An Ongoing Journey to Digital Compliance Through Integrated SAP Governance Risk and Compliance Platform

State of IL & Deloitte
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About the Speakers

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- Program Manager, State of IL

- 20+ Years in Business Process Improvement & Problem-Solving Strategies in both public and private sector

- I am life long Cubs fan

Manish Singh

- Senior Manager, Deloitte

- 12+ years in Cybersecurity, IT Governance and Risk Management, IT Program Management

- I love politics

Key Outcomes/Objectives

1. Learn about key challenges for digital compliance and how to align your compliance strategy with the SAP ERP solution

2. How to automate, accelerate and transform compliance into continuous profitable advantage

3. Learn to build an incremental roadmap to support sustainable compliance

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Agenda

- Background on State of Illinois SAP ERP and Compliance Transformation

- Approach & Benefits

- Roadmap

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Internal Control Deficiencies Affect Everyone

Large Financial Company is paying a $1 million civil penalty to the Federal Reserve stemming from losses due to internal control deficiencies

Treasurer from small city embezzles $54 million over two decades by being given too much control without oversight in financial process

State agency found to be lacking in controls over access and change controls to production system that pays out over $1B in claims

Global consumer product company shares tumble based on "lack of design and maintenance of effective controls in connection with the previously-disclosed implementation of its enterprise resource planning ('ERP') system in the U.S."

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In 2011, the Auditor General highlighted the risks of not having a centralized financial reporting system

FINDINGS, CONCLUSIONS, AND RECOMMENDATIONS

REPORT CONCLUSIONS

The State of Illinois' financial reporting "system" is comprised of over 260 individual financial systems, many of which are not interrelated, are antiquated, and are costly to operate. The lack of a centralized financial reporting system has considerable negative consequences, including untimely financial reporting of the true financial position of the State. **The lack of timely financial reporting limits effective oversight of State finances, adversely affects the State's bond rating, and jeopardizes federal funding.**

1 Auditor General report dated March 30, 2011 for fiscal year ending June 30, 2010
Based on the 2011 Auditor General report, IL ranked 48th out of 50 States in timeliness of generating a Comprehensive Annual Financial Report (CAFR)

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Overall SAP ERP Implementation Approach

