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| *Description from Project Submission Page:* | *Feedback from Round 1 Submission:* |
| Document the work you've done by answering (in about a paragraph each) the questions found [**here**](https://docs.google.com/document/d/1NDgi1PrNJP7WTbfSUuRUnz8yzs5nGVTSzpO7oeNTEWA/pub?embedded=true). …  Please answer each question; your answers should be about 1-2 paragraphs per question. If you find yourself writing much more than that, take a step back and see if you can simplify your response! | In the written response, ideally every step/choice of parameters and algorithm selection, tuning or feature selection should be followed by a table with the adequate figures reporting the impact of that specific step/choice on the chosen performance metrics and a consequent rationale for the choices made in the light of those results. .... It is very important, in every scientific work, to explain and justify every step/choice as thoroughly as possible, no matter how obvious to you the various steps might look. |

Enron Submission Free-Response Questions

1. Summarize for us the goal of this project and how machine learning is useful in trying to accomplish it. As part of your answer, give some background on the dataset and how it can be used to answer the project question. Were there any outliers in the data when you got it, and how did you handle those? [relevant rubric items: “data exploration”, “outlier investigation”]

The goal of the project is to find patterns in the data that may be used to signal whether or not a person was involved in fraud at Enron. The data used in my code has financial data, such as bonus and salary, as well as summary email data, such as the number of emails from that person. This data was compiled by Katie at Udacity or her colleagues using publicly available financial and email information of Enron employees or contractors.

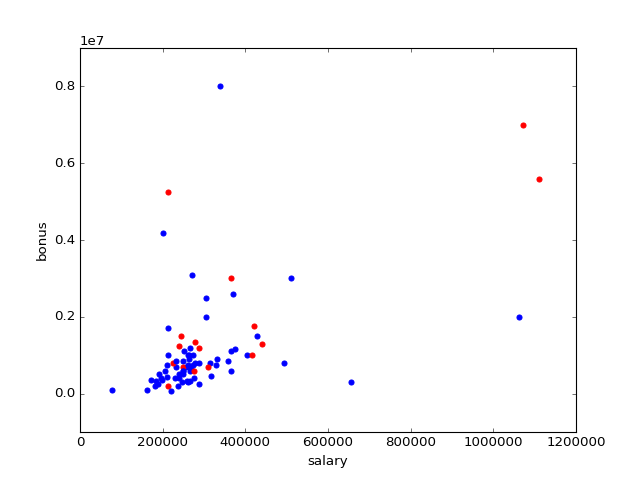
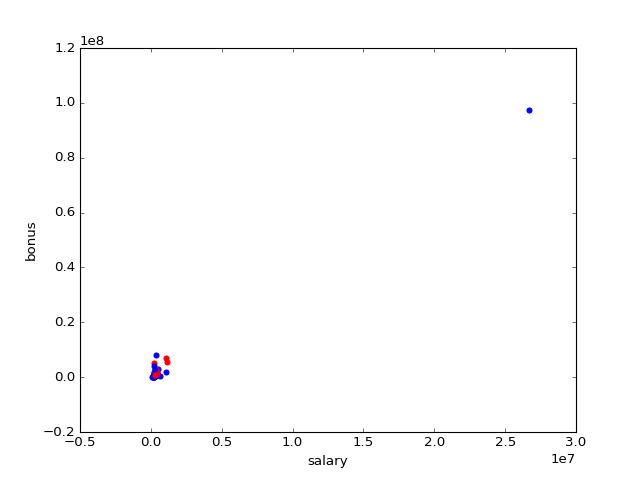
Number of records: 145

Number of poi: 18

Number of non-poi: 127

Number of Features: 21

I explored the data using 2-D visuals and max check to see if there were any outliers. The financial outlier ‘TOTAL’ popped up, which de-ja-vu we discovered during the lessons. I removed it from the working dictionary before formatting the features for the machine learning algorithms. Here are the before and after plots of salary and bonus, where the first contains the outlier.



I continued to explore 2D plots without prominent discovery. I then took note of missing values in the data, signified by ‘NaN’. I saw that there was very little data for loan\_advances, restricted\_stock\_deferred, and director\_fees.

