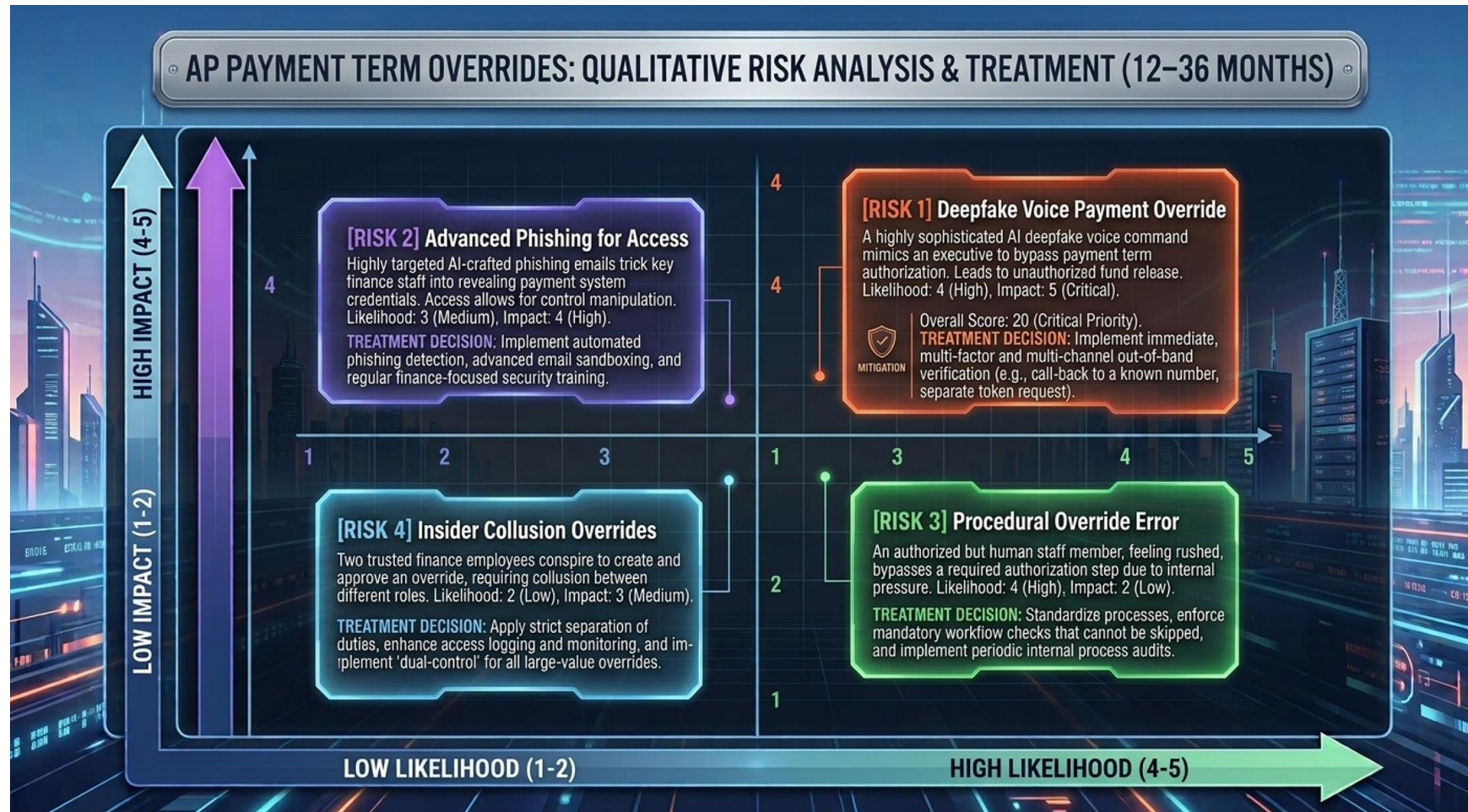
Accounts Payable Fraud Risk Assessment



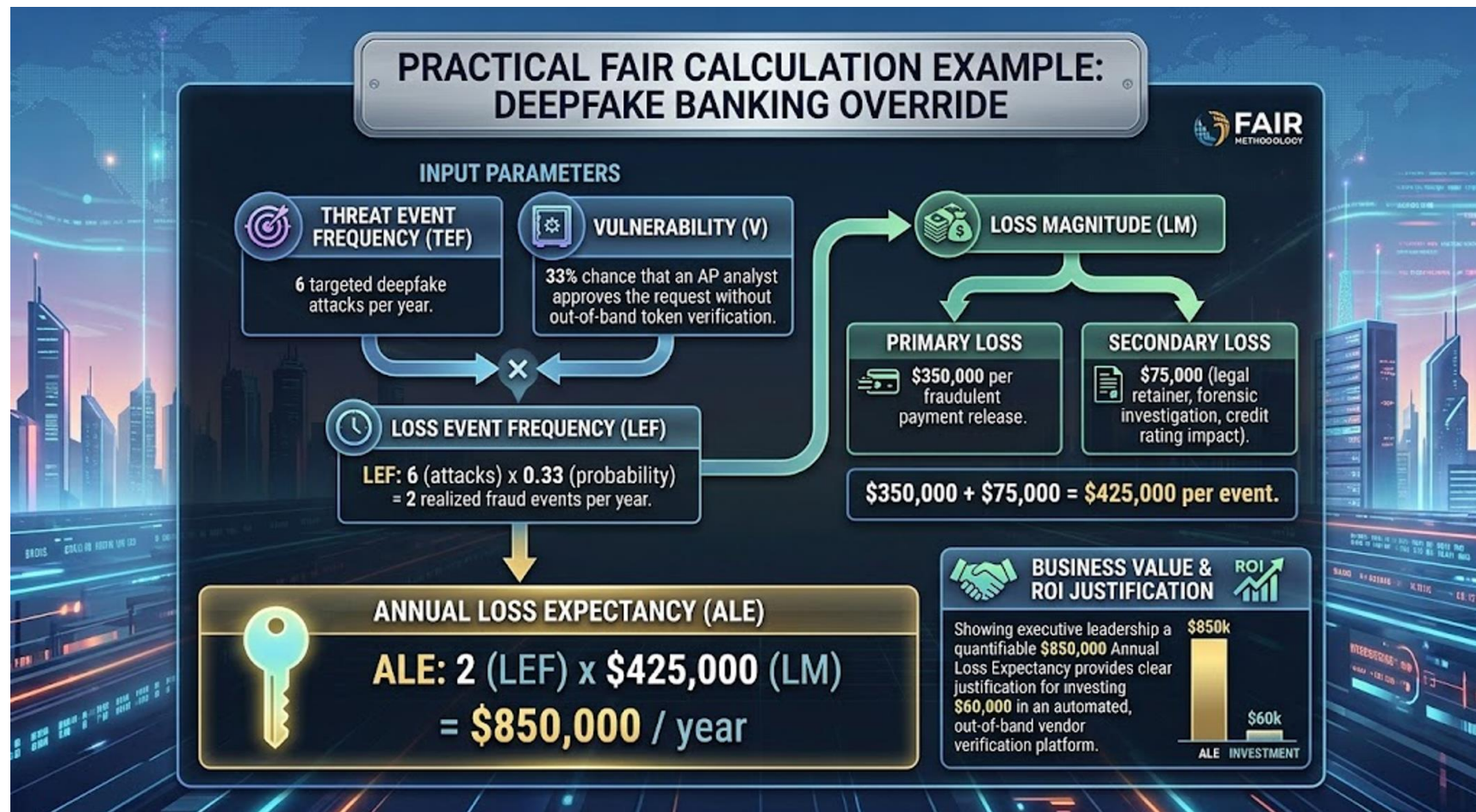
FAIR Risk Model



Qualitative Risk Analysis



Quantitative Risk Analysis



Quantitative Risk Analysis

- **Asset at Risk Identification:** Quantify the volume and total value of financial outflows (e.g., \$500M annual disbursements across 120,000 transactions).
- **Threat Agent Capabilities (TCap):** Assess threat community capabilities (external cybercriminals utilizing genAI/deepfakes vs. opportunistic internal employees).
- **Threat Event Frequency (TEF):** Measure attempt rates (e.g., how many BEC or bank redirection phishing attempts hit the department annually).
- **Resistance Strength / Vulnerability:** Calculate control effectiveness (e.g., 98% of phishing blocked by email security; 95% caught by out-of-band verification).
- **Loss Event Frequency (LEF):** Combine TEF and Vulnerability to determine expected annualized incidents (" $LEF = TEF \times Vulnerability$ ").
- **Primary Loss Magnitude:** Direct financial loss per event (e.g., stolen disbursement amount, wire recovery fees).
- **Secondary Loss Magnitude:** Indirect financial impact—regulatory fines (IRS/OFAC), legal fees, forensic audit fees, operational downtime, and brand reputational damage.
- **Loss Distribution Modeling (Monte Carlo Simulations):** Use minimum, most likely, and maximum ranges (pert distributions) rather than single-point estimates to model realistic financial variance over 10,000+ trial iterations.