FINANCE WAVE: Manage the money
- Establish full transparency of State financials
- Address all major audit findings
- Capture benefits from standardized statewide business processes
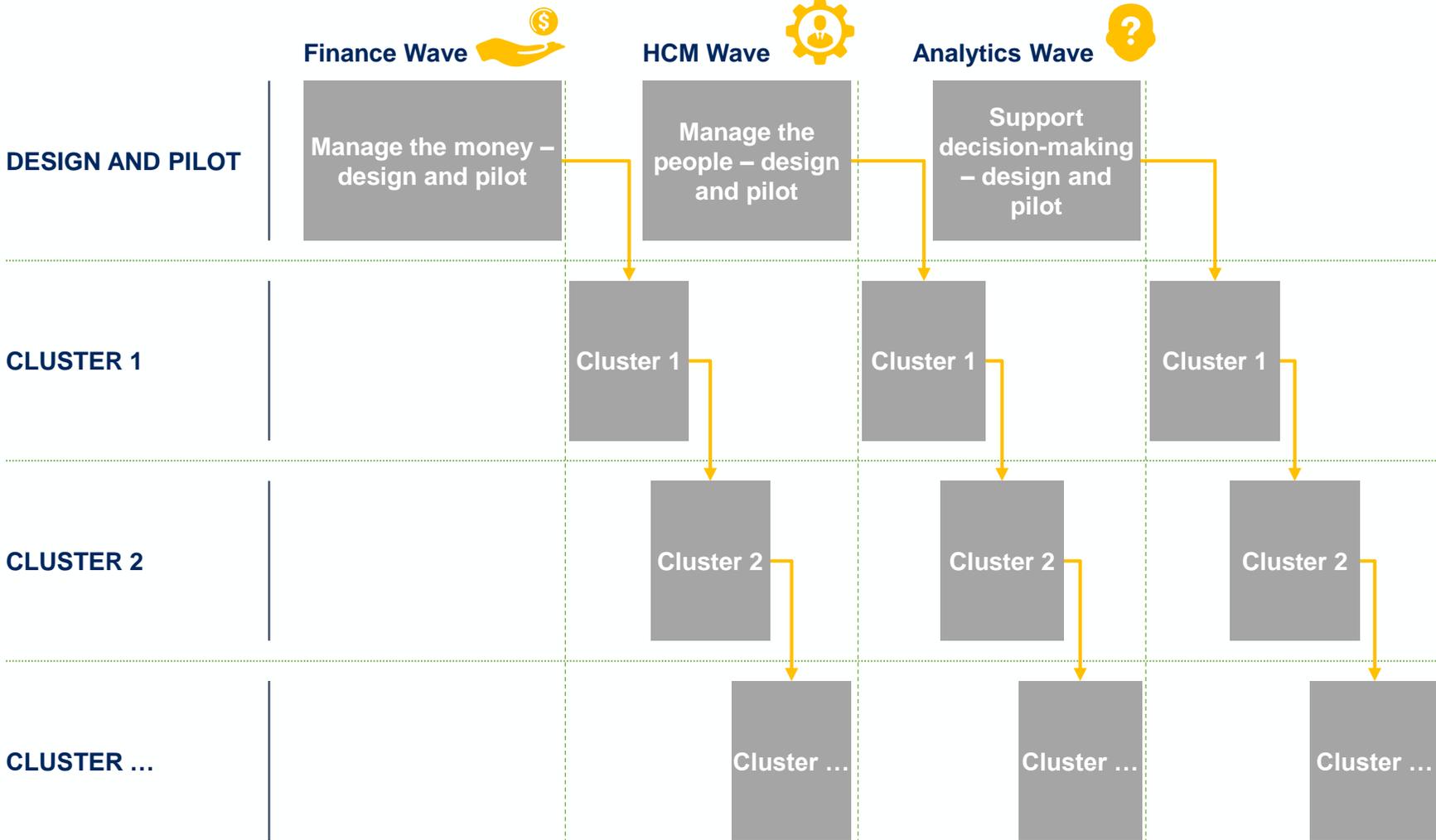
HCM WAVE: Manage the people

- Establish accurate resource view for all State employees
- Automate and streamline standard HR processes

ANALYTICS WAVE: Support decision making

- Provide analytics to improve decision making
- Allow value-add enhancements to increase automation and efficiency

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Implementation - Waves are being rolled out to a cluster of agencies

	Finance Wave	**HCM Wave**	**Analytics Wave**
DESIGN AND PILOT	Manage the money – design and pilot	Manage the people – design and pilot	Support decision-making – design and pilot
CLUSTER 1		Cluster 1	Cluster 1	Cluster 1
CLUSTER 2		Cluster 2	Cluster 2	Cluster 2
CLUSTER ...		Cluster ...	Cluster ...	Cluster ...