Number of missing data per feature

59 - to\_messages

107 - deferral\_payments

64 - bonus

20 - total\_stock\_value

51 - expenses

59 - from\_this\_person\_to\_poi

0 - poi

97 - deferred\_income

34 - email\_address

59 - from\_poi\_to\_this\_person

51 - salary

21 - total\_payments

80 - long\_term\_incentive

142 - loan\_advances

36 - restricted\_stock

128 - restricted\_stock\_deferred

59 - shared\_receipt\_with\_poi

44 - exercised\_stock\_options

59 - from\_messages

53 - other

129 - director\_fees

2. What features did you end up using in your POI identifier, and what selection process did you use to pick them? Did you have to do any scaling? Why or why not? As part of the assignment, you should attempt to engineer your own feature that does not come ready-made in the dataset -- explain what feature you tried to make, and the rationale behind it. (You do not necessarily have to use it in the final analysis, only engineer and test it.) In your feature selection step, if you used an algorithm like a decision tree, please also give the feature importances of the features that you use, and if you used an automated feature selection function like SelectKBest, please report the feature scores and reasons for your choice of parameter values. [relevant rubric items: “create new features”, “properly scale features”, “intelligently select feature”]

I created 3 features based on the existing data. Since the number of emails per person could be on different scales, I used a ratio in place of the number of emails to and from a person of interest so that these would be in balance with the person’s email activity. I also used ratio based on of exercised stock options, because that activity would be bound by the individual’s held stock value. As per below, we can see that the new features had a small impact on the performance of the Decision Tree.

Results WITHOUT crafted features (all features – multiple algorithms):

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Gaussian NB Classifier

Precision 0.204848484848 , Recall 0.466666666667 , F1 0.27380952381

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Ada Boost Decision Tree Classifier

Precision 0.283333333333 , Recall 0.183333333333 , F1 0.206666666667

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Grid Search - Best K Neighbors Classifier

Precision 0.3 , Recall 0.25 , F1 0.25

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Grid Search Decision Tree Classifier

Precision 0.344848484848 , Recall 0.758333333333 , F1 0.391245421245

Results WITH crafted features (all features – multiple algorithms):

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Gaussian NB Classifier

Precision 0.204848484848 , Recall 0.466666666667 , F1 0.27380952381

+++++++++++++++++++++++++++++++++++++

Ada Boost Decision Tree Classifier

Precision 0.283333333333 , Recall 0.183333333333 , F1 0.206666666667

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Grid Search - Best K Neighbors Classifier

Precision 0.3 , Recall 0.25 , F1 0.25

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Grid Search Decision Tree Classifier

Precision 0.425 , Recall 0.408333333333 , F1 0.34

The SVM classifiers did not work, so I tried a scaler on the features for them but it didn’t help. I did also use scaled values for testing K-neighbors algorithm.

Preliminary Exploration: In my initial exploration, I used all the features (except email address) to get a feel for how to configure the algorithms, how was the performance, and what was feasible. I also checked the importance of features in the Decision Trees and correlations in K Best. They actually had very different results. For example, the decision trees determined that ‘other’ was important, while K Best features did not see a big correlation