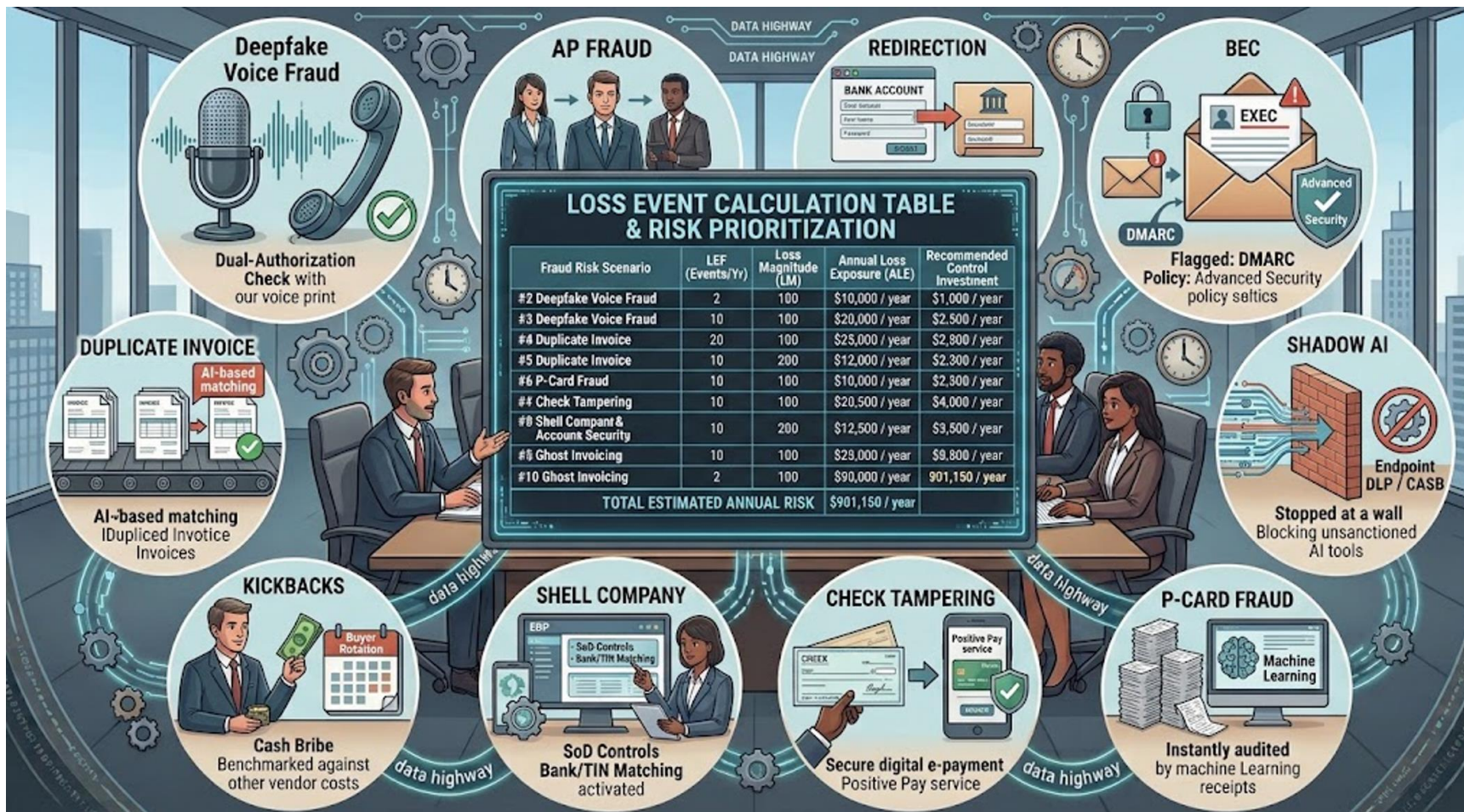
Business Email Compromise

- **Scenario:** External cybercriminals send spoofed emails impersonating the CEO requesting an urgent \$450,000 acquisition wire transfer.
- **Threat Event Frequency (TEF):** 12 attempts/year.
- **Vulnerability (Control Strength):** Email filters block 90%; manual verification catches 80% of remaining. $\text{Vulnerability} = (1 - 0.90) \times (1 - 0.80) = 2\%$.
- **Loss Event Frequency (LEF):** $12 \times 0.02 = 0.24$ events/year (once every 4.1 years).
- **Primary Loss (PL):** \$450,000 (disbursement).
- **Secondary Loss (SL):** \$50,000 (legal, forensics, bank trace).
- **Loss Magnitude (LM):** \$500,000.
- **Calculated ALE:** $0.24 \times \$500,000 = \$120,000$ / year.

