MIS 5121:Business Process, ERP Systems & Controls
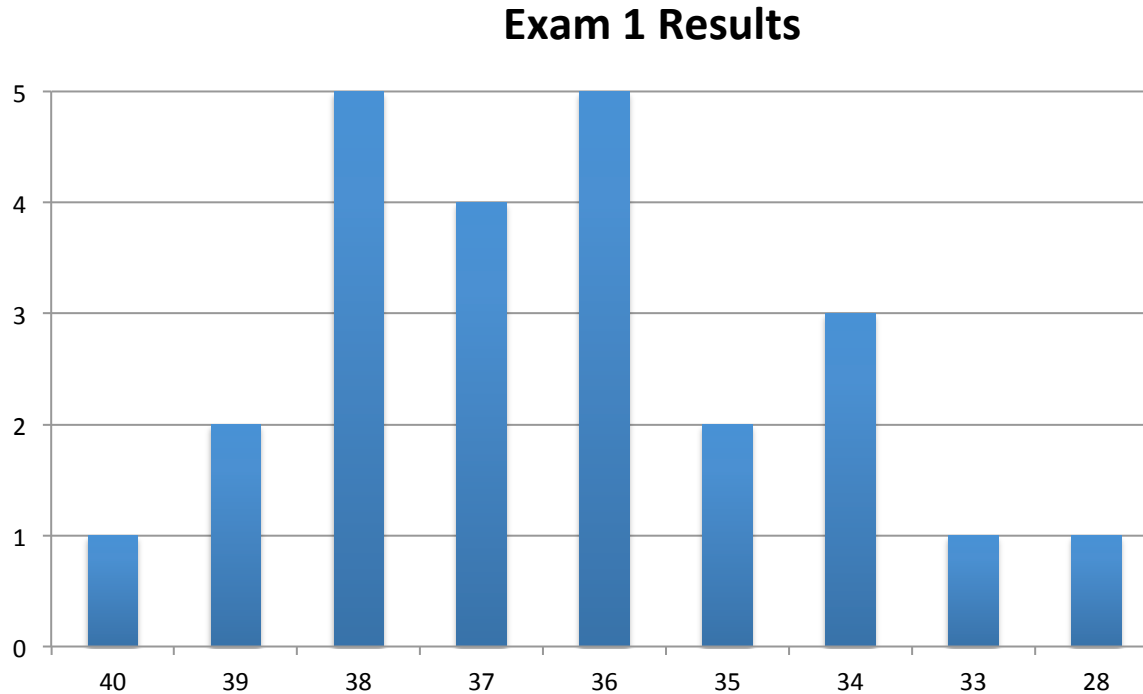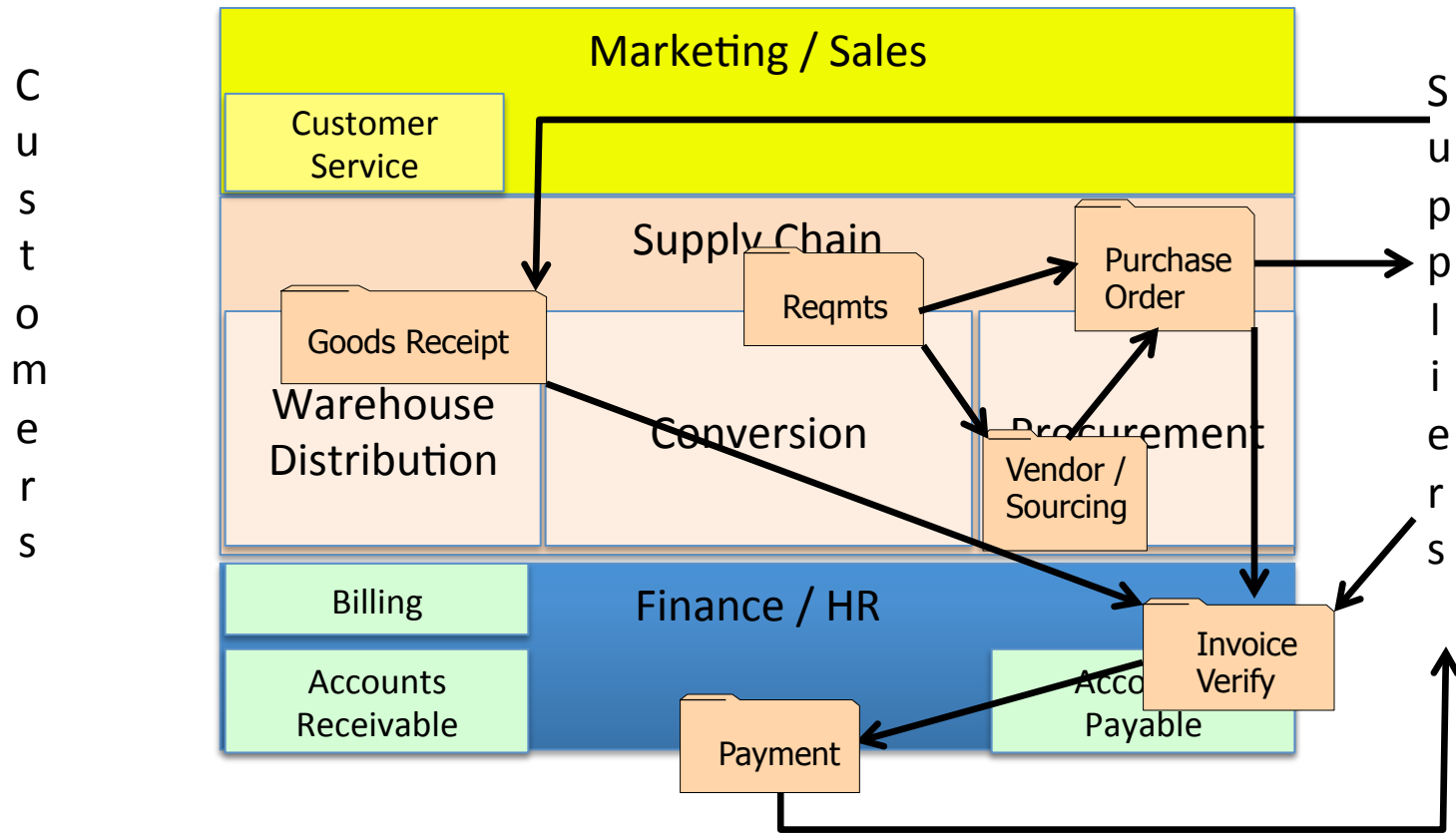# Week 7: *General vs. SAP System Controls, Financial Accounting and Controlling Controls*

FOX|MIS
Management Information Systems

Edward Beaver
Edward.Beaver@temple.edu

ff

Exam 1 Test Results

Exam 1 Results

- Results will be 'curved' to Max high score vs. perfect score of 42
- Thanks for the feedback on what's working, where to improve
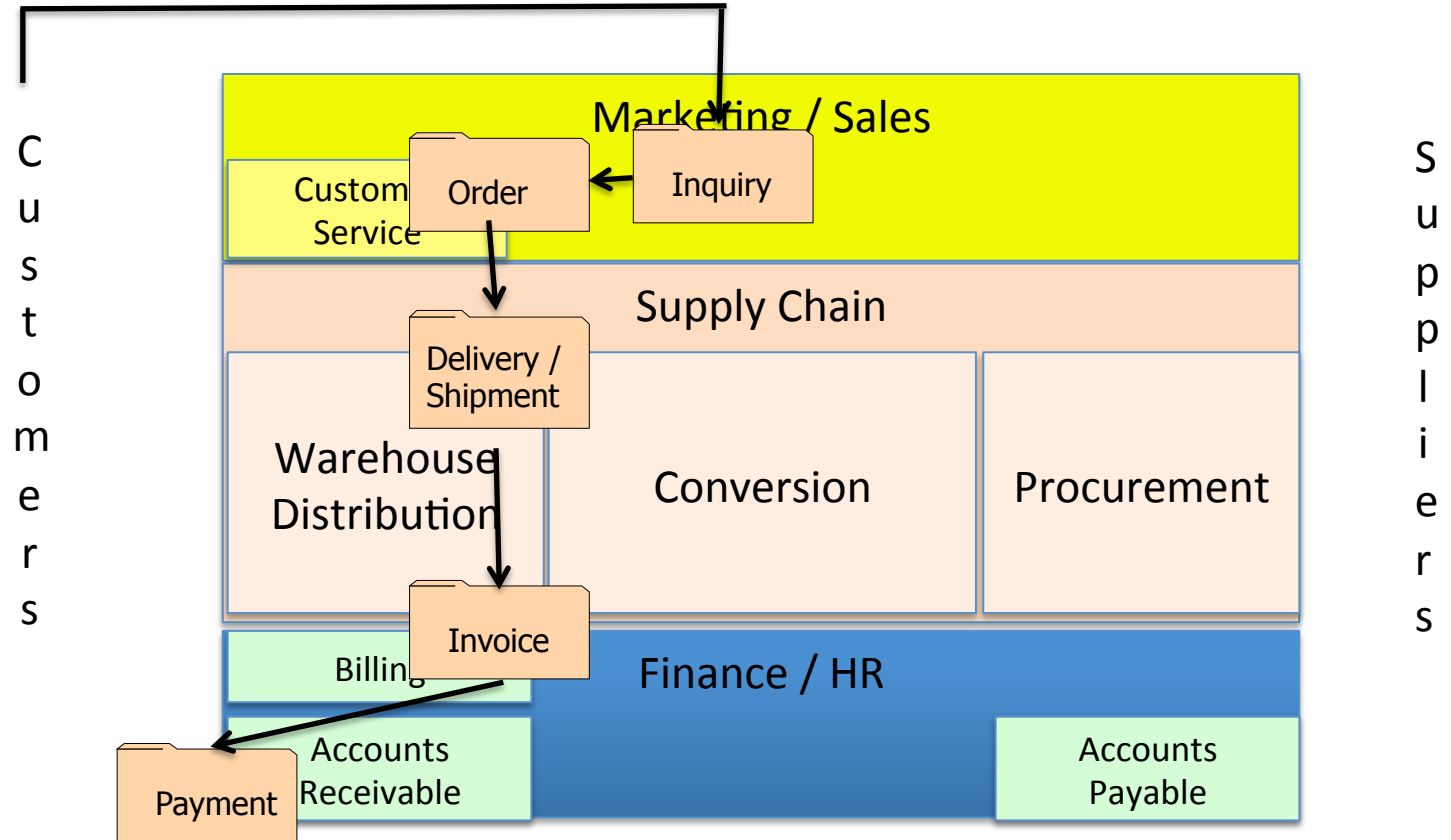
Procurement at GBI

