


Welcome To Today's Webinar:
Top 5 SOX Concerns for Dynamics AX

The presentation will begin in a few moments

Participants will receive an email within 48 hours with a link to the slide deck and recording.


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About the Presenter(s)



Jeremy Sucharski, CISA, CRISC, Director
Jeremy currently leads Armanino's Governance, Risk and Compliance (GRC) practice.

He graduated from California State Polytechnic University, San Luis Obispo in 2002 and brings over 12 years of experience building and managing teams focused on various internal control related projects which include; internal audit, Sarbanes-Oxley readiness and compliance, process optimization and business continuity.



About the Presenter(s)



Tim Hourigan, Armanino Advisory LLC

Tim is an ERP sales, planning and implementation expert with over 20 years of business and systems integration consulting experience. His clients include high-growth start-up, mid-market and large public, private and FDA regulated companies spanning the high-tech and life sciences industries.

- Prior to joining Armanino, Tim was a Consulting Partner at Accenture.
- He is a Microsoft Dynamics certified implementer and knowledgeable on Microsoft Dynamics AX, Dynamics GP, Dynamics CRM and multiple competing products.
- Tim is also a frequent writer, author and speaker on ERP implementation topics.



Learning Objectives

During today's webinar, participants will:

- Review current trends related to SOX compliance and how they apply to Dynamics AX.
- Review trends in enterprise software and discuss how they can create challenges for SOX compliance.
- Discuss the top 5 SOX issues commonly associated with Dynamics AX.



Current Trends

**Sarbanes - Oxley**

- Continually Evolving SOX Landscape
- AS2, AS5, AS12, AS15
- JOBS Act
- COSO 2013
- PCAOB inspection results
 - Completeness, Accuracy
 - Level of Precision
 - Management Review Controls
- *Bottom Line:* You have to be adaptable




Current Trends

**Business Software**

- Security: increase granularity
- Reporting: better tools
- Pre-integrated solutions
- Focus on Internal Controls
- Flexibility and complexity
- Increased Auditor Scrutiny over ERP's



Convergence of SOX and Enterprise Software




Increased Regulatory Scrutiny

Significant Concerns and Challenges


Increasingly Complex Systems

Auditor's lack of direct experience with AX




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Top 5 SOX Concerns for Dynamics AX Customers



1. Go Live is a big deal
2. Implementing old processes in a new system
3. Auditor's don't speak AX
4. Native AX tools may not be enough
5. Being "C" Student isn't good enough




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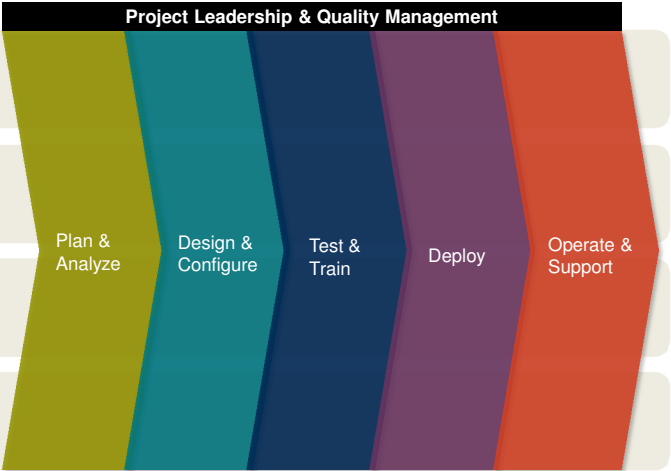


Concern 1:
Go Live Is a BIG Deal

Marching Towards Go Live




Project Leadership & Quality Management

People	
Process	
Technology	
Governance	

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Key Internal Control (SOX) Activities & Deliverables



Plan & Analyze


Design & Configure

Test & Train


Deploy

Support

Armanino Primary	<ul style="list-style-type: none"> Preliminary App Controls Req Spec Gap/Fit Analysis Process Design Support Internal Controls Guidance 	<ul style="list-style-type: none"> Configure Automated Controls Internal Controls Guidance Support Preliminary SOPs (option) 	<ul style="list-style-type: none"> UAT Support UAT Fix-It Support Support AX Task Recorder Work Instructions 	<ul style="list-style-type: none"> Collect SDLC/QMS controls objective evidence 	<p>Once Solution is stable:</p> <ul style="list-style-type: none"> Support refine Process Flow documentation Support refine/document internal controls Support refine Security Model Support Recurring Testing of Internal Controls
Client Primary	<ul style="list-style-type: none"> Define ERP relevant Business Policies Communicate ERP relevant Internal Controls Reqs 	<ul style="list-style-type: none"> Design Preliminary Internal Controls (manual+automated) Configure Security Model/ SoD Preliminary SOPs (option) 	<ul style="list-style-type: none"> Create AX Work Instructions/ Training Materials Preliminary Test Security Model/ SoD 	<ul style="list-style-type: none"> Collect and Maintain SDLC Controls objective evidence 	<p>Once Solution is stable:</p> <ul style="list-style-type: none"> Refine Process Flows Refine/ document internal controls/SOX memos/SOPs/WIs Refine Security Model/ SoD Recurring Testing of Internal Controls Monitor Internal Controls & BI KPIs