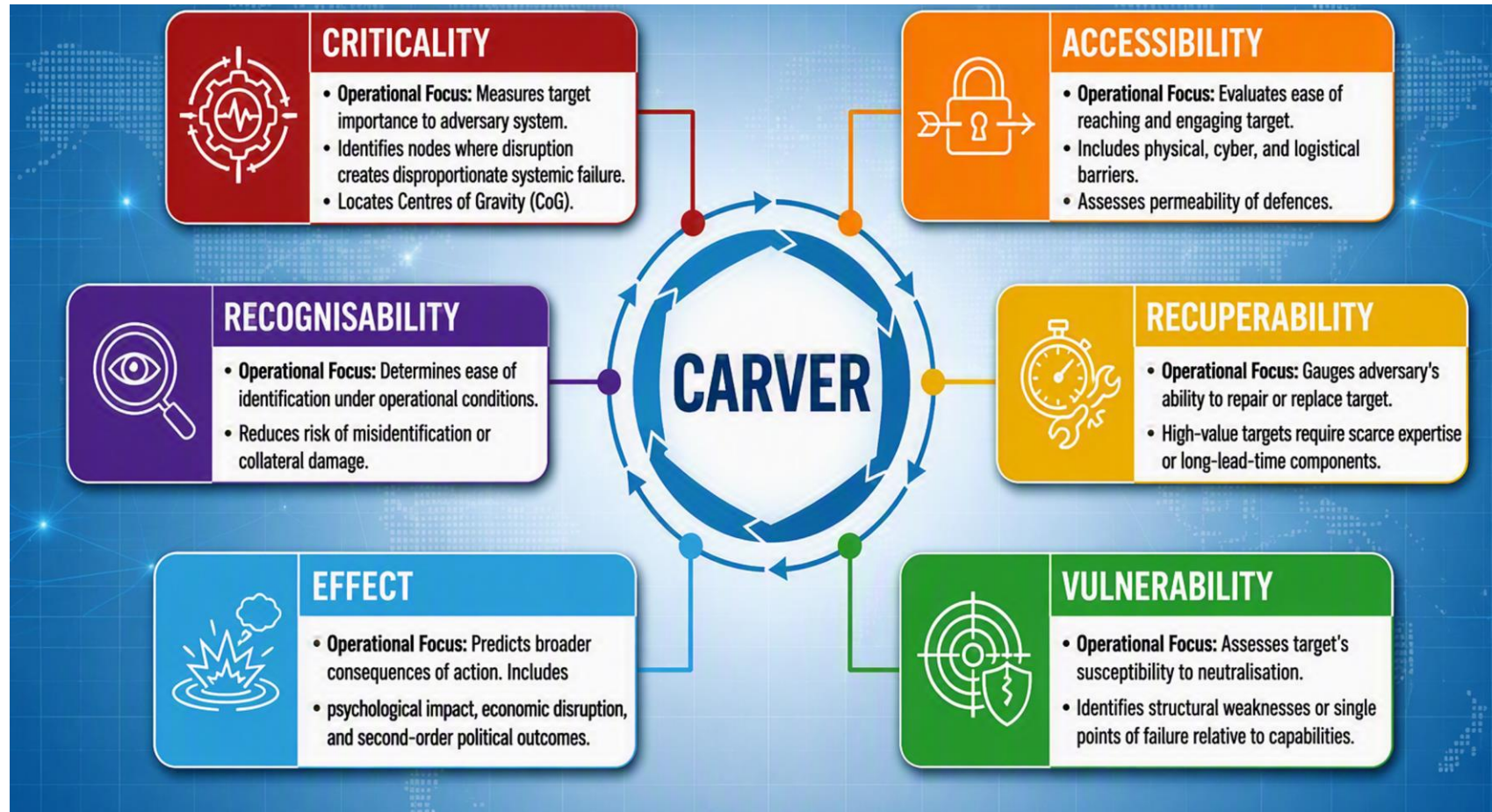
Ghost Vendor

- **Scenario:** Mass-mailed low-dollar fraudulent invoices (\$850) for vague services ("Annual Domain Registration" or "Office Directory Renewal") are processed automatically due to low-threshold auto-approvals.
- **TEF:** 50 attempts/year.
- **Vulnerability:** Invoices under \$1,000 do not require 3-way matching or manager sign-off. Vulnerability = 20%.
- **LEF:** $50 \times 0.20 = 10$ events/year.
- **Primary Loss (PL):** \$850 per event $\times 10 = \$8,500$.
- **Secondary Loss (SL):** Minimal (\$150 staff time per incident) $\times 10 = \$1,500$.
- **LM:** \$1,000 per event.
- **Calculated ALE:** $10 \times \$1,000 = \$10,000$ / year.

