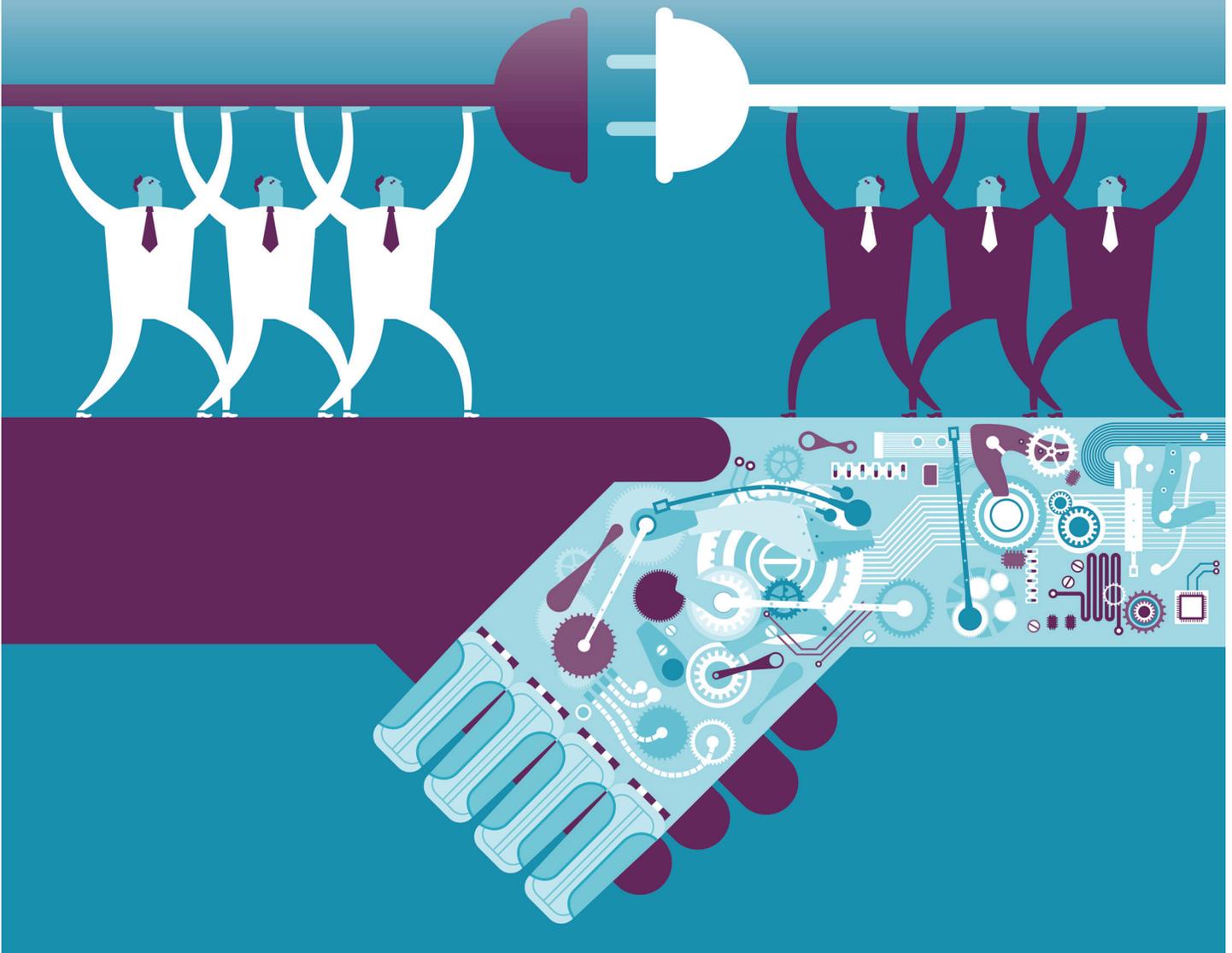


# Plugging the Gaps in Financial Controls Monitoring



*Finance organizations are under duress to improve overall governance and are bearing substantial costs in maintaining monitoring and audit functions. Yet few have invested in fully automated solutions to constantly monitor compliance and implement repeatable auditing programs.*