Common SDLC/QMS Project Documentation



- Project Management**
 - Project Charter
 - Project Plan
 - Issue Log
 - Weekly Status Reports
 - Phase/ Deliverable Signoff Evidence
- Solution Implementation**
 - Business Requirements
 - Business Process Designs
 - Configuration
 - Customization Design Specs
 - Functional Enhancements
 - Integrations
 - Financial Forms/ Reports/ Queries

- Data Conversion**
 - Deployment Plan
 - Contingency Plan
 - Go-Live Checklist
 - Detailed Data Conversion Plan
 - Data Mapping Design Spec by Data Type
- Security Model**
- Formal User Acceptance Test**
- Inventory of Object Changes**
- Software Validation (if applicable)**
 - IQ, OQ, PQ



Go Live Audit Concerns

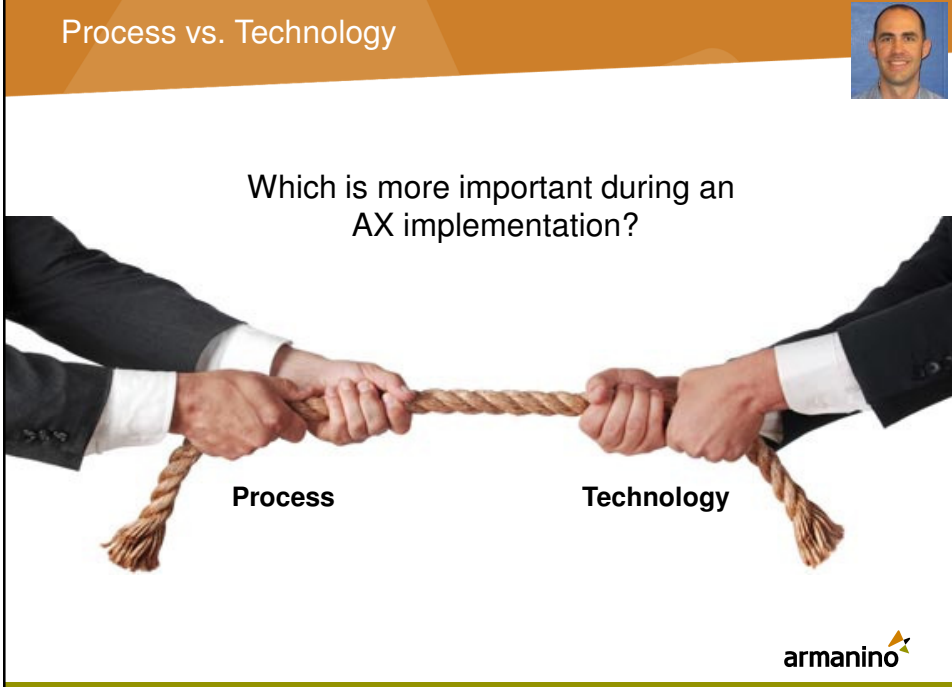


- One of top PCAOB inspection report findings
- Audit Concerns
- Methodology
- Documentation and approvals
- Data Migration
- Completeness and accuracy



Concern 2:
Implementing old processes in a new system

Process vs. Technology




Which is more important during an AX implementation?

Process Technology

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Old Process with New Technology



Issue	Solution
<ul style="list-style-type: none"> • Old process may not <ul style="list-style-type: none"> ○ scale despite new technology ○ account for future growth ○ properly align ○ Fully leverage efficiencies between processes and compliance efforts 	<ul style="list-style-type: none"> • Consider process and technology to be inextricably linked • View your implementation as a time to ask “what if...” • Re-engineer your processes as part of an implementation or upgrade

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Where To Start?