Loss Event Calculations



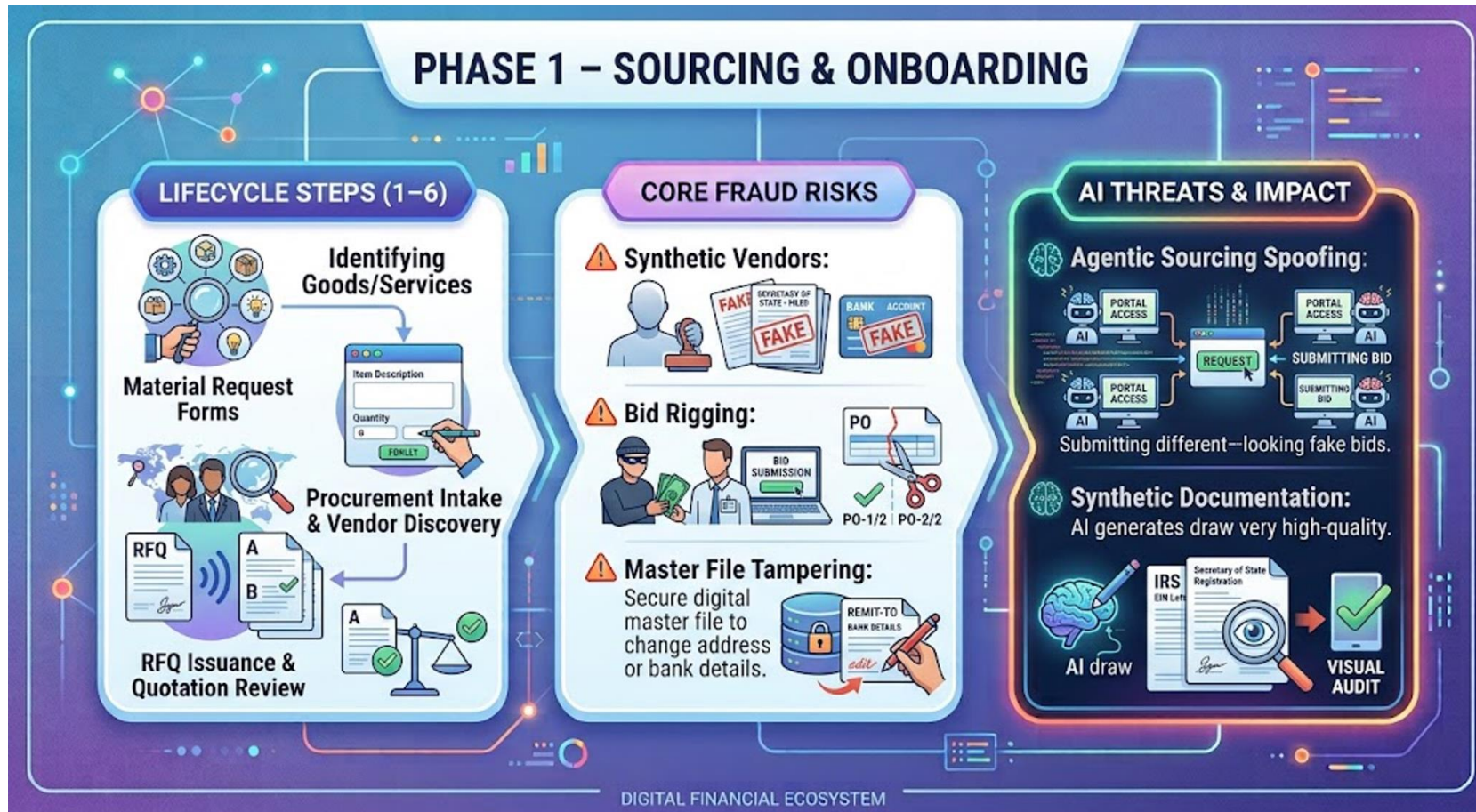
CARVER Risk Model



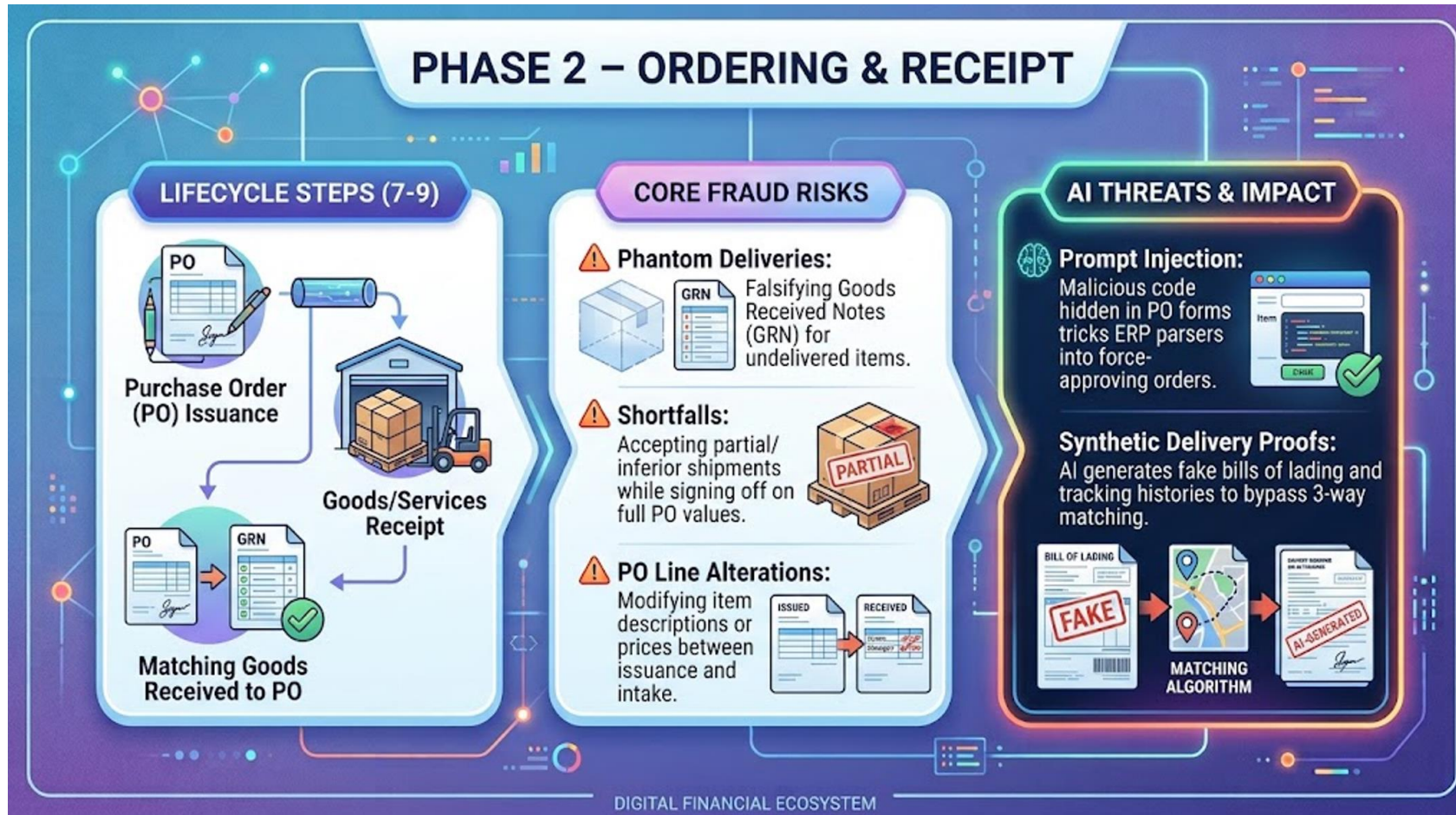
Four Possible Responses to Risk