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| DT Importance:  to\_messages : 0.0  email\_from\_poi\_ratio : 0.0  restricted\_stock\_deferred : 0.0  deferral\_payments : 0.0  bonus : 0.0  total\_stock\_value : 0.0746007468271  expenses : 0.208956631796  from\_this\_person\_to\_poi : 0.0  deferred\_income : 0.0987801021886  shared\_receipt\_with\_poi : 0.0  long\_term\_incentive : 0.0  salary : 0.0  total\_payments : 0.0  loan\_advances : 0.0  restricted\_stock : 0.0  email\_to\_poi\_ratio : 0.0  from\_poi\_to\_this\_person : 0.0  exercised\_stock\_options : 0.0  from\_messages : 0.0372618896376  other : 0.580400629551  exer\_stock\_ratio : 0.0  director\_fees : 0.0 | AB Importance:  to\_messages : 0.0197593425823  email\_from\_poi\_ratio : 0.0277077693591  restricted\_stock\_deferred : 0.0  deferral\_payments : 0.0247863342737  bonus : 0.0402258590179  total\_stock\_value : 0.0700948931873  expenses : 0.0957178645192  from\_this\_person\_to\_poi : 0.0391803527522  deferred\_income : 0.0225017147503  shared\_receipt\_with\_poi : 0.0224070400598  long\_term\_incentive : 0.0242565783808  salary : 0.113657959528  total\_payments : 0.0519006594209  loan\_advances : 0.0  restricted\_stock : 0.0335747421505  email\_to\_poi\_ratio : 0.0553214705143  from\_poi\_to\_this\_person : 0.0386487187755  exercised\_stock\_options : 0.245867435538  from\_messages : 0.0  other : 0.0558384513263  exer\_stock\_ratio : 0.0185528138636  director\_fees : 0.0 | K Best Features:  to\_messages - 1.07304130128  email\_from\_poi\_ratio - 1.10880861696  restricted\_stock\_deferred - 0.0914782577338  deferral\_payments - 0.0845550236097  bonus - 12.8824406178  total\_stock\_value - 28.3846130519  expenses - 4.60786666878  from\_this\_person\_to\_poi - 0.0038014279063  deferred\_income - 10.5894517626  shared\_receipt\_with\_poi - 5.24581390225  long\_term\_incentive - 6.74513952871  salary - 13.0205111495  total\_payments - 7.45704181186  loan\_advances - 7.03793279819  restricted\_stock - 9.66060392085  email\_to\_poi\_ratio - 1.34557028619  from\_poi\_to\_this\_person - 0.861094988258  exercised\_stock\_options - 30.1478672127  from\_messages - 0.512098795839  other - 3.47044692251  exer\_stock\_ratio - 0.584189962463  director\_fees - 1.43893345283 |

After the initial exploration, I used a K Best algorithm to pick the best features. A list of 7 features worked best with the Gaussian Naïve Bayes model, and a list of 14 parameters worked best for the Decision Tree.

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| K best features | Gaussian NB | Best K Neighbors | Best Decision Tree | Ada Boost Decision Tree |
| 1 | 0.40 | 0.33 | 0.15 | 0.08 | 0.15 | 0.44 | 0.35 | 0.23 |
| 2 | 0.40 | 0.28 | 0.10 | 0.03 | 0.07 | 0.15 | 0.25 | 0.13 |
| 3 | 0.38 | 0.32 | 0.15 | 0.08 | 0.17 | 0.64 | 0.35 | 0.23 |
| 4 | 0.42 | 0.42 | 0.35 | 0.16 | 0.16 | 0.42 | 0.20 | 0.17 |
| 5 | 0.38 | 0.42 | 0.38 | 0.26 | 0.17 | 0.23 | 0.25 | 0.30 |
| 6 | 0.37 | 0.43 | 0.43 | 0.26 | 0.28 | 0.36 | 0.13 | 0.17 |
| 7 | 0.41 | 0.48 | 0.30 | 0.23 | 0.25 | 0.33 | 0.23 | 0.23 |
| 8 | 0.35 | 0.42 | 0.30 | 0.23 | 0.13 | 0.44 | 0.23 | 0.23 |
| 9 | 0.35 | 0.38 | 0.10 | 0.15 | 0.13 | 0.44 | 0.23 | 0.23 |
| 10 | 0.35 | 0.38 | 0.10 | 0.15 | 0.12 | 0.34 | 0.23 | 0.18 |
| 11 | 0.35 | 0.38 | 0.10 | 0.15 | 0.29 | 0.82 | 0.20 | 0.13 |
| 12 | 0.35 | 0.38 | 0.10 | 0.15 | 0.32 | 0.66 | 0.30 | 0.18 |
| 13 | 0.35 | 0.42 | 0.10 | 0.15 | 0.32 | 0.66 | 0.30 | 0.18 |
| 14 | 0.35 | 0.42 | 0.10 | 0.15 | 0.34 | 0.76 | 0.28 | 0.18 |
| 15 | 0.35 | 0.42 | 0.10 | 0.15 | 0.32 | 0.66 | 0.28 | 0.18 |
| 16 | 0.35 | 0.42 | 0.10 | 0.15 | 0.32 | 0.66 | 0.28 | 0.18 |
| 17 | 0.35 | 0.42 | 0.10 | 0.15 | 0.34 | 0.66 | 0.28 | 0.18 |
| 18 | 0.35 | 0.42 | 0.10 | 0.15 | 0.33 | 0.66 | 0.28 | 0.22 |
| 19 | 0.28 | 0.42 | 0.10 | 0.15 | 0.24 | 0.33 | 0.18 | 0.15 |
| 20 | 0.25 | 0.57 | 0.10 | 0.15 | 0.30 | 0.43 | 0.28 | 0.18 |
| 21 | 0.20 | 0.47 | 0.30 | 0.25 | 0.25 | 0.33 | 0.28 | 0.18 |
| all | 0.20 | 0.47 | 0.30 | 0.25 | 0.42 | 0.41 | 0.28 | 0.18 |