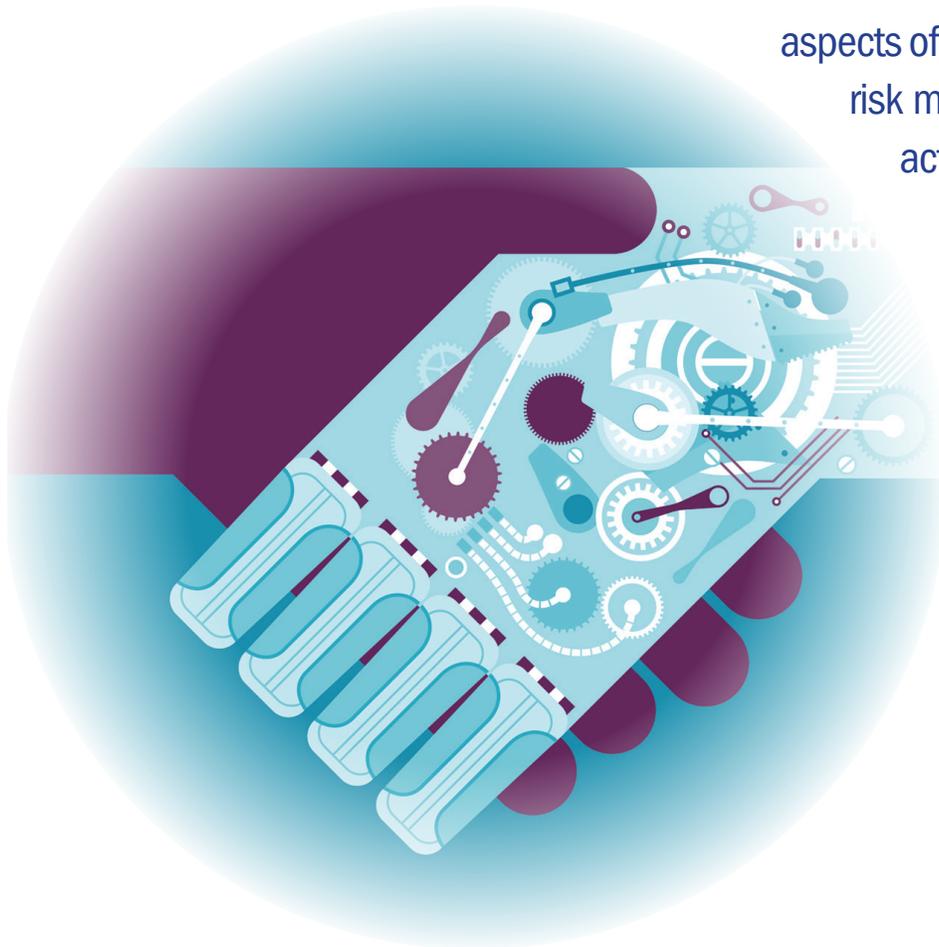
## Plugging the Gaps in Financial Controls Monitoring

# Contents

Elusive controls	2
Visibility lacking	3
Advantages of continuous controls monitoring	4

### *Executive summary*

Companies spend millions of dollars developing and documenting their processes, policies, and controls, yet have poor visibility into whether those processes and policies are being followed because they cannot cost-effectively monitor and test them. In a recent survey, a majority of finance executives surveyed recently say their companies are still using manual methods to monitor and audit aspects of compliance and risk management activities.