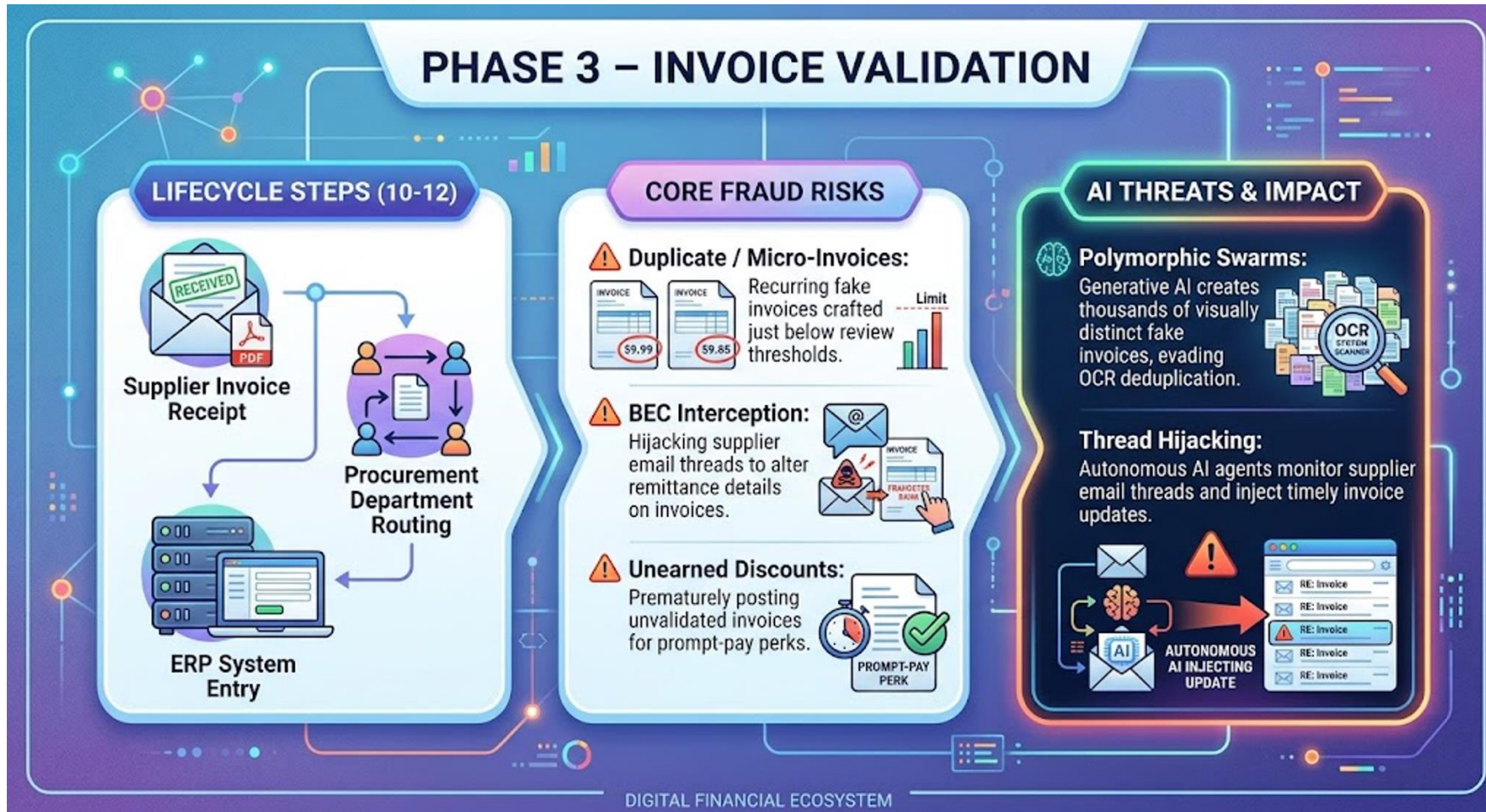
Phase 1 – Sourcing & Onboarding



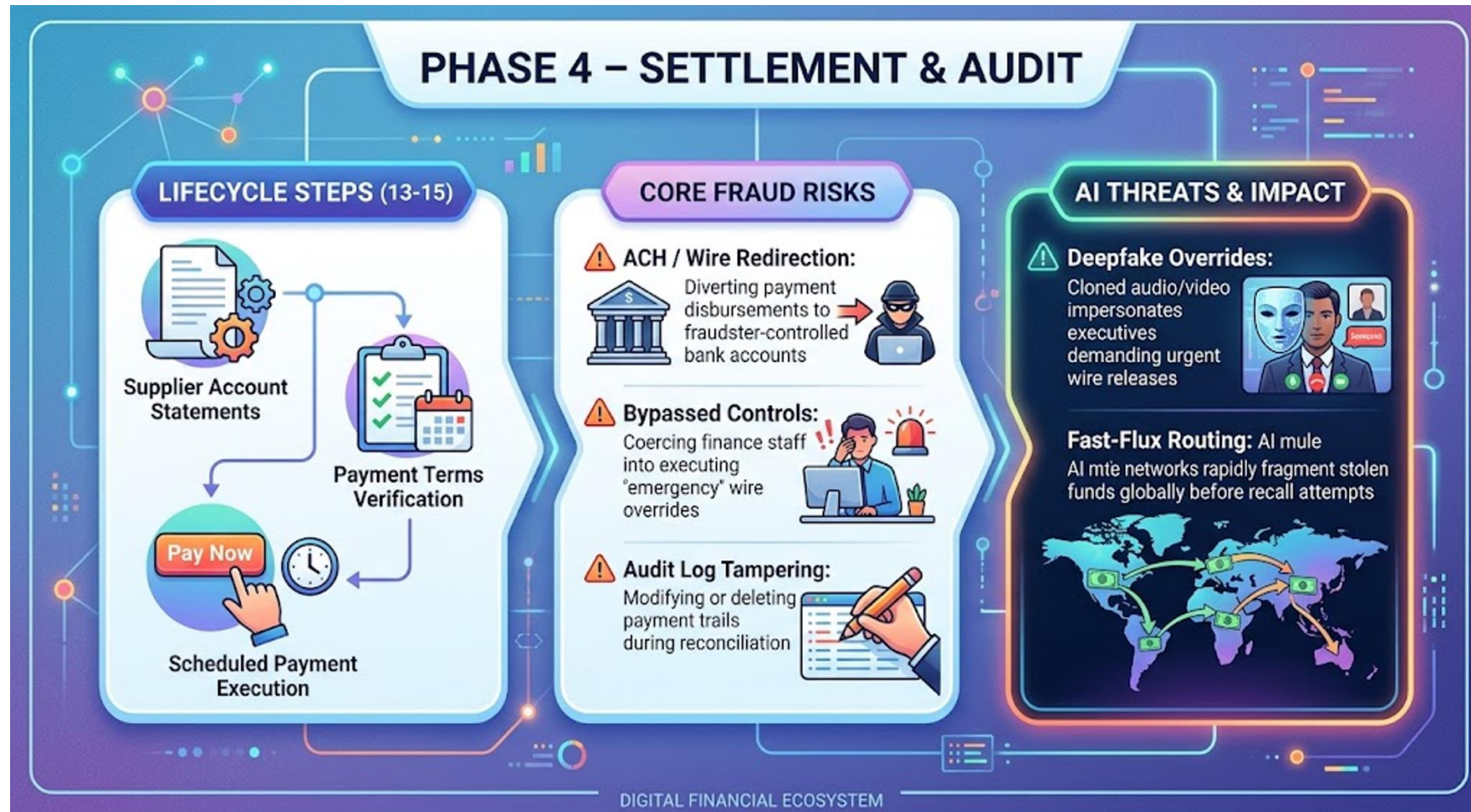
Phase 2 – Ordering & Receipt