Best features for Gaussian NB: ['poi', 'bonus', 'total\_stock\_value', 'deferred\_income', 'salary', 'total\_payments', 'restricted\_stock', 'exercised\_stock\_options']

Best features for DT: ['poi', 'bonus', 'total\_stock\_value', 'expenses', 'deferred\_income', 'shared\_receipt\_with\_poi', 'long\_term\_incentive', 'salary', 'total\_payments', 'loan\_advances', 'restricted\_stock', 'email\_to\_poi\_ratio', 'exercised\_stock\_options', 'other', 'director\_fees']

When using a decision tree, I still got better results by simply looking at the initial decision tree’s importance ranking. While the Ada Boosting did not help, I was able to use its feature importance rankings to pin down what works well in a decision tree. The values that the Ada Boost decision trees deemed important (at over .07) were: 'poi', 'other', 'expenses', 'total\_stock\_value', 'exercised\_stock\_options’.

Importance:

other : 0.206906967731

expenses : 0.793093032269

total\_stock\_value : 0.0

exercised\_stock\_options : 0.0

{'min\_samples\_split': 2, 'criterion': 'gini', 'max\_depth': 2, 'class\_weight': {False: 1, True: 12}}

I used these features when searching for a Decision Tree with Grid Search. Since only 2 of these features were deemed important by the Decision Tree, I was simply able to reduce the features list down to: 'poi', 'other', 'expenses'.

DecisionTreeClassifier(class\_weight={False: 1, True: 12}, criterion='gini',

max\_depth=2, max\_features=None, max\_leaf\_nodes=None,

min\_impurity\_split=1e-07, min\_samples\_leaf=1,

min\_samples\_split=2, min\_weight\_fraction\_leaf=0.0,

presort=False, random\_state=None, splitter='best')

Accuracy: 0.76753 Precision: 0.34749 Recall: 0.84700

F1: 0.49280 F2: 0.65786

Total predictions: 15000 True positives: 1694 False positives: 3181 False negatives: 306 True negatives: 9819

3. What algorithm did you end up using? What other one(s) did you try? How did model performance differ between algorithms? [relevant rubric item: “pick an algorithm”]

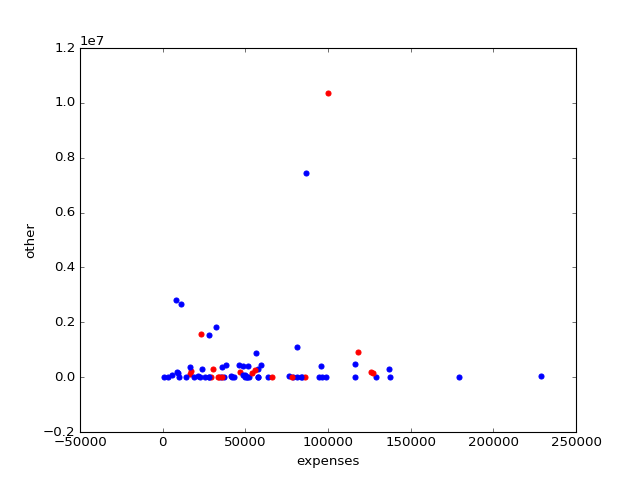
I tried Naïve bayes, AdaBoost Decision Tree, Grid Searched K-neighbors, and Grid Searched Decision Tree. I also tried a variety of SVM configurations using Grid Searches, but in some cases the SVM failed and in others it got hung, so I omitted it. To compare performance between the other algorithms, I measured the scores for the various models with various features lists. Ultimately, I chose a Decision Tree that was discovered through the Grid Search, and had interesting tuning (described in #4). Naïve Bayes and the chosen Decision Tree both offered pretty good performance compared to others.