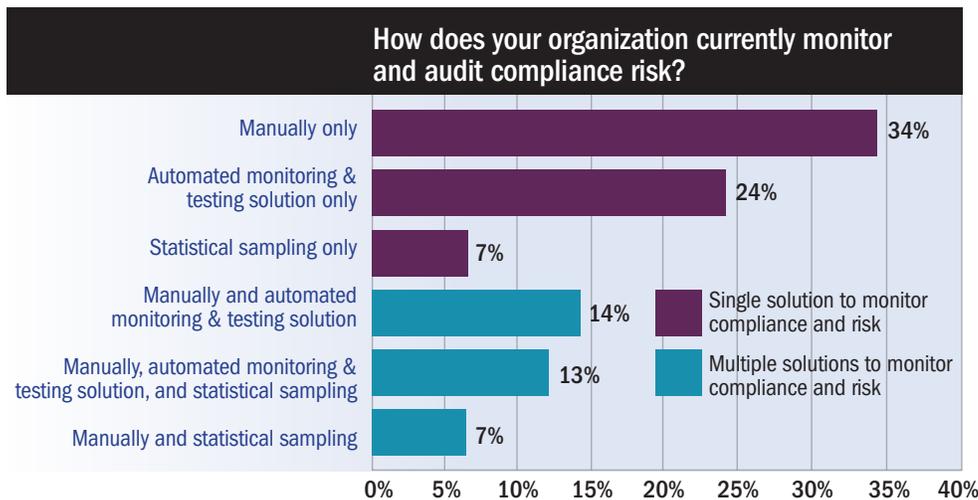
## Plugging the Gaps in Financial Controls Monitoring

### Elusive controls

Just 24% of executives polled by Gatepoint Research indicate they have a fully automated monitoring and testing solution. Survey participants represented primarily senior management ranks at larger firms across heavily regulated industries. Of the 76 participants, 59% are with companies of revenue greater than \$1.5 billion.

ment and external auditors were required to sign off on their internal controls over financial reporting, in an effort aimed at preventing fraudulent misrepresentations, such as those documented in the Enron case.

Sarbanes Oxley is designed to ensure financial data is accurate and that internal controls are in place to safeguard that data. According to the Center for Audit Quality (CAQ), “Internal control includes all of the processes and procedures that management puts in place to help make sure that its assets are protected and that company activities are conducted in accordance with the organization’s policies and procedures. For example, requiring that the contents of a warehouse be periodically counted and reconciled to the inventory recorded on the company’s books is a control over the existence and accuracy of inventory.”

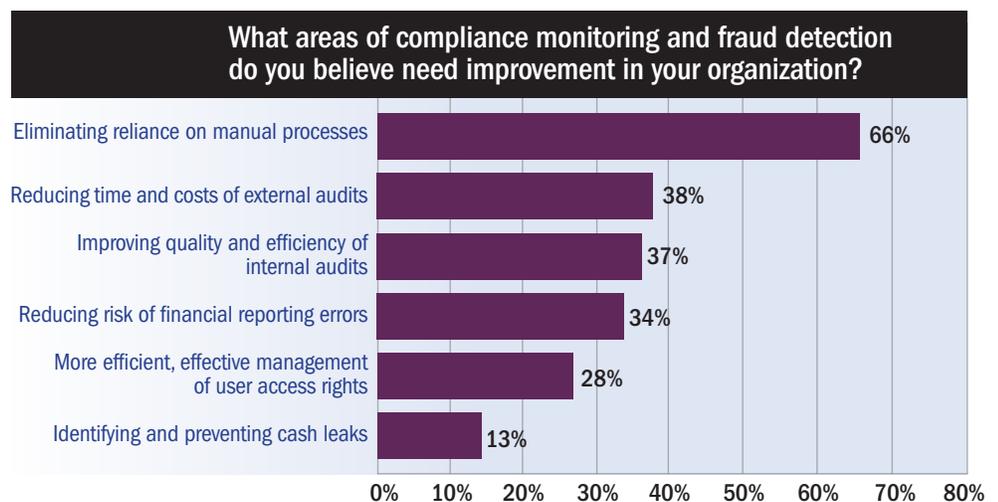


More than a third of survey respondents indicate their organizations rely solely on manual methods, while an equal amount utilize a mix of automated and manual methods, often relying on sampling rather than continuous monitoring.