Corporate Strategic Planning


- Mission/ Vision
- Enterprise Risk Management
- Business Policies
- IT Strategic Plan

Corporate Governance & Compliance

- U.S. & Foreign Laws, Rules, Regulations, and Standards
- IT Governance Standards
- Business Continuity Plan

SLDC/ Quality Management Systems

- ISO 9000/ Lean/ Other Principles
- Microsoft Sure Step Reference Materials
- Armanino Implementation Methodology



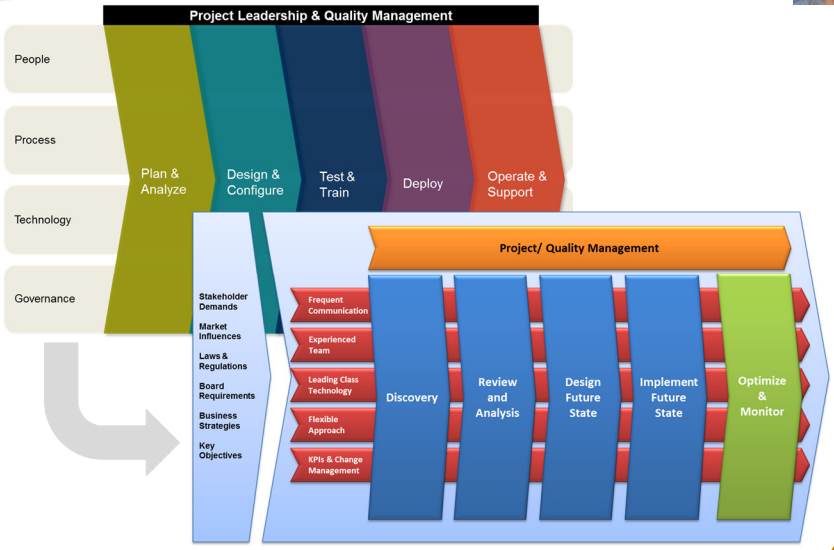
Leverage A Proven Methodology


People

Process

Technology

Governance

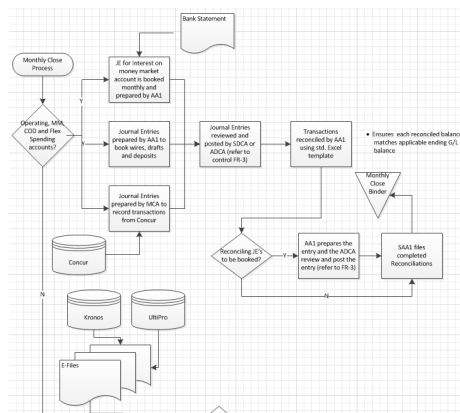




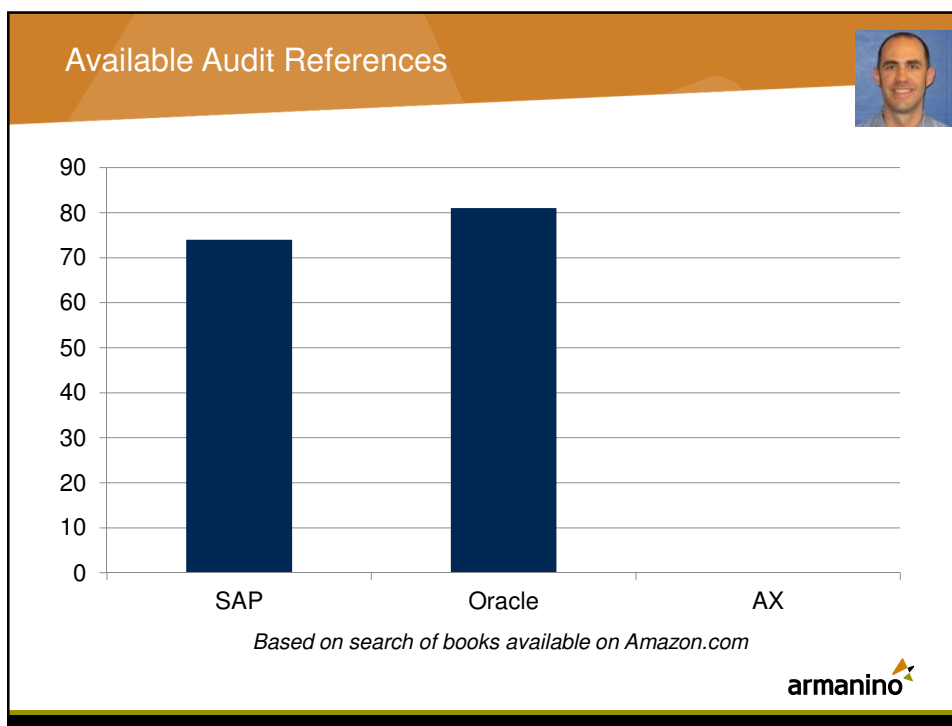
Align and Document




- Look for process inefficiencies
- Align multiple standards
- Leverage workflows for multiple purposes
- System configuration
- System documentation
- Testing and UAT
- Audit Evidence via Control Annotation



