



IMPROVING AUDIT READINESS BY MANAGING YOUR DYNAMICS ERP

Building Sustainable Control Accountability

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1 EXECUTIVE SUMMARY

In an era of Sarbanes-Oxley and increased scrutiny on internal controls, corporations face many challenges in proactively managing their ERP systems to ensure that they are compliant with regulations and corporate audit standards. Corporate mergers and acquisitions, system changes and upgrades, employee turnover and human error in critical business processes can contribute to a growing list of control exceptions and deficiencies which, if left untended, can be costly and resource-intensive to remediate. This whitepaper focuses on the specific topic of proactively managing access rights and privileges in the Dynamics™ GP ERP system to efficiently and accurately identify potential “red flags” in your business and IT environment.

Modern ERP systems are the central nervous system in many organizations’ operational framework. ERP’s broad reach encompasses key business processes that fundamentally affect the financial health and integrity of the organization. However making sense of the sometimes vast amounts of complex data in your ERP - especially when it relates to audit readiness - can be a significant challenge. Higher levels of accountability to ensure regulatory compliance and security of these systems, coupled with tight budgets and increasing IT complexity, can place a strain on your organization’s audit readiness.

In this white paper we introduce an automated ERP analytics solution – D3CIFER for GP – designed to comprehensively assess your Dynamics GP system’s audit readiness. We will also show how customers using the D3CIFER for GP solution have regained control of their critical finance processes and saved time, money and precious human resources.

2 MANAGING YOUR DYNAMICS ERP SYSTEM: AUDIT READINESS

Executives and managers are accountable for the integrity and the controls of computer systems, with a prime focus on ERP systems, as your ERP represents much of the historical and current state of the business from a financial perspective.

There are several primary factors associated with the need to have a detailed assessment of an ERP system’s Audit Readiness:

- Upcoming major corporate audit.
- Post-mortem for security breach in ERP system.
- Suspected unethical business practices.
- Potential or ongoing merger or acquisition.
- Conversion from small business accounting package to Dynamics ERP.
- Major ERP system upgrade.
- Accounting system change e.g. IFRS conversion.

Audit Readiness, in this specific instance, and in the context of this whitepaper, refers to the ability of an application to achieve the objectives of a detailed application controls review. This type of review assesses the ability of programmed controls to provide reasonable assurance that not only are all transactions valid, but are properly authorized, recorded and are processed completely, accurately, and on a timely basis.

Such an application review will also focus on segregation of duties. Segregation of duties is a basic, key internal control and one of the most difficult to achieve. This control ensures that errors or irregularities are



prevented or detected on a timely basis by employees in the normal course of business. An effective implementation of segregation of duties has two main benefits:

- I. Deliberate fraud is more difficult to perpetrate, as it requires the collusion of two or more persons, and
- II. It is more likely that innocent or inadvertent errors will be detected early.

2.1 Common Barriers to Audit Readiness

In our experience, we have found that there are several common barriers to ERP Audit Readiness:

- Lack of easily analyzed ERP system reports specifically targeting Audit Readiness.

This is not an ERP system issue, as all of the required data is present in the ERP system repository. However, this data is large, complex and tedious to analyze, creating a time consuming manual – and hence error-prone - task for most organizations. The real issue here is the lack of an advanced analytics-based solution.

- Expert interpretation of the Audit Readiness data

Most corporations do not retain corporate audit expertise among their normal operational staff or their existing audit departments are understaffed and cannot devote the resources required. This creates missed opportunities for proactive remediation of control deficiencies before the formal corporate audit.

- Major system upgrades or accounting changes.

The next wave of accounting changes is associated with International Financial Reporting Standards, IFRS. The use of IFRS will be required in 2011 for Canadian publicly accountable profit-oriented enterprises and the SEC has tentatively proposed 2014 as the target date for public US companies. Many companies, public and private, have initiated IFRS conversion initiatives as part of their corporate strategies. IFRS will have a ripple effect on ERP systems and in many instances will create a need to assess the Audit Readiness of these systems.