4. What does it mean to tune the parameters of an algorithm, and what can happen if you don’t do this well? How did you tune the parameters of your particular algorithm? (Some algorithms do not have parameters that you need to tune -- if this is the case for the one you picked, identify and briefly explain how you would have done it for the model that was not your final choice or a different model that does utilize parameter tuning, e.g. a decision tree classifier). [relevant rubric item: “tune the algorithm”]

There are a variety of tuning parameters that apply to different algorithms that affect how the algorithm will make choices. Tuning can achieve things like preventing over-fitting or underfitting, improving execution time, and assigning priority to classes. The settings may be specific to the problem; for example, we have much fewer positive POIs than negative in the Enron Data Set. I used Grid Search to evaluate different combinations of parameters for the Decision Tree model. The parameters that I chose to vary were ‘max\_depth’ and ‘min\_samples\_split’ for how well to fit the training data, ‘criterion’ to see if gini or entropy will be better for classification of this problem, and ‘class\_weight’ since we had unbalanced classes. I specified ‘f1’ to be the scoring method of the Grid Search for choosing the best decision tree.

The best tuning parameters for the decision tree were:  
min\_samples\_split: 2 - criterion: 'gini' - max\_depth: 2 - class\_weight: False = 1, True = 12

The class weight for positive POI’s was higher which helped identify them since they were sparser. Interestingly, the max\_depth was 2, and the features ‘other’ and ‘expenses’ were used by the decision tree to get good results. The documentation indicates that ‘other’ is for “items such as payments for severance, consulting services, relocation costs, tax advances and allowances..”, etc.



5. What is validation, and what’s a classic mistake you can make if you do it wrong? How did you validate your analysis? [relevant rubric item: “validation strategy”]

Validation is testing how well the model has been trained. Scores are obtained during validation that can be used to help choose models and also to communicate the performance of the model.

Validation can be wrong when using the same data that trained the classifier, to test the classifier. When the classifier over-fits to the training data, it will appear to have high accuracy. Another thing we are looking at when validating our Enron data set is that the occurrence of positive nodes is sparse. In those cases, only looking at accuracy will make the algorithm appear to have good performance when it frequently returns negative.

To do good validations, separate data should be used to test the algorithm, that wasn’t used to train the algorithm. Since the available data to work with is limited, the data set must be split in to a training set and a testing set. Furthermore, the model can be measured using the same data set over and over again, but with different split permutations. I used a fixed split of data as I explored different classifiers, and then I used 10 k-fold testing to get a closer look at the performance of classifiers with different permutations. When I looked at the performance, instead of looking at accuracy, I focused on Precision and Recall, below. These measures are especially helpful with measuring performance of predicted classification of the skewed data set.

6. Give at least 2 evaluation metrics and your average performance for each of them. Explain an interpretation of your metrics that says something human understandable about your algorithm’s performance. [relevant rubric item: “usage of evaluation metrics”]

Precision and Recall are especially important metrics for the sparse POI classifier.

Precision measures how likely the classifier is to be correct when it predicts a person of interest. In other words, it represents the fraction of predicted positives that are actually correct. The more precision the model gets, the more you can be sure that a prediction of a positive label is correct. My decision tree has a precision of .34. So, given a data point that the classifier predicts is a person of interest, the chances that this data point is actually a person of interest is 34%.

Recall measures how likely the classifier is to correctly identify a person of interest when it sees an actual POI. Whereas precision represents the faction of predicted positives, recall is based on the fraction of actual positives that are correct. The higher the recall score for the model, the less likely the model will miss prediction of positive labels. My Grid Search DT has an average recall of .8, so it will correctly identify 80% of the persons of interest it sees. So, in a given set of data to predict on, the model is expected to fail identifying 20% of the persons of interest.