Phase 3 – Invoice Validation



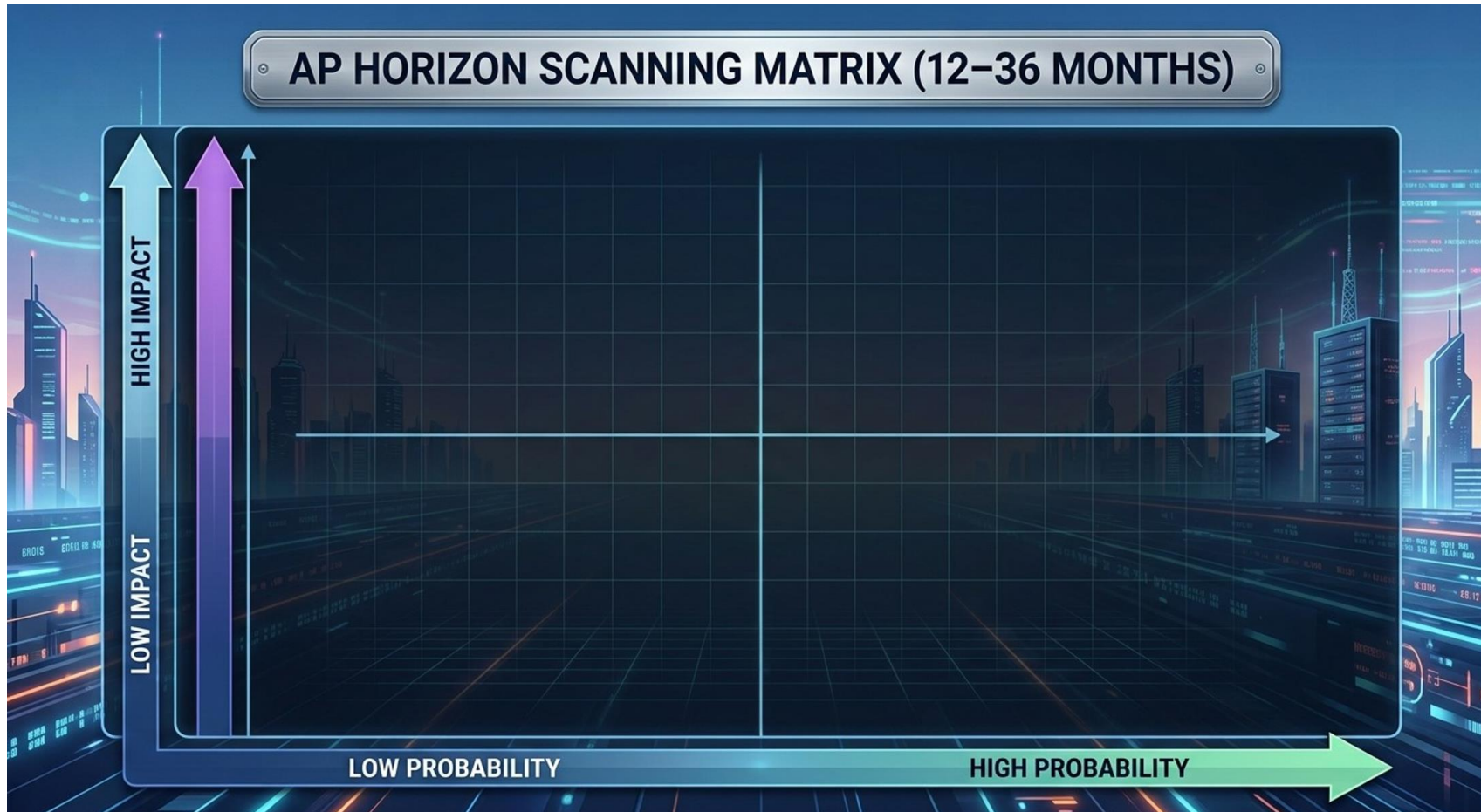
Phase 4 – Settlement & Audit



Horizon Scanning