Many Dynamics GP customers are planning an upgrade to Dynamics GP 10.0. Dynamics GP system upgrades are not totally automated processes; they require in depth project management and planning. Once you have successfully completed the technical part of the upgrade, it makes good business sense to re-assess Audit Readiness as part of your system upgrade plan.

3 AN EFFICIENT SOLUTION TO AUDIT READINESS: D3CIFER FOR GP

Many approaches to solving the issue of ERP Audit Readiness rely exclusively on technology or untrained human resources. We would like to introduce a solution that embodies several key concepts:

1. Advanced Dynamics GP Analytics. E Kriel and Associates Inc. have created unique software assets that can quickly and efficiently deliver the results you need. These assets simplify and automate a complex set of tasks and accelerate the ERP audit readiness process.
2. Expert results analysis and interpretation. You can tap into a vast body of knowledge around corporate controls to ensure that you are ready for your next corporate audit.



3. Simple and flexible Audit-Readiness reports. Your staff can analyze the results of the D3CIFER for GP assessment using common tools like Microsoft Excel.

This solution combines the best, most proven aspects of process, technology and people to reduce your costs and enhance the quality of Audit Readiness (see Figure 1. D3CIFER for GP - A Holistic Business Solution). D3CIFER for GP enables your business to collect, analyze and intelligently act on data, one of the primary facets of superior corporate performance.

D3CIFER for GP has been designed with the modern corporation in mind: it is easy to deploy, cost effective comprehensive and customizable to individual customer's needs.

D3CIFER for GP : Integrated Process, Technology and People

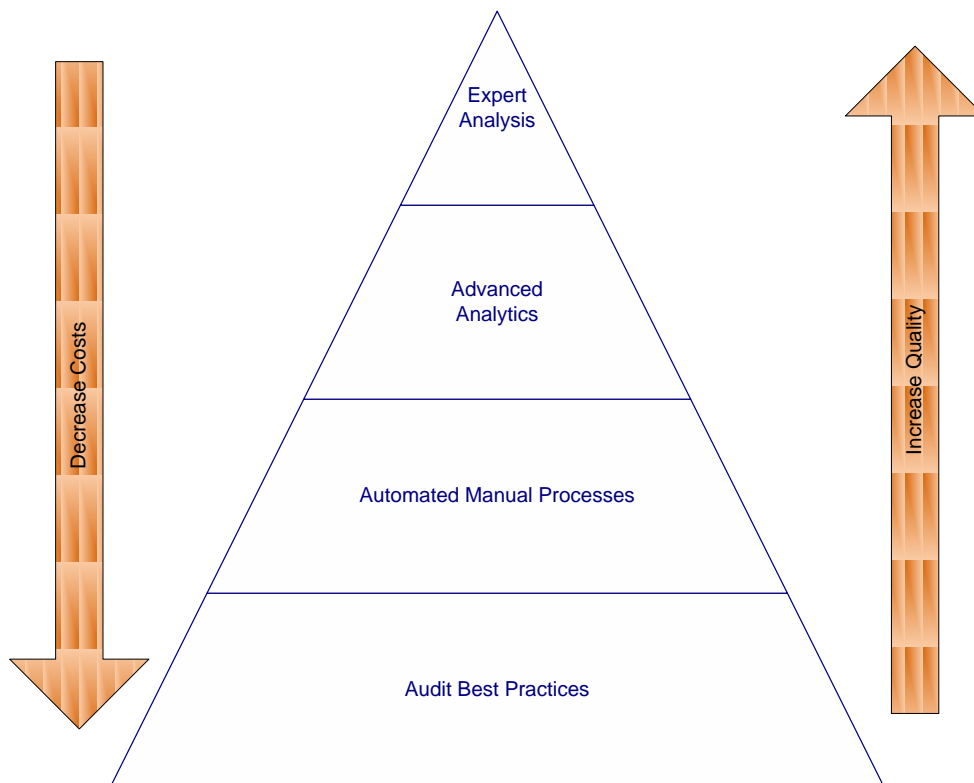


Figure 1. D3CIFER for GP - A Holistic Business Solution

3.1 Solution Benefits

- Quick, efficient, comprehensive and proven process.
- Deliverables equivalent to professional pre-audit assessment by “Big Four” and other public accounting firms at a fraction of the cost.
- No conflict of interest with your auditor.
- Non-intrusive i.e. no software installation on your Dynamics GP system.