Concern 3:
Auditors Don't Speak AX




Auditor's Lack of Adequate Knowledge



- SAP and Oracle are more mature products
- Because these resources don't exist, auditors won't have a clear roadmap
- To counter this, you need to be their guide

Solution:

- Adopt a control framework (we recommend COSO 2013)
- Clearly and completely define your processes including risks and related controls
- Focus on high risk areas initially
- Don't be afraid to say "no" to an audit request or ask why they have a specific request



Begin with Understanding



Building Understanding:

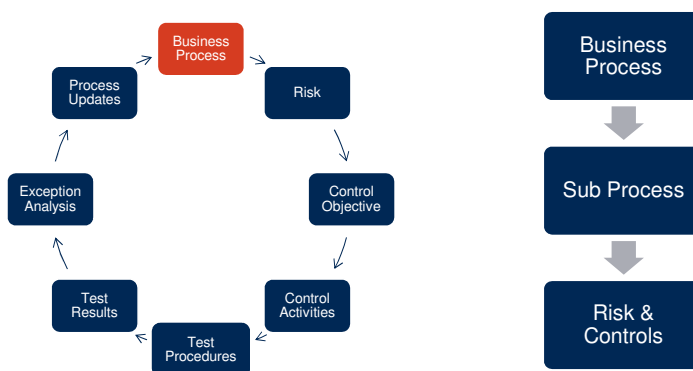
- Think like an auditor
- Understand your processes
- Relate risk to the process
- Implement controls to mitigate risk
- Software takes a back seat

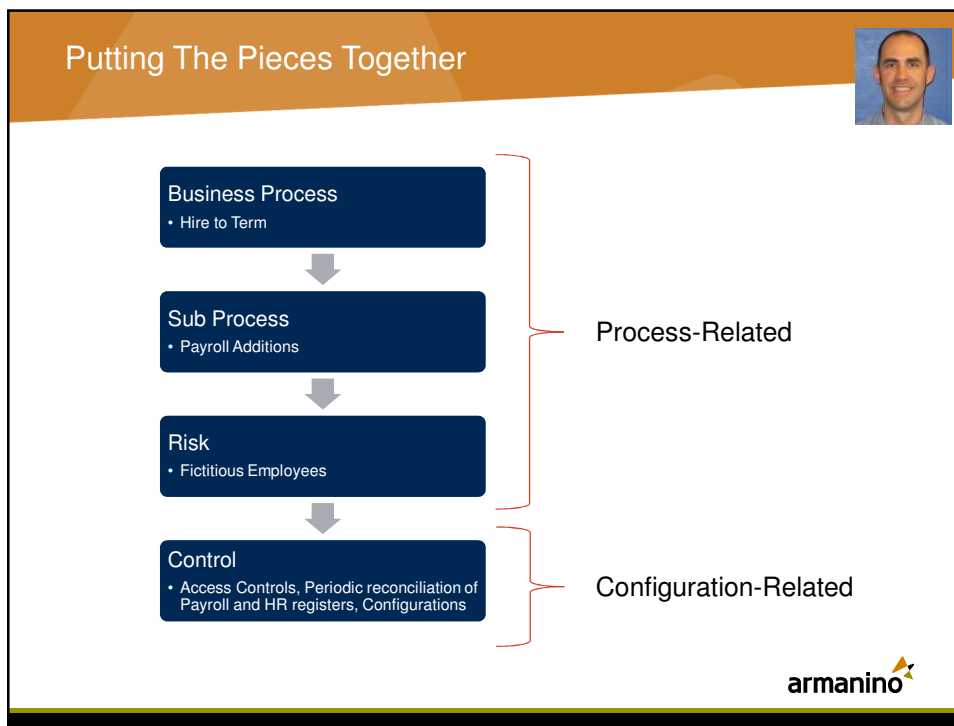


Leverage the Internal Controls Lifecycle



Begin by Understanding Business Processes





Concern 4:
Native AX tools may not be enough

Native Dynamics AX Tools To Assist Users/Auditor



Dynamics AX Features and Tools

- Extensive Automated Controls
- Protects Personally Identifiable Information (PII)
- Seamless Integration to SharePoint Document Management
- Robust Security Model
- Audit Trail Tracking
- Armanino Data Conversion Tools
- Software Object Change Reporting
- Software Object Migration Tools



Native Tools May Not Be Enough



- **Example:**
 - Audit trail reports could be used to facilitate a periodic review of master file changes
- **Issues/Challenges:**
 - Who reviews the report
 - What frequency
 - What if they forget to do the review
 - How do we capture their review?