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Where we are today…

FINANCE WAVE: Manage the money
- 45 of 56 agencies are live
- Remaining 11 agencies planned to go-live within the next 15 months
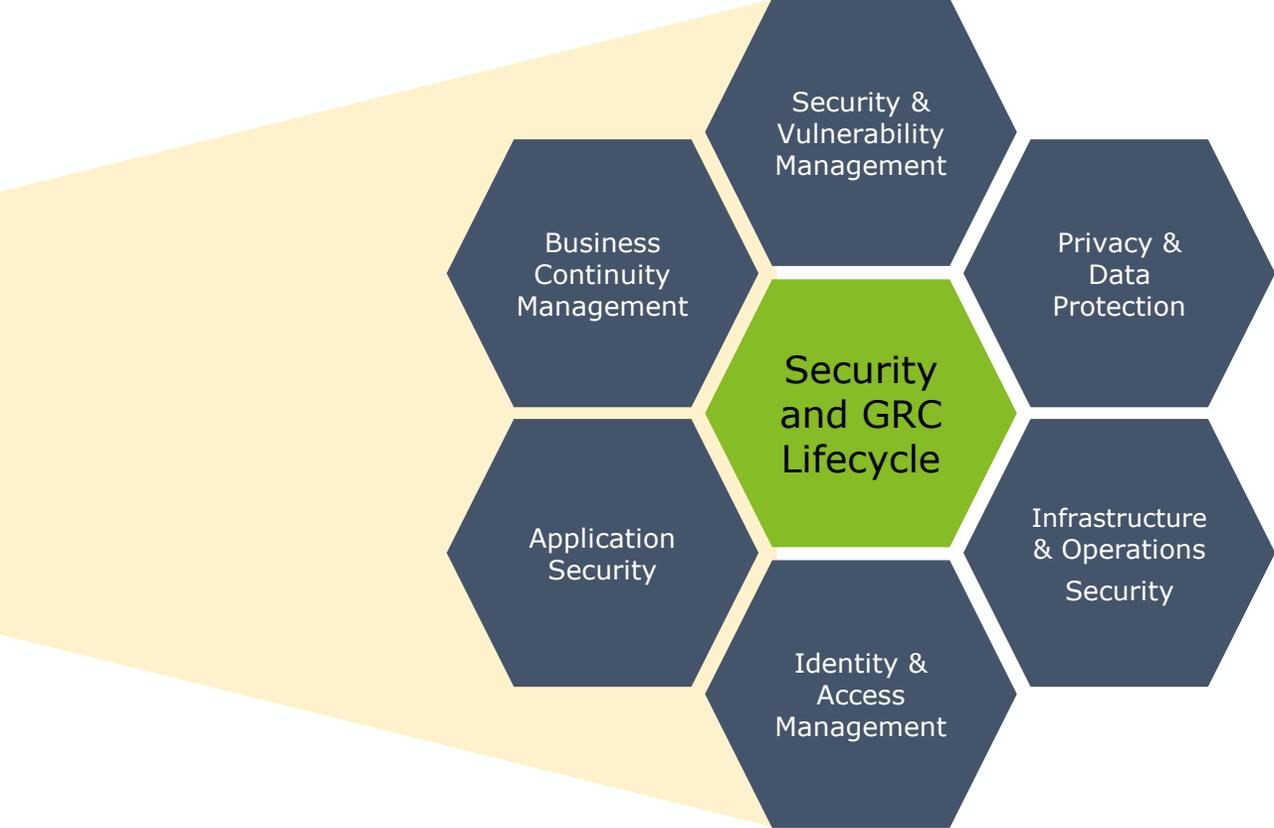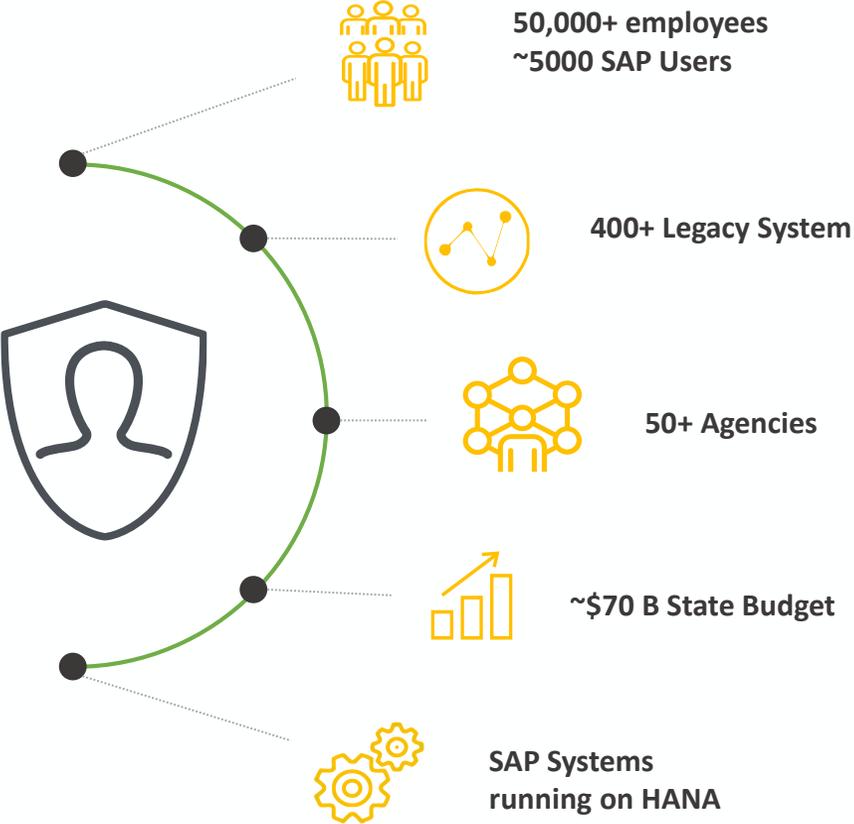- 1600+ users and ~$7B payments made