- Remote analysis and results delivery.
- Scalable to more complex engagements i.e. customizable to your individual needs.

4 CUSTOMER USAGE SCENARIOS

4.1 Global Mining Company Uses D3CIFER for GP to Maintain SOX Compliance

Number of Dynamics GP Users: 24

Number of Companies: 52

Business Scenario: As a result of a recent corporate merger, the company had to roll out Dynamics GP to all of its newly acquired and widely dispersed operating units. This project entailed creating new roles, tasks, adding new users while still maintaining SOX-compliant internal controls over user access rights management. With two months to go to its financial year end, there was not enough time to identify the control exceptions and implement the necessary remedial action using traditional, manual methods.

E Kriel and Associates obtained various system generated user and security reports in electronic format and using D3CIFER for GP, pinpointed control exceptions and segregation of duties issues within days of starting the in depth analysis.

A traditional manual approach would have taken several months, as the User Security Report for this particular company contained 3.5 million lines of data and just to print this out would have taken 87,000 pages! Reviewing a report like this by hand is simply impractical and is error prone.

Business Benefits:

Targeted Risk Management – D3CIFER for GP effectively analyzed 100% of the users, companies, roles and tasks with unmatched precision. Our rigorous approach created full confidence in the results.

Cost Effective – A manual approach would have cost tens of thousands of dollars to achieve the same result.

Rapid Results – D3CIFER for GP delivered in a matter of days what may have otherwise taken several months to achieve.

4.2 US Global Manufacturer Uses D3CIFER for GP to pinpoint Segregation of Duties and Access Control Issues in Foreign Subsidiary

Number of Dynamics GP Users: 38

Number of Companies: 1



Business Scenario: A foreign subsidiary of this global manufacturing company had not been audited for several years. The internal audit department requested assistance in obtaining insight into how the users' access rights and capabilities had been configured. They also wanted to determine if there were any potential conflicts of duties in the Purchase to Pay and Sales to Cash processes. In preparation for the audit E Kriel and Associates obtained the user security reports, activity tracking reports as well as certain transaction reports and analyzed them using D3CIFER for GP.

The foreign subsidiary had implemented a foreign language version of Dynamics GP but this did not impact the analysis.

Business Benefits:

Targeted Risk Management – D3CIFER for GP effectively analyzed 100% of the users, roles and tasks in this subsidiary. Control issues in segregation of duties in both processes were quickly identified and remediated.

Cost effective – An automated approach saved this company tens of thousands of dollars compared to a traditional manual approach.

Rapid Results – D3CIFER for GP delivered in a matter of days what may have otherwise taken several months to achieve.

Additional Value-Added Feedback

- An in depth analysis of the user activity tracking report revealed that the internal clock of the GP server was set incorrectly thereby creating an operational impact on the backup processes in the data center. This issue was addressed as a priority and the clock reset to the proper time zone.
- An analysis of the "Purchase To Pay" process revealed numerous duplicate payments had been made; this is a common control exposure in Sarbanes-Oxley audits. A task force was set up to do a root cause analysis and implement the necessary controls to prevent this from happening again. The task force was also charged with recovering the duplicate payments.

5 CONCLUSION

We have introduced a new and innovative solution, D3CIFER for GP, which can assist companies in improving their ERP Audit Readiness. The solution is both industrialized and portable and could be extended to other ERP systems in the future.

This solution is part of the D3CIFER family of solutions from E Kriel and Associates Inc. which harness the power of Analytics to extract hidden value from data in the areas of Risk and Control.

For more information on this solution, you can contact E Kriel and Associates Inc. at:

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