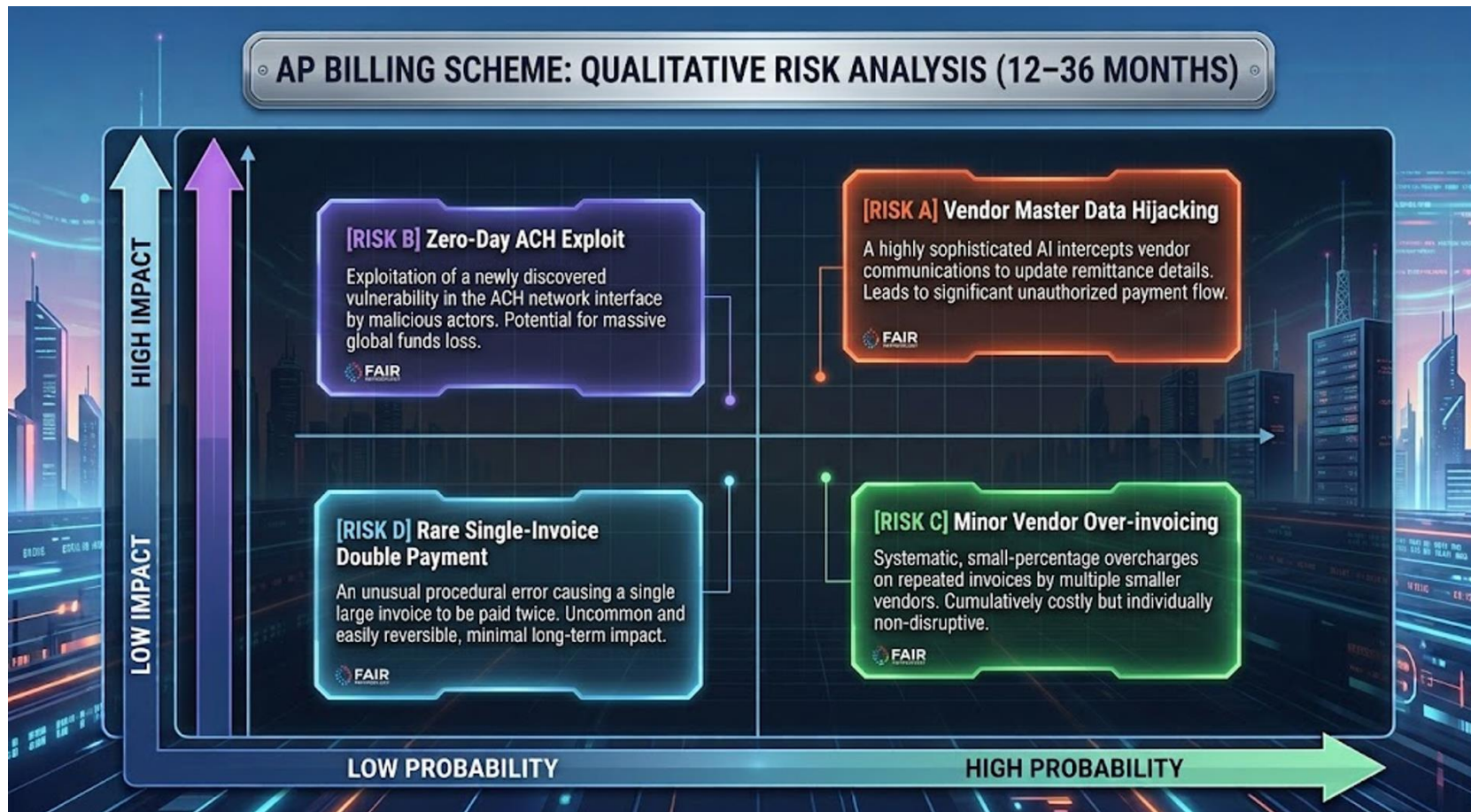


Horizon Scanning

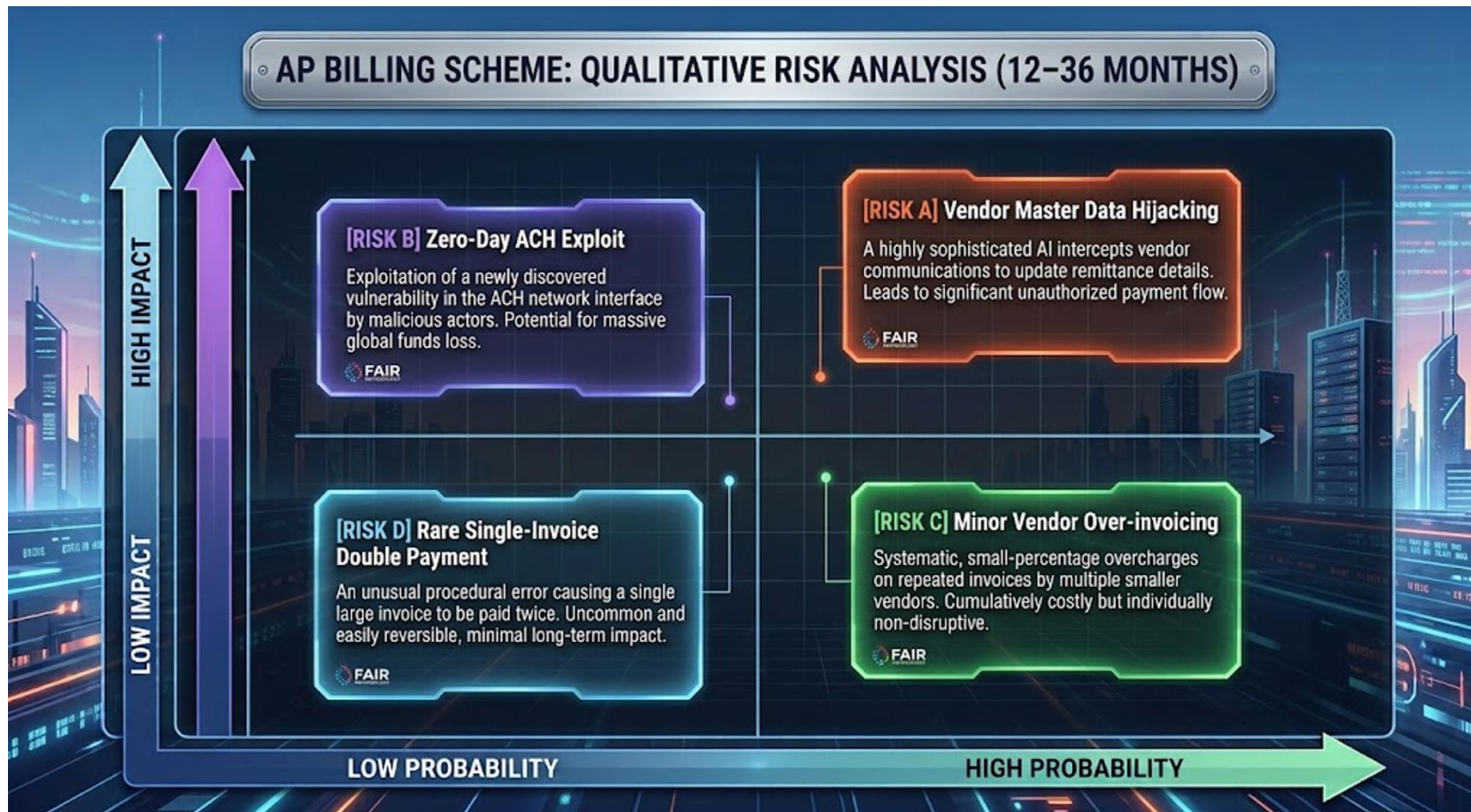


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