Consider 3rd Party Tools



- Consider using third party tools
- Example: FastPath GRC Studio
 - SOD Conflicts
 - Audit Trails
 - Audit Reporting
 - Security Reporting
 - Developed and supported by a team of internal auditors

The screenshots show the FastPath GRC Studio interface. The top screenshot displays a navigation menu with options like 'Home Area', 'GRC Studio Reports', 'My Reports', and 'Administration'. Below this, there are several report windows. One window shows a 'Conflict Status Report for all User-Conflicts that have had their status changed from None'. Another window shows a table of conflicts with columns for 'Criteria', 'Status', 'Error Code', 'Error Message', 'Conflict Class', 'Status', 'Assigned', 'Action', 'Last Change', and 'Last Change'.

Criteria	Status	Error Code	Error Message	Conflict Class	Status	Assigned	Action	Last Change	Last Change
Chicago Cubs	Approved	Vendor Maint...	Payables Sch...	Maintain ver...	Approved	Changed Sec...	MULLER	Aug 29 2011...	
Chicago Cubs	Inactive	Vendor Maint...	Payables Sch...	Maintain ver...	Approved	Changed Sec...	SCOTTECHER	Aug 29 2011...	
Chicago Cubs	Inactive	Vendor Maint...	Payables Sch...	Maintain ver...	Approved	Changed Sec...	SCOTTECHER	Aug 29 2011...	



Concern 5:
Being a "C" Student Isn't Good Enough

Famous Last Words of CEO & CIO's



I don't want to be perfect.
I just want to pass and a
"C" grade is OK with me.

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What does an "A" Student Look Like?



"A" Company

- Nearing full automation
- Sound culture of internal control
- Strong tone at the top
- Defined, repeatable, tested processes
- Focus on process improvement
- Proactive Management

"B" Company

- Defined, repeatable processes
- Some automation
- Good tone at the top
- Processes are measurable and repeatable
- Proactive Management

"C" Company

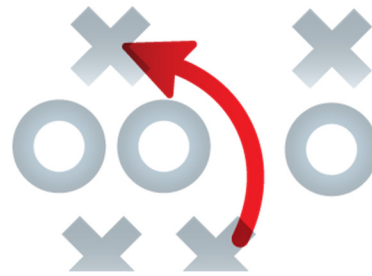
- Processes are defined
- Tested but less frequently than a "B" company
- Little to no automation
- No concern for process improvement
- Reactive Management

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Do Enough Without Going Overboard



- ✓ Leverage a framework
- ✓ Start early
- ✓ Focus on continuous improvement
- ✓ More about culture and environment than anything else
- ✓ The rest will follow



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Next Steps



- Determine the right place to start...
 - Where are you on your SOX journey? What are your SOX readiness expectations?
 - Seeking good management practices, seeking formal readiness, maintaining current status
 - Start with SOX memos vs. need SOPs
 - What documentation do you have already?
 - What do you envision you want/need upon go-live?
 - What other compliance requirements apply, if any?
 - How mature are your current processes?
 - What degree of change do you envision with your new ERP solution?

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Next Steps



(continued)

- Designate Process Owners and Super Users
- Meet with your Auditor
 - What level of scrutiny are you expecting
 - Level set on deliverables and testing approach/timing expected
- Incorporate SOX/compliance readiness approach and deliverables into your ERP Implementation Project Plan



Key Points



- Need to predefine your business goals in order to assess risk of not meeting those goals
 - Scrutiny is risk based. Assess which areas are the most at risk and focus efforts there.
 - It's a process (journey) not a one-time event
- Working with competent implementer, risk of rework is low for post go live SOX controls implementation
 - Need a stable process to do documentation efficiently
- UAT Documentation is the most time consuming
 - Off the shelf templates still require heavy review and edits no matter what...
 - Never too early to start documenting key scenarios/ exception cases to be tested
- Security Model
- SOX focus is on reliability of financial reporting (only).
- IT Operations includes error queue checking procedures





Q&A:

Submit your questions through
The chat box.



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