The Many Flavors of Procurement

- Materials / Raw Materials
- Labor Services
- Other Services
- Leases / Rentals
- Supplies (Office, Maintenance, Production, …)
- Logistics
- Information Technology
- No PO
- Inter-company vs. 3rd Party
- Acquisitions

# Order to Cash at GBI

The Many Flavors of Sales Order

- Standard Orders
- Free of Charge (samples, compensation)
- Services / Not delivery related
- Consignment
- Miscellaneous Sales (Assets, RM's, Leases, etc.)
- Returns
- Debit memo
- Credit Memo
- Rebate Settlement
- Special country / tax scenarios

Environment Favorable to Fraud

Framework for spotting high-risk situations

- Perceived **opportunity** *(I can do it / conceal it and not get caught)*
  - ➢ Poor internal controls
  - ➢ Lack of oversight

- **Incentive or Pressure** *(Financial or emotional force pushing to commit fraud)*
  - ➢ Meet expectations
  - ➢ Avoid criticism
  - ➢ Cover a mistake
  - ➢ Personal failures, needs

- **Rationalization** *(Personal justification for dishonest actions)*
  - ➢ Low compensation
  - ➢ Company is profitable
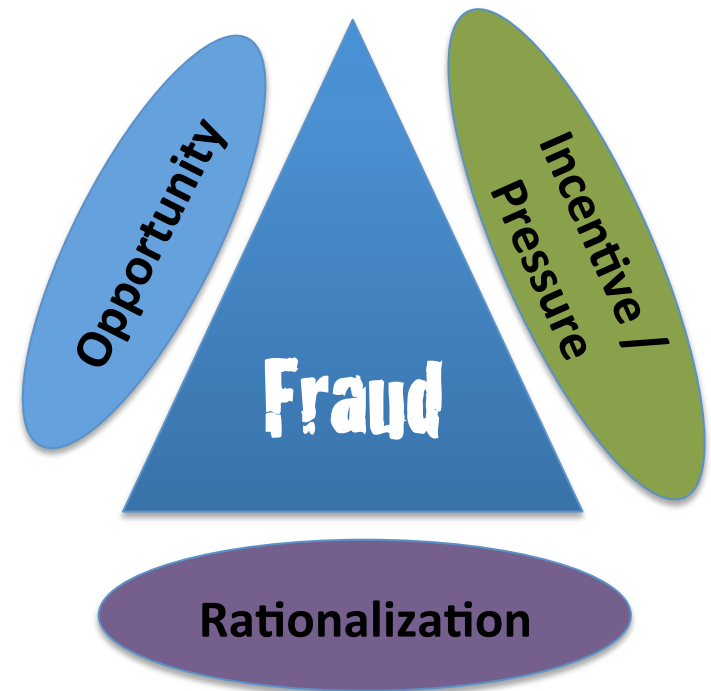
Fraud Triangle
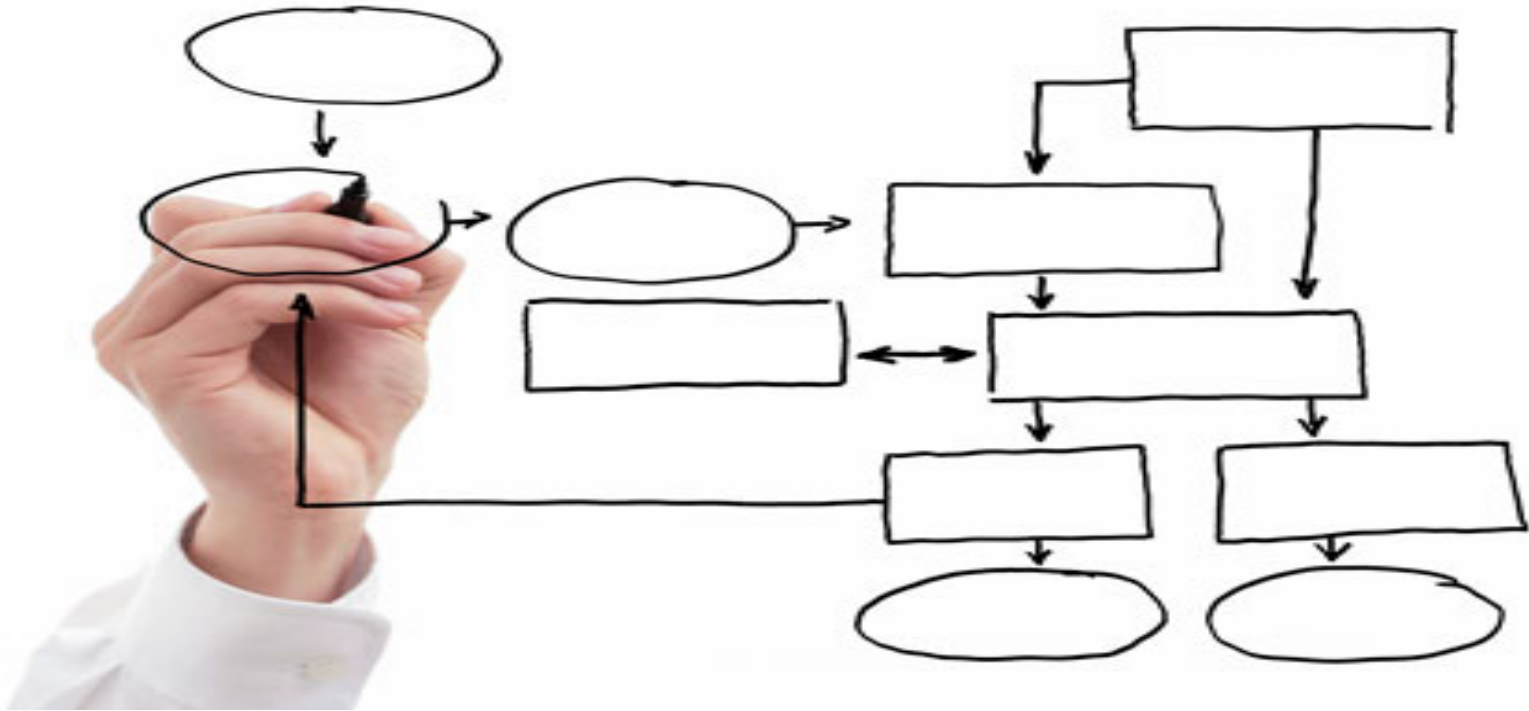
MIS 5121: Business Process, ERP Systems & Controls
Real World Control Failures:
By: Janet Mai

FOX | MIS
Management Information Systems

Control Failure: Illegal Insider Trading

- <u>Background</u>:
  - ❖ ImClone Systems, biotech company
  - ❖ New cancer fighting drug failed to receive FDA approval in 2001
  - ❖ Knowing the eventual drop in stock prices, founder and CEO Sam Waksal warned family and friends to sell their shares
    - ❖ Daughter, Aliza Waksal, sold $2.5 million in shares on December 27, 2002
    - ❖ Father, Jack Waksal, sold $8.1 million in shares on December 28, 2002
    - ❖ Family friend, Martha Stewart sold all her 3,928 shares of ImClone stock

- <u>Control Failures</u>:
  - ❖ Merrily Lynch broker Peter Bancanovic gave instruction to Stewart
  - ❖ Congressional hearing unveiled culture of corruption at ImClone
    - ❖ Waksal forged signature of company's general counsel for financial gain in 1986

- <u>Results</u>:
  - ❖ Waksal sentenced to 7 years in federal prison for bank fraud, securities fraud and other violations
  - ❖ In 2003, Waksal reached partial agreement to pay back $800,000 of $3 million SEC settlement, and to be permanently barred from being an officer or a director of a public company
  - ❖ In 2004, Stewart and Bancanovic each sentenced to five months in prison, five months of home confinement, and two years probation. Stewart avoided a loss of $45,673 by selling her shares, Forbes estimated her net worth was $700 million at the time!
  - ❖ In 2009, Eli Lilly and Company purchased ImClone Systems Inc. for an estimated $6.8 billion

