



Decide with Confidence

A Risk-Based Approach to Fraud Prevention

How D&B Can Help with the Critical Mission

Federal and state governments lose tens of billions of dollars every year to fraud and improper payments. Current estimates suggest 7-10% of all spending is attributed to fraudulent activity. Fraud detection and prevention is further complicated by the rapid pace of data change. With an estimated 2% of data changing each month, the process of detecting and preventing fraud is indeed challenging. D&B can help shift the fraud paradigm from ‘pay and chase’ to fraud prevention, which is far more cost effective than fraud recovery.

Dun & Bradstreet is uniquely positioned to help IG offices across the nation to root out fraud, waste and abuse. As leaders in risk management, D&B has consulted with numerous government agencies to design and implement a disciplined approach to upfront vetting and due diligence for businesses and individuals that can be applied to detect or prevent contractor fraud, loan or grant fraud and/or Medicaid improper payments.

It All Starts with the Data

D&B provides agencies with the highest quality data available through our data quality assurance process called DUNSRight®. This patented process encompasses five quality drivers that work sequentially to aggregate, standardize and enrich agency information.



- **Global Data Collection** brings together data from a variety of sources worldwide. Our global database of 178 million businesses is updated 1.5 million times a day to ensure the accuracy, completeness and timeliness. Our consumer database includes 400 million individuals in the U.S.
- Our patented **Entity Matching** process allows us to integrate data into our database to produce a single, more accurate picture of each entity
- The **D-U-N-S® Number**, recognized as the universal business identification standard by the U.S. Federal Government, is used as the unique means of identifying and tracking a business globally through the entire lifecycle of a business
- **Corporate Linkage** enables agencies to view the total risk associated with related businesses
- **Predictive Indicators** use statistical analysis to rate the past performance of a business and to indicate how likely the business is to perform that same way in the future

Collaborative Approach to Building Risk Models

D&B prides itself on its consultative, collaborate approach to customer engagements. Every engagement begins with understanding the agency’s requirements and risk tolerance. Using D&B’s best practice framework – the Five Cs of Fraud Prevention – we begin to define the inputs to the model, define data set important to agency and then finally align on the necessary business rules and weights. It is equally imperative with any risk model to ensure there is a continuous improvement process that will allow the

D&B Best Practices

THE FIVE Cs OF FRAUD PREVENTION

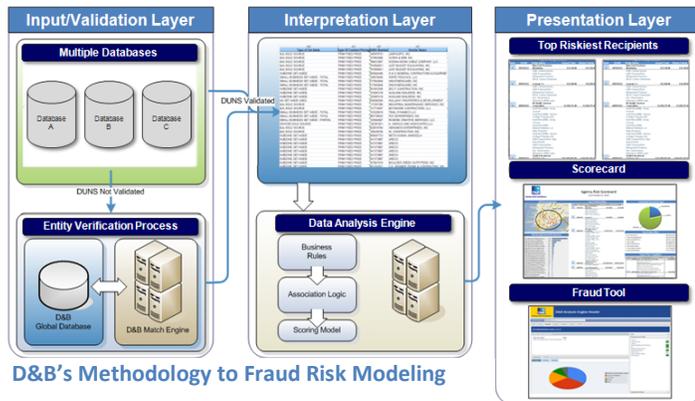
- Confirmation:** Does the person or entity truly exist?
- Condition:** Is the business and/or its executives active?
- Consistency:** Are stated facts consistent with other sources of information?
- Character:** Are there any past issues that could impose risks on the current or a future transaction?
- Continuity:** Has the current operational status changed and is it posing new risks?

business rules to be adjusted as you gain deeper insight about your universe and the companies you are doing business with. Quarterly reviews are recommended. The methodology is organized in three layers:

Input / Validation Layer – what entities should be included in our universe and what data do we need to validate them?

Interpretation Layer – what does D&B know about your universe and what does it mean?

Presentation Layer – how do we want to consume the risk information?

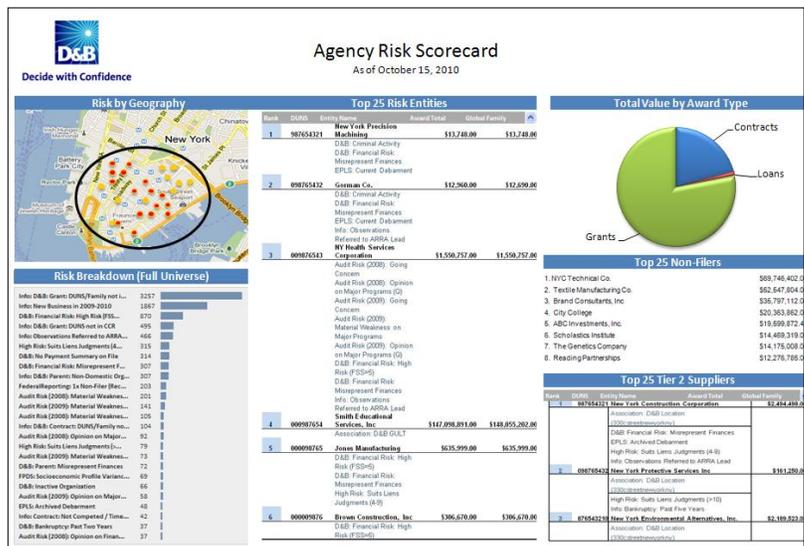


D&B's Methodology to Fraud Risk Modeling

Agencies, of course, do not need sophisticated scoring models to identify *obvious* high-risk and low-risk businesses. But the potential risks among the vast majority of contractors, business partners or medical providers, etc are neither obvious nor constant. When conducting due diligence, agencies typically uncover a combination of data points that are contradictory and difficult to evaluate. For example, an entity might have a solid payment history but a large number of pending judgments or liens. It may have an outstanding performance record but very few customers. Dun & Bradstreet's predictive scores are based on a wealth of historical data and finely-tuned algorithms that can place the red flags in their proper context and accurately assess the likely risk based on a multitude of variables, such as financial or operational risks.

Dashboards Provide Risk at a Glance

Web-enabled dashboards are designed to meet the pre-determined output needs. They can provide detailed snapshots of each entity's risk profile and/or "drill down" views of potential risk areas. Once the information and processes are in place for creating the scorecards and dashboards, agencies can also create automated alerts to inform them of significant changes within their portfolios, such as notifying when a contractor moves into the agency's high-risk category. Bottom line the key to fraud prevention is conducting the due diligence upfront coupled with ongoing monitoring.



For more information, contact D&B Government Solutions 1.800.424.2495 or government@dnb.com.