Participants in the survey readily admit that things need to change. Eliminating reliance on manual processes was identified by 66% as the greatest improvement in compliance and fraud detection that their organizations could make.

Many companies are still struggling to adhere to the requirements of the implementation of the Sarbanes Oxley Act of 2002, which established new and strengthened requirements for all public companies, as well as some provisions related to private companies. Both executive manage-

Control activities, according to CAQ, “include a range of activities as diverse as approvals, authorizations, verifications, reconciliations, reviews of operating performance, security of assets and segregation of duties,” which require “ongoing monitoring activities, separate evaluations or a combination of the two.”





## Plugging the Gaps in Financial Controls Monitoring

A key component of those financial controls is ensuring that one individual cannot exert full control over an entire process, such as both approving a vendor payment and signing the vendor's check. Auditors need to be able to certify such payments were indeed made within a framework of preventative controls to deter unauthorized or fraudulent payments. Lack of automation of results in incurred costs for manual monitoring and increased risks, such as fraudulent transactions or duplicate billing.

Examples abound over the cost of non-compliance. The Federal Corrupt Practices Act (FCPA) also requires financial controls compliance and within the span of a few weeks in 2013, Compliance Week noted, “a handful of companies—including Walmart, Avon, and News Corp.— [each] reported spending well beyond \$100 million in FCPA-related investigation costs alone pertaining to multinational probes.”

### Visibility lacking

Without continuous visibility into monitoring and risk compliance, organizations are unable to automatically identify exceptions and control violations in key application systems. Unless they are able to cost-effectively monitor and test processes, policies and controls, businesses cannot be assured they are being followed.

In the Gatepoint survey, when asked whether their existing compliance monitoring processes have the

capability to verify legitimate application and process configurations, 52% of respondents indicate they lack or are unsure about that capability. Almost as many—46%—say they lack or are uncertain if they have the capability to monitor transactions across business applications and platforms.

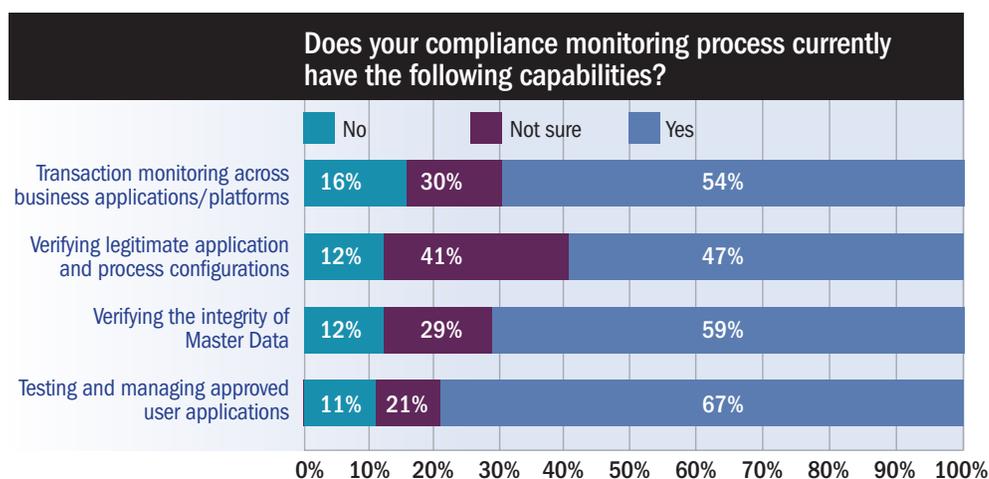
With many businesses increasingly reliant on software such as Enterprise Resource Planning (ERP) and other key business applications, the use of manual controls represents a jarring disconnect to the growing use of automation.

