



SOLUTION OVERVIEW

CASEWARE™ MONITOR SOD

Segregation of Duties

The main elements required for fraud are motivation and opportunity. Accordingly, the best opportunity a company can offer a fraudster is having weak or nonexistent segregation of duties (SoD). SoD is a critical internal control aimed at limiting opportunities for abuse by a single person such as requiring two signatures on a check or separating the creation and approval of sensitive transactions.

In today's automated business processes SoD is enforced in business applications and ERPs, and breakdown in these controls can be difficult to detect. In other situations SoD conflicts caused by insufficient staffing create a physical inability to properly segregate the duties and are exacerbated by poor or missing compensating controls such as authorization/approval or budget/actual reconciliation, for example.

In one case, a major hi-tech corporation discovered a fraud that had been going on for over 7 years. Employees who were checked and validated within the ERP system had additional privileges in other legacy systems in the same business process. The fraud cost the company over \$18m, resulting in restatement of their earnings.

This case highlights the fact that even with mature ERP systems, issues can inadvertently arise that lead to SoD violations. For example, elevated permissions are given to someone covering for a vacationing employee or an employee inherits elevated privileges from another security group. These types of SoD issues are not caught using the ERP's built-in controls since the assigned authorities were validated and approved by the Administrator.

In another example, one customer was told that their SAP SoD analysis was inadequate, that they didn't know or understand how or what on their Windows servers was being accessed and that no one knew what privileges the Sales system users had inside of SAP. After a formal product review and a Proof of Concept where CaseWare™ Monitor SoD Solution analyzed all three environments, management stated that CaseWare™ Monitor SoD was the only enterprise solution that they found that could address SoD across systems. The solution allowed IT to automatically push issues to the business process owners for comments and review; the resolved issues were automatically routed back to IT for final closure and the internal and external auditors now had oversight access to all of the results. The solution highlights the ability of CaseWare™ Monitor to analyze Segregation of Duties in heterogeneous environments.

These issues underline the need to be able to confirm that the preventative ERP controls are working and secondly, that it is just as important to analyze SoD access in other systems both upstream and downstream from the ERP platform. This is especially true in companies that alter their processes and the rules governing SoD.

Continuous Monitoring

An effective continuous monitoring solution provides an organization with an independent point of observation from the business applications over SoD controls across any business process in the enterprise. It enables the identification of control breaches and fraud and money leakage, by confirming that embedded application controls are working properly across business processes.

An independent point of observation is essential to continuous monitoring. As demonstrated in the prior example, solutions that are embedded in an ERP or an add-on to an existing application are only capable of identifying issues within the system they are tied to. The CaseWare™ Monitor SoD solution enables Segregation of Duties to be monitored holistically, ensuring that user authorities are properly compartmentalized regardless of the business application, and as a secondary benefit, provides assurance that interfaces between different systems and business operations are working correctly.

The continuous monitoring system should be accessible by all key stakeholders in the organization. Since an effective monitoring solution can touch multiple business processes, it is important that stakeholders can access and monitor the results. This is important in situations where many types of operational users may be using the system. Equally important is the ability to distribute issues to the appropriate individuals and to ensure that the issues are dealt with on a timely basis within an effective workflow.

CaseWare™ Monitor SoD

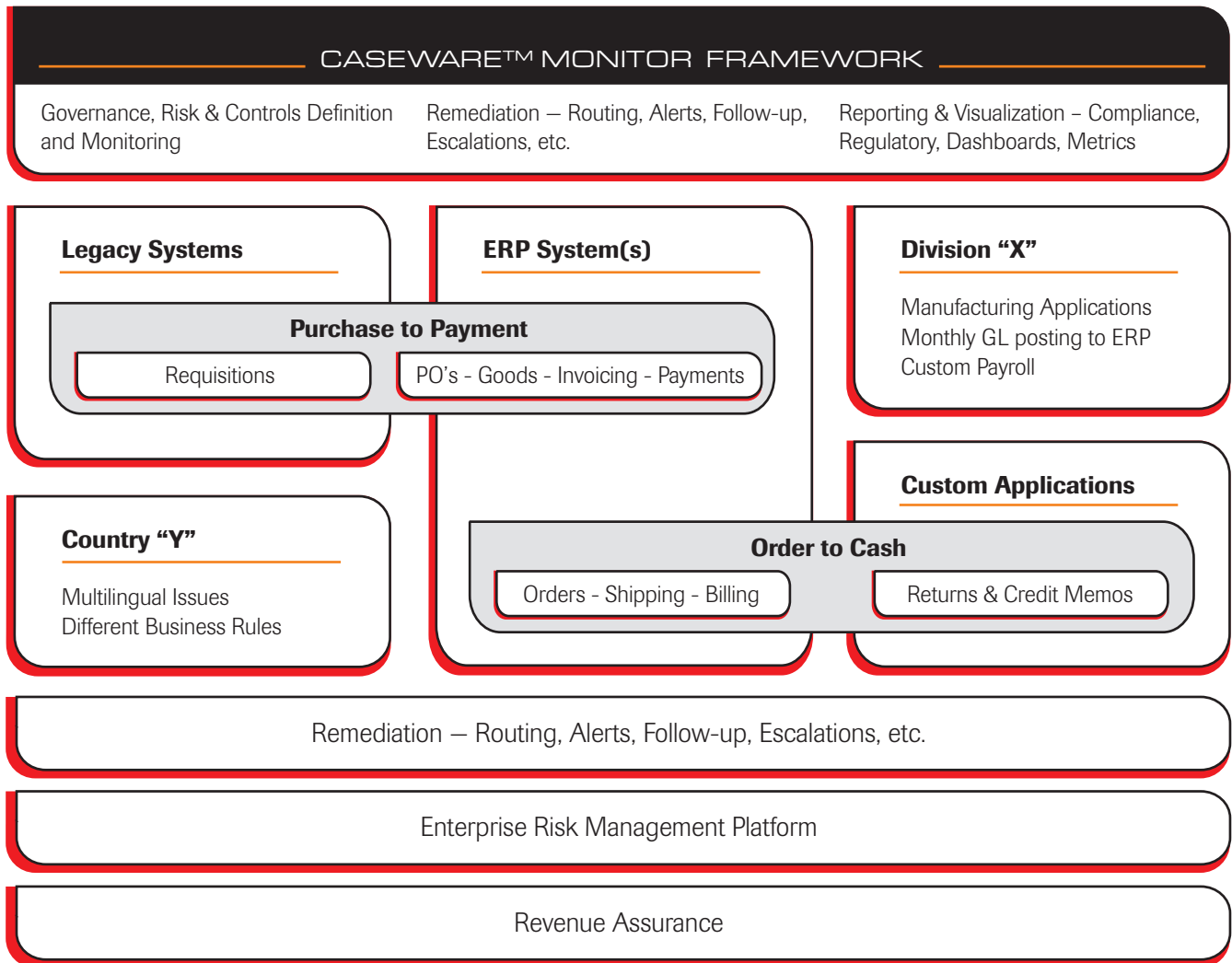
The Solution enables all SoD touch points within the business processes to be monitored, regardless of the underlying systems, data sources, platforms or locations. Results from these disparate sources are presented in the CaseWare™ Monitor SoD portal for use by any authorized users regardless of their location, technical ability or business role.