- <u>What Could / Should those in Authority Have Done Different?</u>:
  - ❖ Legal vs. illegal insider trading - 'insiders' must report the trades to SEC within certain time period after the sale or purchase (usually 10 days)
  - ❖ Company employees can only trade stock when all information is made public, when there is no direct advantage over other investors

Control Failure: Illegal Insider Trading

- <u>Reference:</u>
  - ❖ http://nymag.com/news/features/scandals/martha-stewart-2012-4/
  - ❖ http://www.nytimes.com/2005/01/20/business/sec-settles-imclone-insider-trading-case.html?_r=0
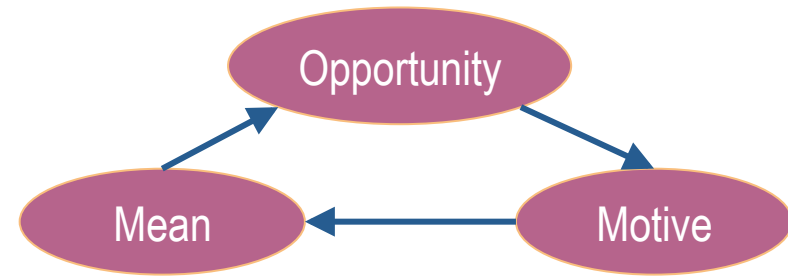 - ❖ http://www.cnbc.com/id/43583339

MIS 5121: Business Process, ERP Systems & Controls

Real World Control Failures:

Adelphia Communication

By: Yee-Ann Chen

Control Failure: Skimming

- **Background:**
  - ❖ Six largest cable operator in the US
  - ❖ Adelphia expend Internet access, paging services and business communication
  - ❖ In 2002 company ran into financial fraud
- **Control Failures:**
  - ❖ Lack of operational control: Rigas family manipulate Michael Mulcahey for hiding $2.3 million
  - ❖ Lack of fraud resistance culture through fraud policies and fraud awareness
- **Results:**
  - ❖ John Rigas, founder of Adelphia, was penalized to 12 years in federal prison
  - ❖ Michael Rigas, former Executive VP, was penalized to ten months of home restriction two years of probation after pleading guilty
  - ❖ Timothy Rigas, Adelphia's former Chief Financial Officer and the Treasure, was penalized to 17 years in federal prison.
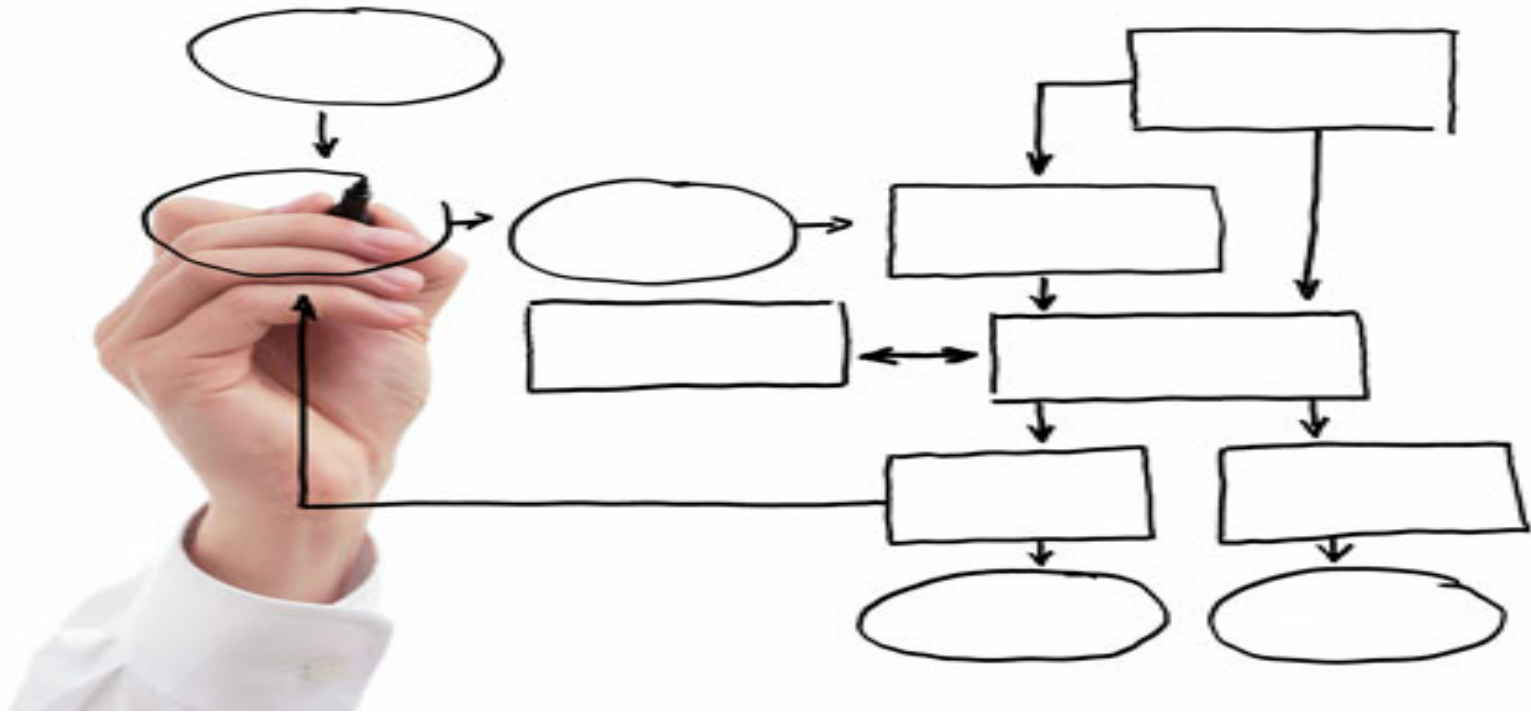- **What Could / Should those in Authority Have Done Different?:**
  - ❖ Implanting audit procedure to detect fraud
  - ❖ Conduct a risk assessment: Identify possible risk areas and signs
- **Reference:**
  - ❖ https://prezi.com/aw-wn8466pqz/adelphia-communication-fraud/

MIS 5121: Business Process, ERP Systems & Controls
Real World Control Failures:
By: Shahla Raei

Control Failure: WorldCom

- **Background**:
  - ❖ Deutsche Bank is one of the largest multinational banks, operating worldwide with 73,000+ employees in 73 countries.
  - ❖ Germany's largest financial institution
  - ❖ On May 3, 2011, a civil fraud lawsuit was filed by the United States against Deutsche Bank AG, DB Structured Products, Inc.
  - ❖ CEO - Josef Ackermann

- **Control Failures:**
  - ❖ Deutsche Bank employees have been accused of involvement in a large tax fraud scheme between 2009 and 2010.
  - ❖ Josef Ackermann, was indicted on for his involvement in a committee that approved alleged "payoffs" to executives of Mannesmann, a British telecom company
  - ❖ Failed to return E-mail record.
  - ❖ Punished in April by US and British regulators, with a record fine of €2.5 billion, because of its intense involvement in the Libor and Euribor manipulations.CEO desired to build and protect his personal financial condition.
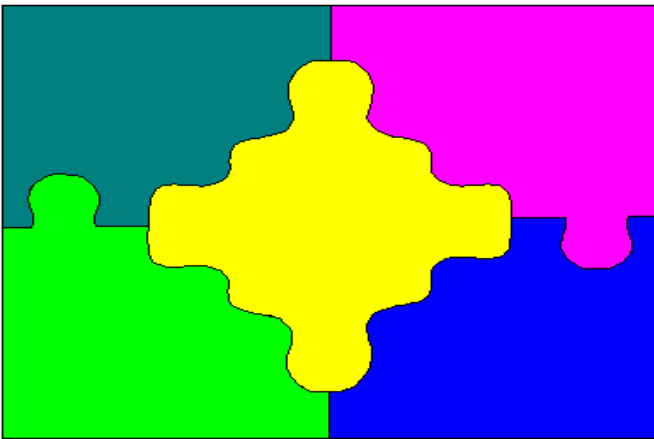
Control Failure: Worldcome

- **Results**:
  - ❖ Deutsche Bank Fined $87 Mil. In Research Scandal
  - ❖ Deutsche Bank Fined For Reporting Violations

- What Could / Should those in Authority Have Done Different?:
  - ❖ Expect all of the employees of Deutsche Bank to adhere to our compliance standards – by conducting themselves honestly, responsibly and ethically
  - ❖ A corporate culture in which the advice of lawyers is sought and respected
  - ❖ Formalized and well-documented policies and procedures.