“When you have manual controls for access to an ERP, for example, everything has to be recorded in a document so the auditors can approve it; at a certain point, businesses can't sustain this manually,” says Tom Passe, Infor senior product manager for the Approva Continuous Monitoring solution.

As regulations and reporting requirements increase, an auditing process that relies on manual controls takes longer and costs more. In the Gatepoint survey, 38% indicate they need to reduce the time and costs of external audits, while 37% say they need to improve the quality and efficiency of internal audits.

In all likelihood, with reviews and audits of manual controls are conducted periodically, at best, or sporadically, which may result in many never being tested. Automation, conversely, makes it easier for auditors and financial managers to spot patterns that could indicate fraud or ineffective processes and controls.

In the Gatepoint survey, for example, when asked if they are able to detect duplicate checks issued to vendors, 38% say they either cannot or are not sure. Meanwhile more than 25% of respondents are unable or are uncertain whether they can detect financial reporting manipulation.



## Plugging the Gaps in Financial Controls Monitoring

### Advantages of continuous controls monitoring

Continuous monitoring solutions support the needs of finance organizations to improve overall financial governance while enabling audit organizations to implement repeatable and automated auditing programs

Financial organizations today need to monitor and correlate controls across multiple applications and all major business processes to ensure the business is operating within established parameters. Applying automated continuous monitoring solutions makes it possible to move light years beyond manual controls to encompass:

- Transaction monitoring across business application/ across platforms
- Verifying the integrity of Master Data
- Testing and managing user access to applications against approved entitlements
- Verifying legitimate application and process configurations

With transactions being continuously monitored, managers and auditors are able to generate reports to identify controls violations, providing the organization to quickly correct errors, prevent and reduce cash leaks, and to reduce the risk of financial reporting errors.

This automated solutions improves the quality and efficiency of internal audit processes, while reducing the time and costs of compliance obligations and external audits.

Infor's solution, says Passe, enables a manager or auditor to set up a database that correlates all users with access to an application, the permissions they have and what roles they are authorized for, such as who authorizes a payment and who executes the actual payment transaction. With the Infor system, the organization can identify, define and monitor for risks and controls. Key features include:

- **Key Risk and Performance Indicators, Dashboards and Reporting.** Businesses can track key risk indicators and key performance indicators, while automating management reporting with configurable dashboards and reports personalized for each role or user. In addition

the organization can score risks to quickly understand the financial impact and risk of each exception.

- **Risk Identification and Management.** With the ability to inspect 100% of its data and transactions, a business can automatically identify exceptions as they occur, with the system issuing alerts to ensure issues are addressed immediately. In addition, the organization can manage exceptions, assign them and track progress and follow-up via dashboards and reports.
- **Detailed reporting for auditors.** Streamlined external audits with detailed audit reports provide information about the access review process, the status of who has access to critical business systems, and an audit trail of access approvals.
- **Best practice business rules.** Out-of-the-box rules enable immediate assessment of financial processes, while easy-to-use graphical interfaces enable finance managers to write and update rules tailored to specific business needs.
- **Pre-built integration adaptors and tools** for monitoring Infor, SAP, Oracle, and PeopleSoft applications.

Once a business has set up its users, permissions and roles, the Infor system tracks all data and transactions to ensure activities fit within its established rules. An auditor or other user can, for example, request a report on compliance with a particular section of the Sarbanes Oxley Act and any violations will be flagged so they can be corrected or allowed under legitimate exceptions.

Relying on manual compliance monitoring and on statistical sampling provides no guarantee that financial controls are working. Infor Approva continuous monitoring provides holistic views of data and user access across multiple business environments and ensures the visibility and access needed to minimize an organization's risk of noncompliance and security breaches. This can save hundreds of hours each audit cycle by eliminating laborious preparation activities and investigation, and replacing those efforts with audit-ready reports that demonstrate compliance. For more information go to [www.infor.com/product-summary/fms/approva-continuous-monitoring/](http://www.infor.com/product-summary/fms/approva-continuous-monitoring/).