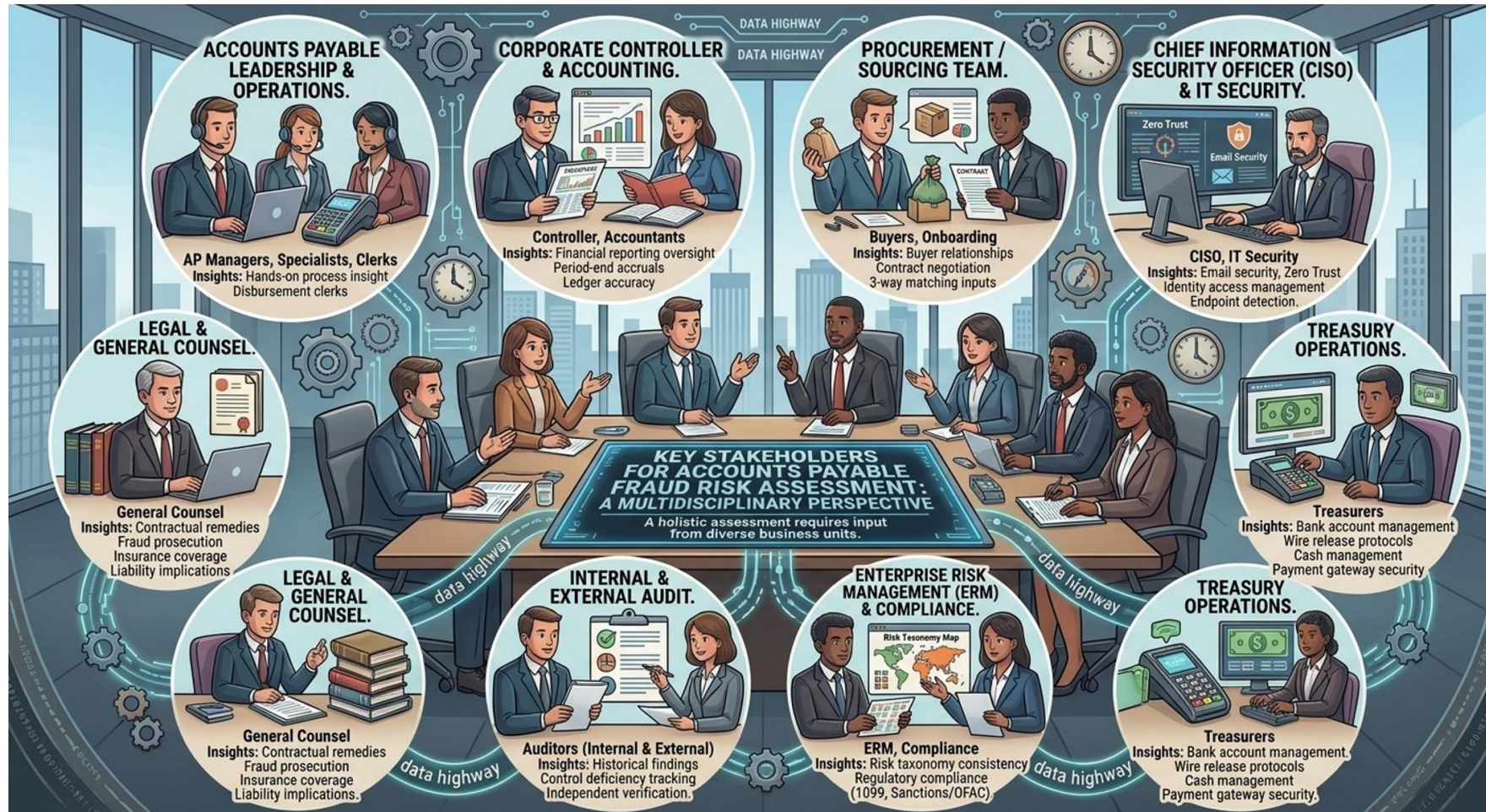
Horizon Scanning



Horizon Scanning



Horizon Scanning



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