- Reference:
  - ❖ http://www.forbes.com/sites/billsinger/2012/05/10/deutsche-bank-and-mortgageit-settle-federal-fraud-charges-for-202-million/#1f4ef3e57c5c
  - ❖ http://www.dw.com/en/deutsche-bank-employees-accused-of-tax-fraud/a-18646765

# General Computer vs. SAP System Controls

Key Information Technology Risks

- **System Security**

- **Information Security Administration**

- Background Processing (Batch vs. foreground: real-time)

- Powerful User ID's and Profiles

- Instance Profile Security

- Change Management (including Logs and Traces)

- Table Security

- Data Dictionary, Program and Development Security

- Transport Security

- Change Control

- Data Migration

- Data Interface
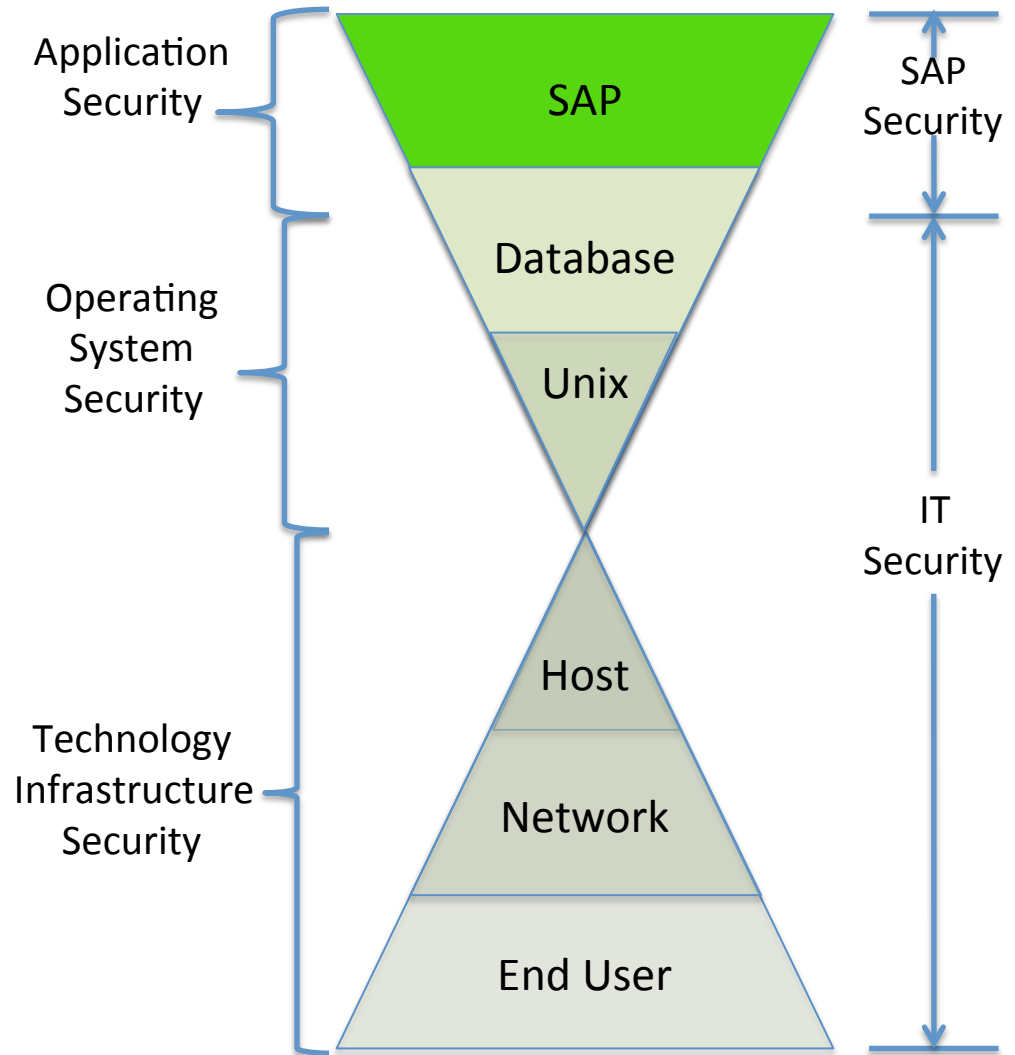
- Firefighter access

SAP Environment Security Components
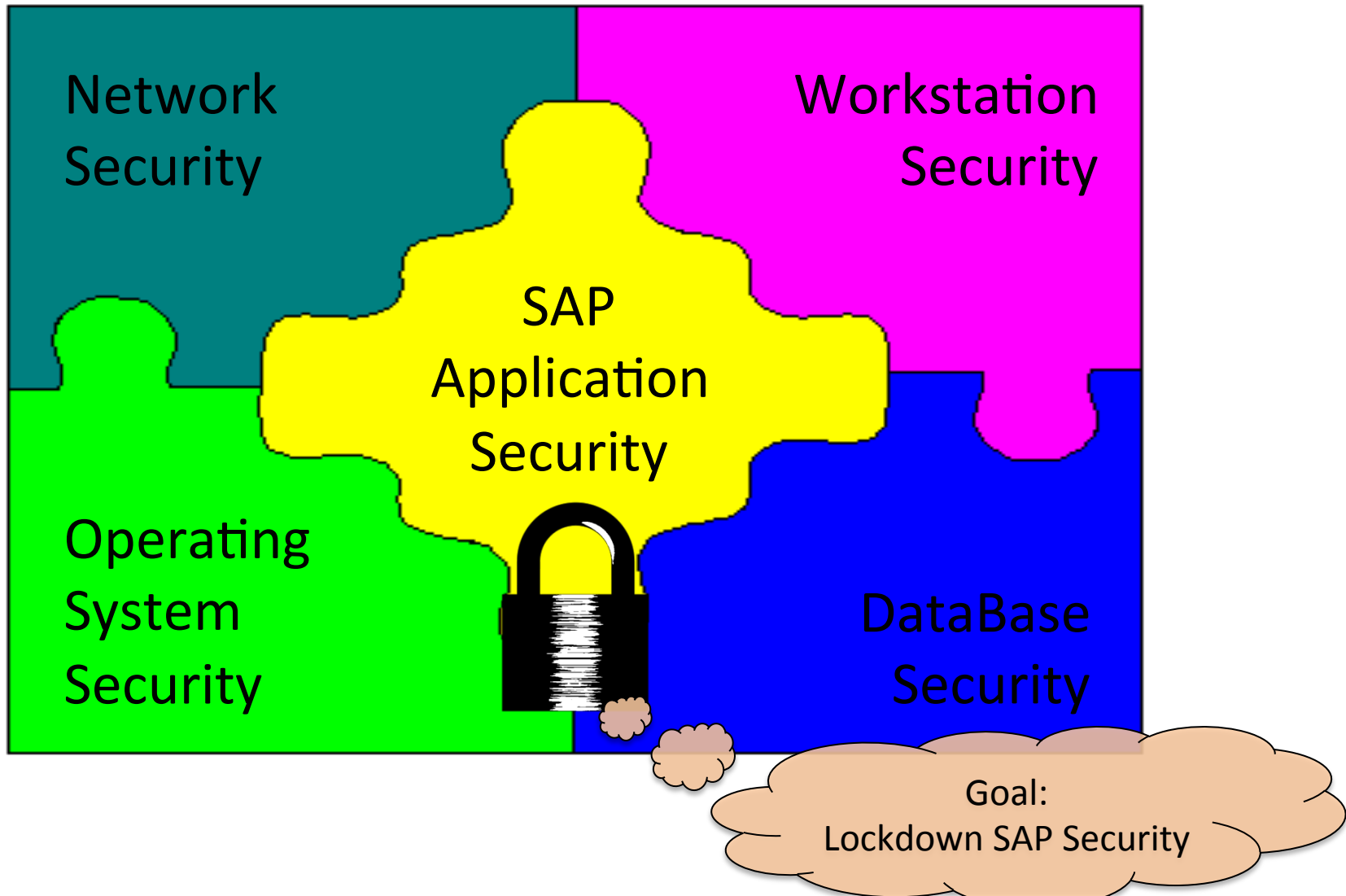
Enterprise Security Architecture

- Behind the scenes, end users navigate through layers of security to reach the SAP Application

- A Security Team generally handles all activities related to SAP Application Security

- SAP Security Team works with IT Team to ensure appropriate security is implemented at levels: Database, System (e.g. Unix), Host and Network
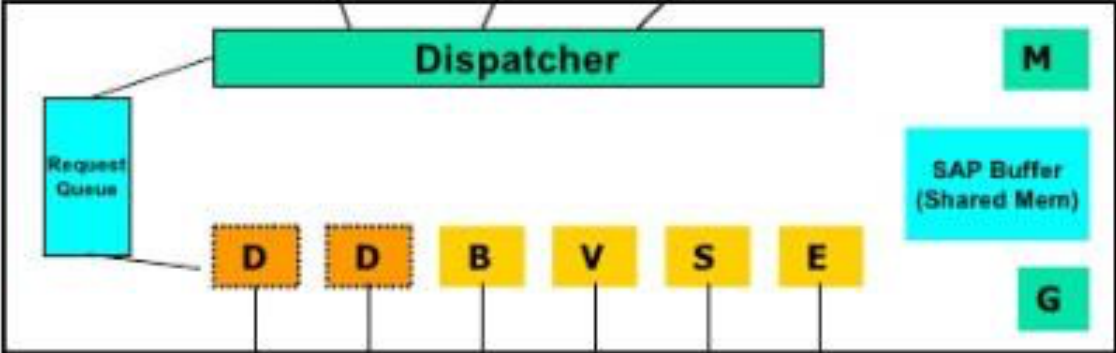

Application Security

SAP

Database

Operating System Security

Unix

SAP Security

Technology Infrastructure Security

Host

Network

End User

IT Security

SAP Layer View

Presentation Layer
(Windows based)

SAP GUI   SAP GUI

Application Layer
(Windows Server/UNIX)

SAP Instance

Dispatcher   M

Request Queue

D D B V S E   SAP Buffer (Shared Mem)

G

Database Layer
(Windows Server/UNIX)
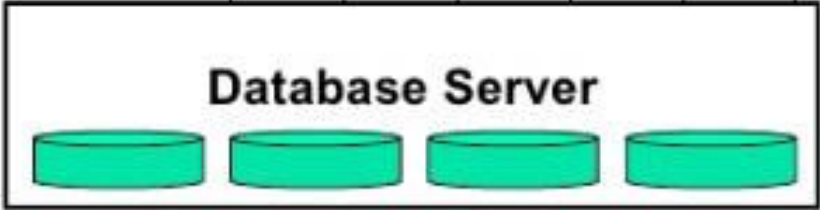
Database Server

Oracle
Informix
DB2
MS SQL Server
MaxDB

www.gotothings.com

Our Exercises: who's in Charge?