With the CaseWare™ Monitor framework, all aspects of SoD analysis can be examined regardless of the underlying infrastructure. Since CaseWare™ Monitor is a framework rather than application specific, when business processes change, it can easily adapt to the changes. Notifications and workflow management are built into CaseWare™ Monitor ensuring that issues receive proper attention and their resolution can be managed.

Key Benefits

- Early detection of SoD issues
- Simple regulatory compliance reporting
- Enhanced view of potential SoD violations
- Reduction in the risk of fraud through SoD violations
- Historical record of SoD exceptions and remediation
- Common portal for Segregation of Duties across the enterprise
- Greater transparency and effectiveness in the protection of information

Figure 1 – Sample CaseWare™ Monitor Segregation of Duties Topography



Workflow and Reporting

When an event occurs, relevant alerts are triggered and a stringent remediation process is followed to ensure that any high risk activities are addressed as stipulated by the business process owners.

Other key aspects of the solution are automation of the reporting function and visualization of the process environment. CaseWare™ Monitor SoD automates key reporting for stakeholders, including regulators and external audit.

Capabilities include:

- Key SoD Metrics and Trends
- Intra/Extra Process SoD Analysis
- Immediate Issue Notification via Email, SMS
- Identification of Potential Issues i.e. Excessive Management Overrides
- Management of Fast/Slow Issue Remediation Times

COMMON SEGREGATION OF DUTIES POINTS OF INTEREST

Order to Cash

Create Sales Orders

Terms of Sale Approvals

Record Sales Orders

Invoice Customers

Accounts Receivable Collection

Posting Cash Receipts

Investigate Discrepancies

A/R Master File Maintenance

Sales Order Release

Sales Pricing Maintenance

Sales Rebates

Sales Invoicing

Sales Agreements & Contracts

Purchase to Payment

Create Purchase Orders

Goods Receipt on Purchase Order

Purchasing Agreements

Release Requisition

Authorize or Sign Checks

Cheque Mailing

Investigate Discrepancies or Issues - Expenditure

Vendor Master File Maintenance

Physical Inventory

Clear Vendor Account

Invoicing & Billing

Purchase Inventory

Prepare Cheques

Receive Inventory

Ship Inventory

Maintain Inventory Transactions

Maintain Inventory Counts

Maintain Inventory Records

Release Blocked Invoice

Voucher Entry

Cash Application

Bank Reconciliation

Financial Close

Initiate Manual Transactions

Approve Manual Transactions

Initiate Journal Entries

Approve Journal Entries

Post Journal Entries to General Ledger

Generate Financial Statements

Review and Approve Financial Statements

Chart of Accounts Maintenance

BENEFITS

BUSINESS CHALLENGE

CASEWARE™ MONITOR SOLUTION

STAKEHOLDERS' REQUIREMENTS

Escalating risk and compliance requirements

- Provide enterprise-wide definition and monitoring of controls and assurances that they are effectively implemented across all business processes.

AUTOMATION

Automating control breach detection and remediation

- Detects breaches at the data source.
- Distributes data across the enterprise by user-defined rules via dashboards, e-mail, SMS
- Provides workflow for remediation including automatic detection of resolution of errors
- Allows the user to define controls in multiple business processes with a consolidated view
- Increases efficiency by making analytics repeatable with the ability to adjust tolerances
- Business rules and parameters are customizable and new logic can be built by the organization
- Monitoring can also be applied to business metrics
- Issues are identified as soon as they occur

INTEGRATION

Seamless integration into existing solutions

- No changes required to underlying systems being monitored
- Non-intrusive access to data and cannot amend source data
- User and group security with LDAP support
- Strong encryption
- Distributed service oriented architecture (SOA).



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