Fox School of Business
TEMPLE UNIVERSITY®

SAP UCC
University Competence Center

Account on SAP UCC
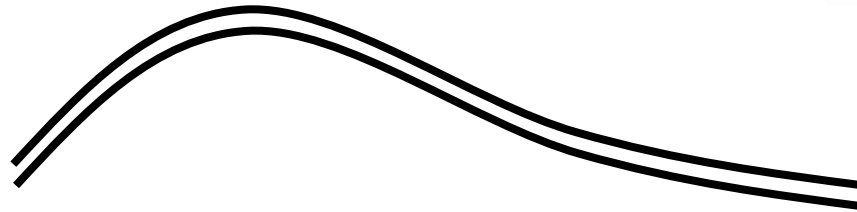
Internet Connection

Temple PC with SAP Gui

Security Layer	Owner
End User (sign-on)	
Network	
Host	
Operating System	
Database	
SAP	

Enterprise Security Architecture

- Security is necessary at all levels of SAP Architecture

- Different teams often responsible for each layer e.g. basis team handles the database, data dictionary & repository

End Users/Mgmt

Super Users

Master Data Team

Module / Process Owners

Basis Team

Technical Architecture Team

Module Transaction Controls

Module / Process Transactions

Module Level Master Data

Client-level Master Data
Application Link E???__ (ALE)

Module Org Structure
And Master Data

Security, Change Control
Basis Configuration

Data Dictionary Repository

Database

Operating System

Network End User

Application Data

Commercial Data & Company Structu

System Control

SAP Landscape: Instance and Clients

- **SAP Instance**
  - Instance also referred to as a system
  - An Instance has a dedicated physical database
  - One installation of SAP software (source code / modules) and related logical database is an instance
  - Instance shares SAP and developed software 'code' base
  - No delivered integration of data or functionality between systems (possible with Application Linking and Enabling – ALE)
  - Documentation of instances (systems) and clients often called: **'Client / System Landscape'**
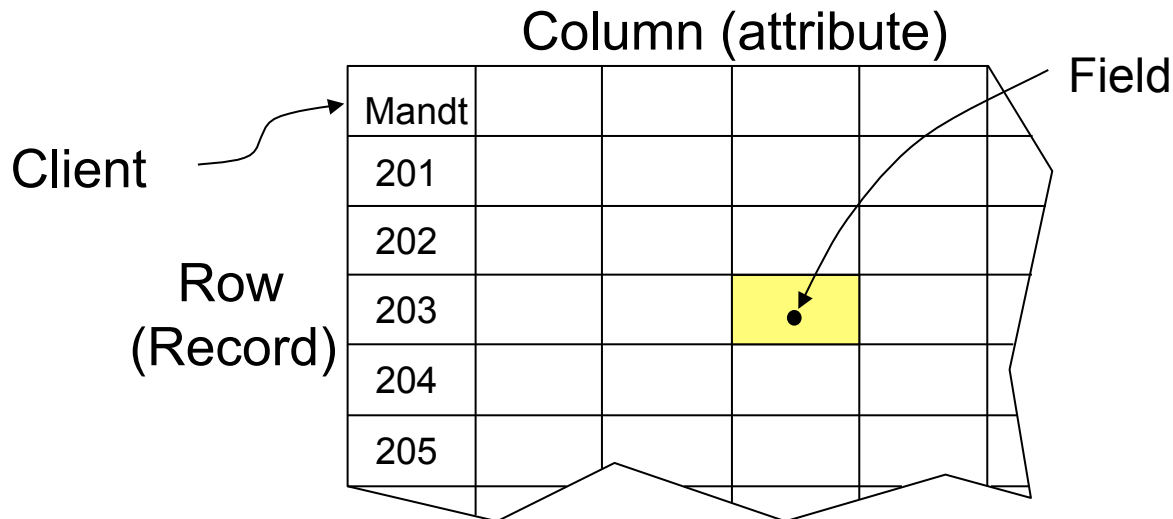
Minimum Rec'd SAP Landscape
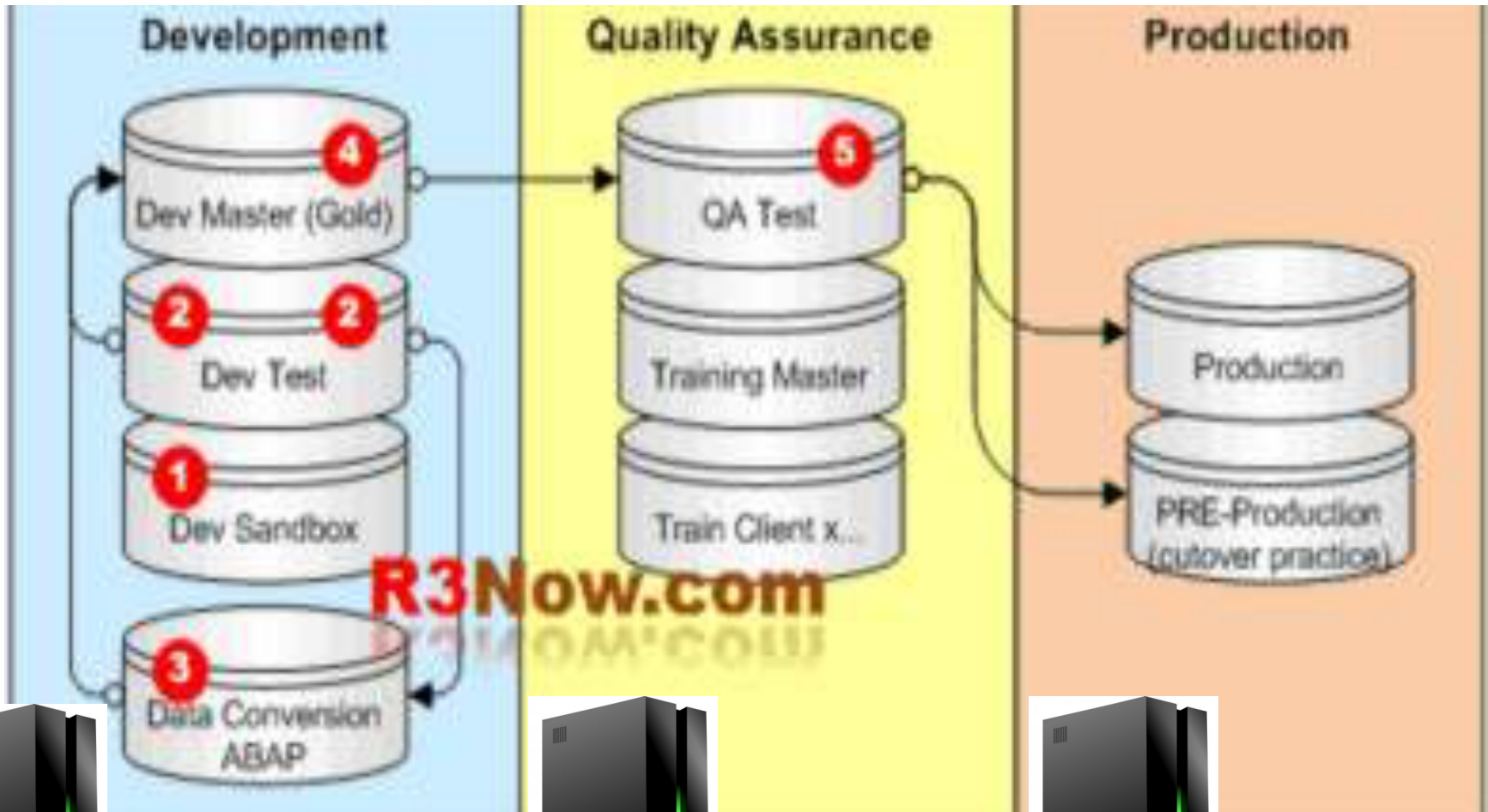
SAP Landscape: Instance and Clients
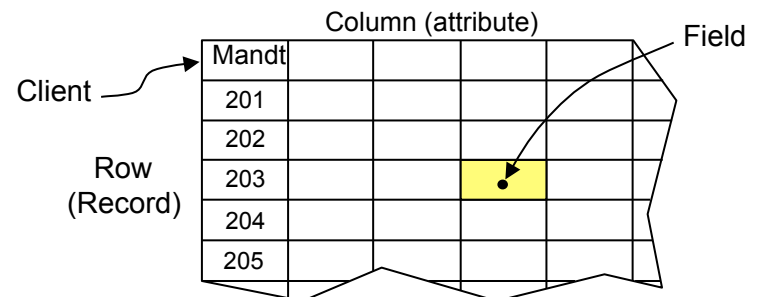
- ## SAP Clients
  - Client is highest organization level with SAP System
  - At least one client per system (e.g. '100')
  - Business transactions occur within a client
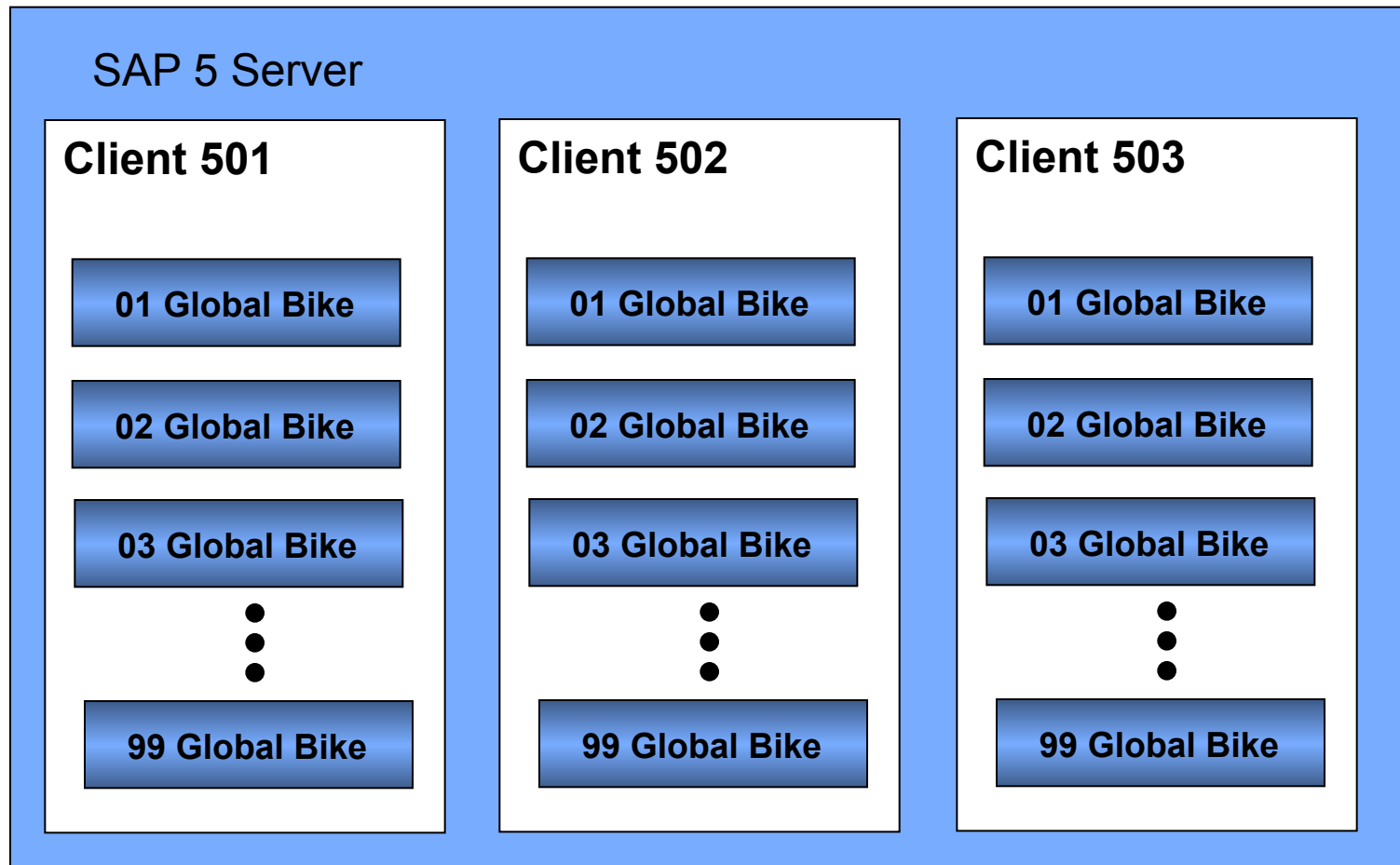 - Data Table view:

SAP Landscape: Instance and Clients

- **SAP Clients**
  - Clients have two types of data:
    - Client dependent – separate and unrelated
    - Client independent – same for all clients in system (e.g. currency, units of measure, system parameters)
  - Single logical database (linked to system / instance) may contain several clients
  - Client typically represents a logical grouping of multiple companies

Column (attribute)

Field

Client

Mandt

201

202

Row (Record)

203

204

205

Client setup for a hypothetical company

SAP 5 Server

Client 501	Client 502	Client 503
01 Global Bike	01 Global Bike	01 Global Bike
02 Global Bike	02 Global Bike	02 Global Bike
03 Global Bike	03 Global Bike	03 Global Bike
⋮	⋮	⋮
99 Global Bike	99 Global Bike	99 Global Bike

Typical SAP Landscape

Development System

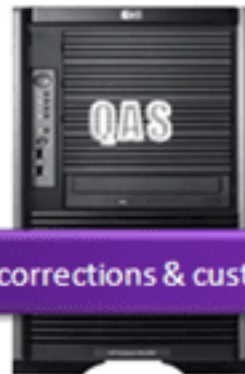**Type of users:**
Developers,
Consultants,
Key Users

Type of work:
Customizing,
Development,
Unit Testing

Quality-Assurance System

Type of users:
Developers,
Consultants,
Key Users

Type of work:
Integration and
Quality testing

Production System

Type of users:
End users

Type of work:
Productive
execution of
transactions
with real
business data

DEV

QAS

Developments, corrections & customizing settings

PRD

SAP Landscape: Development System

- **Dev 100: Golden Configuration Client**
  - Final approved configuration (by Business Process Mgrs)
  - Linked to development system in other landscapes (BW, CRM, etc.)
  - Development work done in this client
  - No master data or transaction data

- **Dev 110: Unit Test Client**
  - Refreshed from Dev 130 as-needed
  - Unreleased changes moved here to be tested
  - Configuration transported from client 100 for testing

Column (attribute)

Client →

| Mandt				
201				
202				
203				
204				
205				

Row (Record)
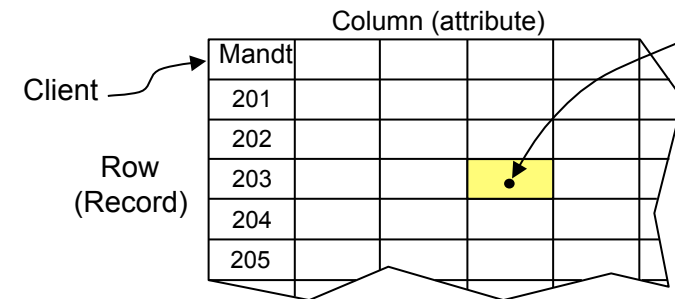
SAP Landscape: Development System

- **Dev 120: Data Load Client**
  - Refreshed from DEV 100 as-needed
  - Owned by Data team for testing data loads, data transformation

- **Dev 130: Clean Master Data Client**
  - 'Clean' master data created by data management and
  - Unreleased changes moved here to be tested
  - Configuration transported from client 100 for testing

Column (attribute)

Field

Client

Mandt				
201				
202				
203				
204				
205				

Row
(Record)
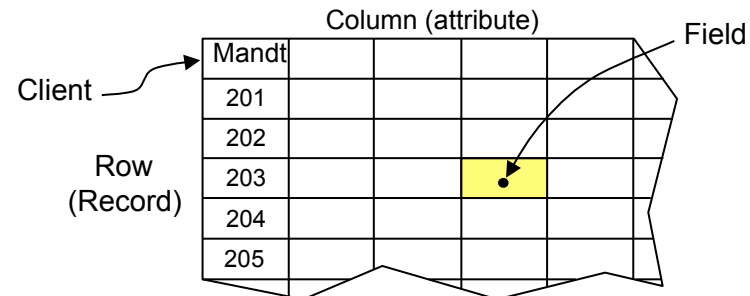
External Financial Reporting regulations

Other Reg's

Organization's Objectives & Policies

Balance Sheet

P & L

Notes

FDA etc.

Performance & Policies

Arise through

Must be observed / achieved in

Business Processes

Procurement → Production → Order to $$ → Finance → IT → Quality → Logistics → HR → ...

Contain

Assertions

- Completeness
- Existence, rights
- Accuracy
- Valuation
- Presentation

Risks

- Product quality
- Delivery (OTD)
- Unused capacity
- Excess Costs
- Lower Sales

Errors & Fraud

Minimized by

ISC framework in the ERP environment
- Entity level controls
- Automated application controls
- Manual and semi-automated business process controls
- Authorizations and access protection (confidentiality, integrity)
- IT General controls (change management, operation, security)
- Automated testing and monitoring of business processes, KPIs, etc.

Financial Accounting and SAP System Controls

Company Code: Core SAP Definition

- **<u>Company:</u>** central organizational unit of external accounting within SAP
  - Definition:
    - Usually corresponds to a legally independent company
    - Should be depicted from a tax law, commercial or other financial accounting view

  - Configuration:
    - Defined / stored in table T001
    - Each company has exactly one domestic currency
    - Active company or not
    - Do NOT delete company codes

    - BUKRS – technical name

The Company

Finance: Critical Master Data

- **Chart of Accounts**
  - Centrally defined but individual company differences are possible:
    - Nature of the company (e.g. holding company vs. operating company)
    - Country
  - Currency:
    - Business transactions can be entered in foreign currencies based on exchange rates defined
    - Need policies about definitions / maintenance
    - Commonly imported from central banks
    - Monthly exchange rates are common – some countries (e.g. Brazil) require daily rates

  - Finance views of core master data:
    - Materials   (e.g. valuation)
    - Customers   (Pay from information, Credit)
    - Vendors   (Payment information)

Finance: Transaction Data Timing

- Real-Time
  - Routine Transactions (as result of business processes)
    - Posted 'real-time'
    - But What is timing from event occurring vs. when entered in system?
  - Captured in fiscal year posting periods (usually only 1 'open' for real-time events at a time)
  - Important to verify for _____ assertion claim?
 - Control focus: application controls
- Manual postings
  - Non-routine: Accounting / Finance entered based on own judgment / expert opinion
  - SAP has tools for Recurring entries (e.g. monthly rent payments)
  - Closing entries (later)
  - Control focus: Substantive audit (check individual transactions)

Finance: Document Parking

- Used to enter / store (park) incomplete documents in SAP
  - Parked documents are not posted documents
  - Bypass extensive entry checks
  - Complete / check / post at later date
  - Values in parked documents can be used in some reports
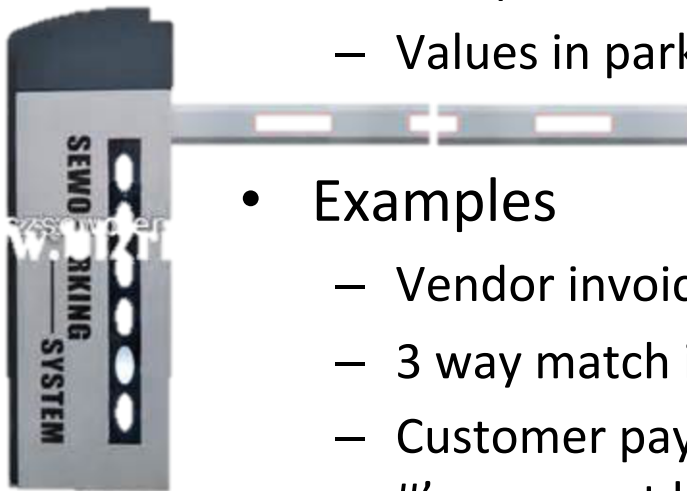
- Examples
  - Vendor invoices missing needed information (e.g. PO #)
  - 3 way match is incomplete
  - Customer payments missing needed information (e.g. invoice #'s payment linked to) or incorrect taxes
  - Customer payments pending payment discount approval
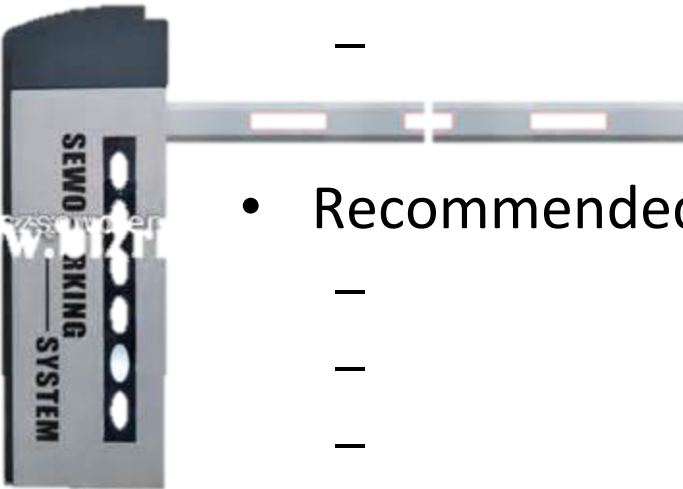 - …

Finance: Document Parking

Used to enter / store (park) incomplete documents in SAP

- Risks
  -
  -
  -

- Recommended Controls
  -
  -
 -

Finance: Document Parking

Used to enter / store (park) incomplete documents in SAP

- Risks
  - Occurrence / Existence assertions unclear (does transaction really exist?)
  - Incorrect transactions included in results
  - If uncontrolled, continued eroding validity of data / assertions

- Recommended Controls
  - Parking policy: when allowed, how resolved
  - Configuration to trigger workflow (rules based)
  - Active monitoring of parked documents (#, value, aging) to assure in control (not growing, not becoming older)
  - Audit and decision making of select entries (e.g. high value, oldest)
  - Segregation of duties
  - …
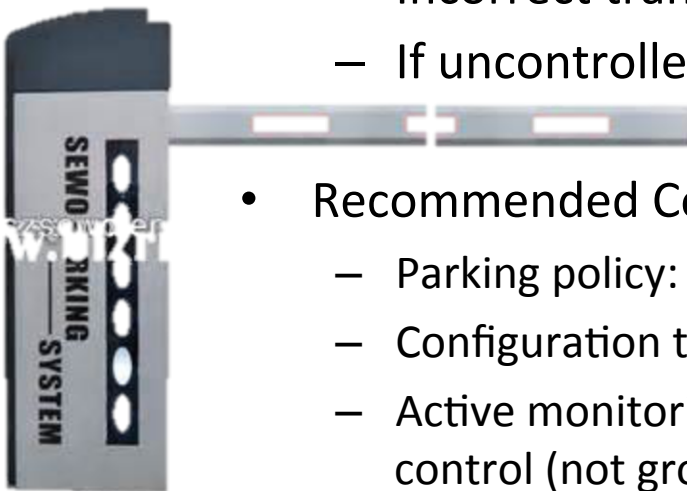
Finance: Document Parking

Configuration

– Trigger workflow (rules based)

– Financial Accounting (New) -> .. Global Settings (New) -> Document -> Document Parking …

Finance: Reconciliation

- ## Consistency Checks
  - SAP standard transactions
    - Sum of documents matches vendor, customer & G/L account totals
    - Results maintained on 'logs'
    - Manufacture

- ## Balance Confirmations:
  - Validate vs. external data
    - Bank statements / balances
    - Balance confirmation letters to business partners (vendors and customers)
  - Compare G/L balances and Ledgers
    - Standard SAP transactions / reports
    - Relatively low risk due to direct postings of activity

Finance: Other Controls

- Account Determination
  - Configured rules to define which G/L accounts are posted with transactions
  - Also Master data (e.g. customer reconciliation account)

- Foreign Currencies
  - Maintain
    - Manually or automated input from Central Banks
    - Frequency? Some countries require daily
  - Handling rounding, differences, dates

Reading Assignment Questions:

➢ Document parking seems to create overhead and opportunity for lapses. Why do users still value this function, is there any substitution with minimal risk? Do the risks outweigh the strengths?

➢ How does SAP account for parked transactions that are not approved at the end of the fiscal period?

➢ Explain segregation of duties in general ledger accounting.

➢ Why the results of a payment have to run in another application instead of SAP? Isn't that easier to run everything in the same application?

➢ If a payment in form of a check is received by the due date, does it get posted when received or after it clears the bank? Will this set for business or calendar days?

➢ Are there any means by which audit trails can be compromised in the SAP environment?

Real World Control Example

Configuration Control
(Order to Cash)

Control Definition Outline

- **Reference #:**   OCRW-608
- **Control Activity:**   Tolerance groups have been appropriately configured inline with managements intentions.

- **Process**   Order to Cash
- **Sub-Process**   Cash Application
- **Location**   Headquarters
- **Frequency:**   **Used:**   Z: Multiple x/day
                               Review: A: Annual
- **Automated: vs. Manual**:   Automated
- **Control type:**   P: Preventative

- **Control Owner:**   Order to Cash Business Process Architect

Configuration Review Procedure

- Transaction: SPRO   (SAP Reference IMG)
  - Financial Accounting (New) > Accounts Receivable and Accounts Payable > Business transactions > Open item clearing > Clearing Differences > Define Tolerances for Customers/Vendors
- Click on Company Codes under review
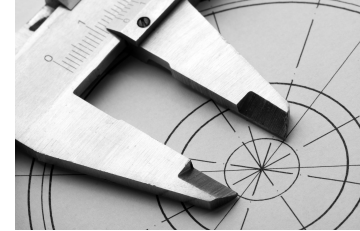- Ensure tolerance settings are appropriate

- Conclusion: _____

Configuration Review Procedure (Alternate)

- Download related configuration table.
  Transaction: SE16N

  - Table: T043G (Tolerances for Groups of Customers / Vendors)

- Download table

- Review active entries and ensure tolerance settings are appropriate

- Conclusion: _____

Finance: Tolerance Groups

Company / User Specific

– Financial Accounting (New) -> .. Global Settings (New) ->
Document -> Tolerance Groups...   (or table T043T)

Finance: Tolerance Groups

Business Partner / User Specific

- Configuration
  - Financial Accounting (New) -> Accounts Receivable and Accounts Payable -> Document -> Business Transactions -> Incoming Payments -> Manual Incoming Payments -> Define Tolerances (Customers)
  - Financial Accounting (New) -> Accounts Receivable and Accounts Payable -> Document -> Business Transactions -> Outgoing Payments -> Manual Outgoing Payments -> Define Tolerances (Vendors)

Finance: Tolerance Groups

Business Partner / User Specific

- Table View:
  - T043G: Defined tolerance groups for Customers / Vendors
  - T0 43GT: Business Partner Tolerance Group Names
  - T043: Assign tolerance groups to users (e.g. Accounting clerks)
  - LFB1: Vendor Master (Company View)
  - KNB1: Customer Master (Company View)

Remaining Exercises

- # Exercise 3: Journal Entries   <u>Due:</u> *March 17*

- # Exercise 4: Segregation of Duties   <u>Due:</u> March 31

- # Final Case: Risk / Control Matrix   <u>Due:</u> April 28

- Work for these will be completed by 2 person Teams
  - Tried to pair those with some accounting background with someone who does not
  - One (1) submission by each team
  - Share the grade

Break Time

Start Recording

Journal Entries Exercise

- Primary learning objectives are:
  - Experience concepts of beginning financial accounting
  - Review the accounting cycle
  - Work with a manual accounting information system
  - Experience how an ERP system handles the steps of the accounting cycle

Exercise 3: Journal Entries

- Agenda
  - This Class *(March 7)*: Steps 1 – 3 (Manual steps)

  - Next Class *(March 14)*: Step 4 (SAP steps)

  - *Due March 17 11:59 PM:* Assignment Submission

Exercise 3: Journal Entries

- ***Step 1:*** Record the daily transactions
  - Record if appropriate, (some events may not involve journal entries)
  - Record into Excel
  - Review the post of these journal entries into t-accounts (Excel automation) and the calculated account balances using cell formulas in Excel.
  - Review t-account balance flow into your Excel worksheet as a trial balance. Assure validity of links within spreadsheet that expedites the process and minimize risk of an error in data entry

Exercise 3: Journal Entries

- **_Step 2:_** Record the adjusting entry transactions
  - Record if appropriate, (some events may not involve journal entries) into Excel
  - Review the post these journal entries into t-accounts (Excel automation) and the calculated account balances using cell formulas in Excel.
  - Review t-account balance flow into your Excel worksheet as a trial balance. Assure validity of links within spreadsheet that expedites the process and minimize risk of an error in data entry

Exercise 3: Journal Entries

- ***Step 3:*** Review closing entries
  - Review closing entries in your trial balance as if this were a year-end close. (Do not enter the closing entries in your t-accounts.)

Extra Slides

Finance: Validations

- Validation: to check if organization specific logical rules for accuracy
  - Configurable coding of organization / business specific 'rules'
  - Applied at header data entry, line item data entry or at save
  - Custom developed code via user exits also possible
  - Substitutions can be handled similarly

Exercise 3: Journal Entries

Step 4: Use SAP ERP system to make all above entries using the general ledger system in SAP.

(*Instructions for using the SAP ERP system start on page 13 of this document*)

a) *Accounting* ➔ *Financial Accounting*➔ *General Ledger* ➔ *Information System*➔ *General Ledger reports*➔ *Master Data*➔ *Chart of Accounts*➔ *Chart of Accounts (S_ALR_87012326)*   Examine the **GLXX** chart of accounts(**XX** is your assigned SAP student login ID#.)

b) *Accounting* ➔ *Financial Accounting* ➔ *General Ledger* ➔ *Posting* ➔ *Enter G/L Account Document* (**FB50**) Record beginning account balances in the SAP general ledger. Enter as one composite journal entry (first journal entry). Use journal entry date of January 1. Be sure to compare to Excel spreadsheet to make sure the entries are correct.

Exercise 3: Journal Entries

Step 4: Using SAP general ledger system

c) *Accounting* ➜ *Financial Accounting* ➜ *General Ledger* ➜ *Posting* ➜ *Enter G/L Account Document* (**FB50**) Record the daily transactions for January in the SAP general ledger

- Do each journal entry as a separate entry, not as one giant composite entry,

- Use appropriate dates – this allows for a good audit trail.

Exercise 3: Journal Entries

Step 4: Using SAP general ledger system

d) Display the trial balance. Compare this to your manual entries. If the trial balance does not match your manual entries, research the errors and make necessary corrections. Options for viewing the journal entries:

– *Document Journal: Information System → General Report Selection → Financial Accounting → General Ledger Reports → Document → General → Compact Document Journal → Compact Document Journal* **(S_ALR_87012289)**

– *Source Document Drill Down: Accounting → Financial Accounting → General Ledger → Account → Display/Change Line Items* **(FBL3N)**

– *Line Item Journal: Information System → General Report Selection → Financial Accounting → General Ledger Reports → Document → General → Line Item Journal → Line Item Journal* **(S_ALR_87012291)**

Exercise 3: Journal Entries

Step 4: Using SAP general ledger system

e) *Accounting* ➔ *Financial Accounting* ➔ *General Ledger* ➔ *Posting* ➔ *Enter G/L Account Document* (**FB50**) Record the adjusting entries.

f) *Accounting* ➔ *Financial Accounting* ➔ *General Ledger* ➔ *Periodic Processing* ➔ *Closing* ➔ *Carry Forward* ➔ *Balance Carryforward (New)* **(FAGLGVTR)** Simulate closing the books as of January 31 using the SAP utility.

  - **Do not** enter closing entries into the general ledger. These entries would be done automatically through the SAP month-end closing function.

Extra Slides

Finance: Fixed Assets

- Basics
  - Asset creation
    - Build (Project Systems)
    - Purchase
    - Manufacture
  - Records:
    - Asset details (creation date, descriptions, location, company, …)
    - Asset class
    - Initial Valuation
    - Depreciation Keys and Methods (chart of depreciation – varies by country)
    - Account determination
    - Asset History Sheet
  - Activities
    - Post asset values
    - Post / recalculate depreciation
    - Closing

Finance: Fixed Assets

- **Low Value Assets**
  - Are not capitalized -> operating expense in year acquired
  - Need 'rules' / boundaries
    - Taxes and Statute rules
    - Nature of business (one companies fixed assets are another's current assets)
- **Risks**
  -
  -
  -

- **Controls:**
  -
  -
  -

Finance: Fixed Assets

- Risks
  - Does asset exist?
  - Is it valued correctly? Capital vs. expense
  - Incorrect valuation
  - To I Own it?
  - Timing (esp. for long build projects)

- Controls:
  - Strong policies documents, trained, followed
  - Detailed audit of high value, special case assets
  - Search for Strange / different patterns of assets depreciation expense

Finance: 1-time Business Partners

- Customers or vendors
  - Used for rarely used, single use business partners
  - Generic 1-time master data records created (created once)
  - Unique address, etc. for each of several real 1-time partner are maintained in transaction documents
- Risks
  - Bypasses Segregation of duties between master and transaction data processing (master data not needed)
  - No credit limit – fraudulent actions possible
  - Cash outflow to alternate payees / addresses
- Controls:
  - Don't Use
  - Analyze transaction use with 1-time partners
  - Compensating controls (e.g. authorization)

CAUTION

Finance: Month-end Close

- Closing transactions (SAP Standard and Custom)
  - Reports of changes
  - Reconciliation reports
  - Error Reports (gaps / duplicates in document number assignments)
  - Account balance reclassification
  - Analysis of reconciliation accounts (e.g. GR / IR)
  - Update monthly data (e.g. currencies)
  - Revaluations (standard cost updates and related postings)
  - Depreciation, variances, etc. calculations
  - Post adjustment entries
  - Create Financial reports
- Month-end close easier with vision to be ready to close each day (handle all loose ends right away)
- Period (e.g. Quarter) and year-end similar

Finance: Financial Statements

- SAP Standard Reports
  - Structure is configurable   (Tables T011/ T011T)
  - Summarizes postings by G/L account via groups (Tables SKA1, SKB1)
  - Assignment of G/L account is key control check

- Custom Reports
  - Clones of SAP reports with custom requirements
  - New reports developed

- Controls:
  - Test & check; test & check …
  - Review with reconciliation to other standard reports

Finance: Overview

- Risks / Controls in Finance
  - Document Parking
  - Manual Transactions
  - Fixed Assets
  - 1-time Business Partners
- Key configuration: Company codes
  - Definition   Active vs. not (control tool)
- Financial Master Data
  - Chart of Accounts
  - Tolerances
- Real-time vs. Manual Postings
  - When each is used
  - How each is controlled
- Reconciliation: Control tool