HCM WAVE: Manage the people

- **SAP SuccessFactors** has been selected as the Statewide HCM solution
- Anticipated kickoff for design phase in 2019

ANALYTICS WAVE: Support decision making

- 23 agencies introduced to analytics tools
- Remaining agencies to be schedule over the next 9-12 months

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Illinois Outlook at Program Inception

50,000+ employees
~5000 SAP Users

400+ Legacy System

50+ Agencies

~$70 B State Budget

SAP Systems
running on HANA

Security &
Vulnerability
Management

Business
Continuity
Management

Privacy &
Data
Protection

Security
and GRC
Lifecycle

Application
Security

Infrastructure
& Operations
Security

Identity &
Access
Management

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SAP GRC Implementation – The Beginning

Understanding what we were dealing with and what we wanted…

Where we started…

- ✓ All documentation related to monitoring of controls was paper based

- ✓ Agency staff involved in financial processing operated organizationally in silos and systems did not talk to each other at all
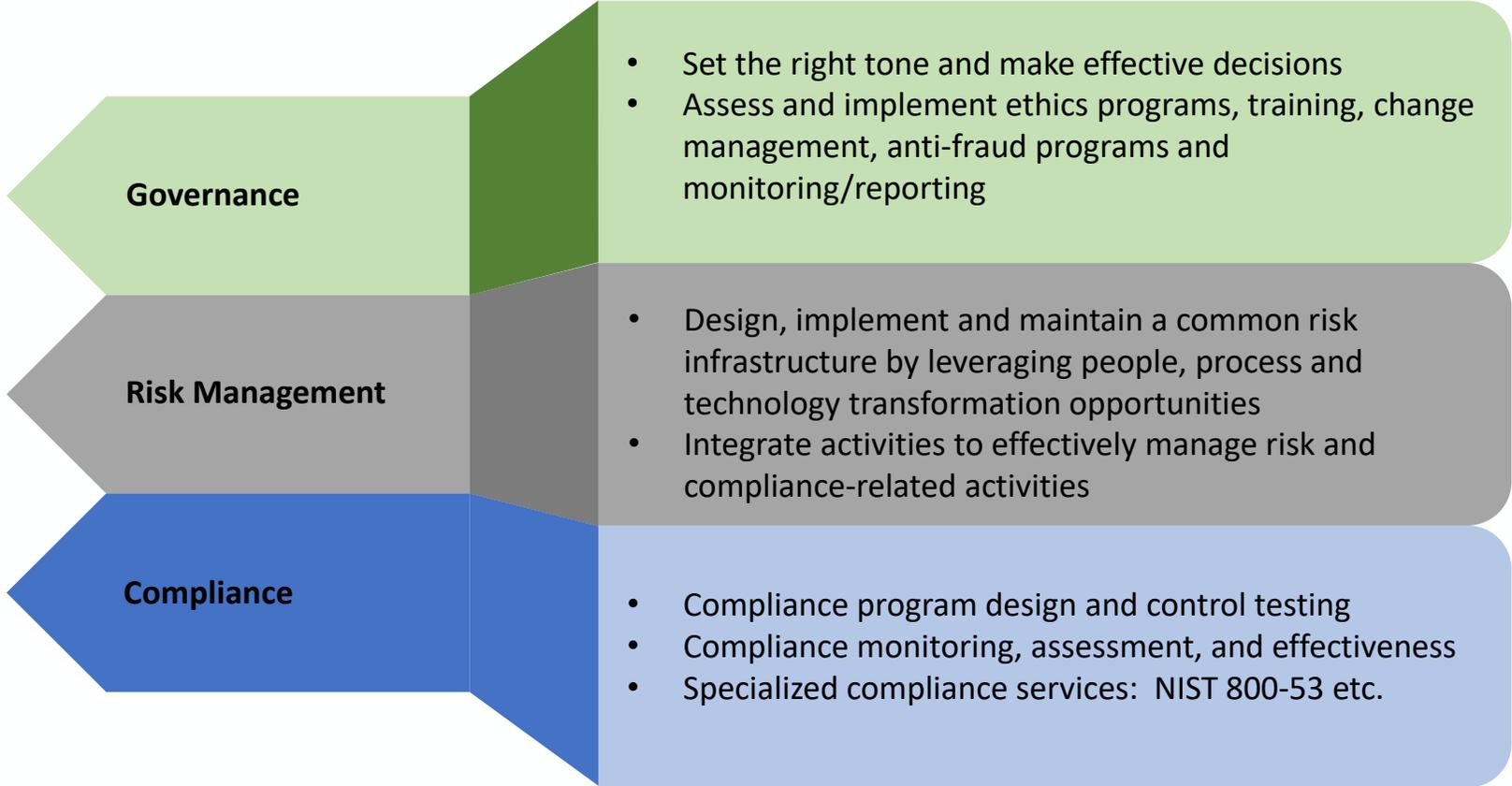
- ✓ Access to financial system granted by IT staff disconnected from the business

- ✓ Agency staff struggled with lack of understanding of full accounting cycle coupled with staffing shortages

Where we needed to be…

Governance
- Set the right tone and make effective decisions
- Assess and implement ethics programs, training, change management, anti-fraud programs and monitoring/reporting

Risk Management
- Design, implement and maintain a common risk infrastructure by leveraging people, process and technology transformation opportunities
- Integrate activities to effectively manage risk and compliance-related activities

Compliance
- Compliance program design and control testing
- Compliance monitoring, assessment, and effectiveness
- Specialized compliance services: NIST 800-53 etc.

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Approach

How we started the journey

1

- Involved the key stakeholders for strategic oversight and decision making
- Aligned on the objectives of program implementation
- Understood what key pieces of data will improve the compliance posture

2

- Defined the framework for the program – regulations, policies, business processes, risks and controls
- Assessed the out-of-the-box tool capabilities against public sector processes
- Refined workflows and risk assessments to meet the unique needs of IL

3

- Started small with a pilot implementation
- Adjusted as needed to each go-live to address new unique agency requirements
- Assessed the efficient use of agency staff to achieve compliance
- Delivered agency trainings on risk and control monitoring tasks
- Enabled an infrastructure for continuous monitoring

Too often, the focus is on the tool, as opposed to the GRC program content itself !!

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The Final Statewide Solution

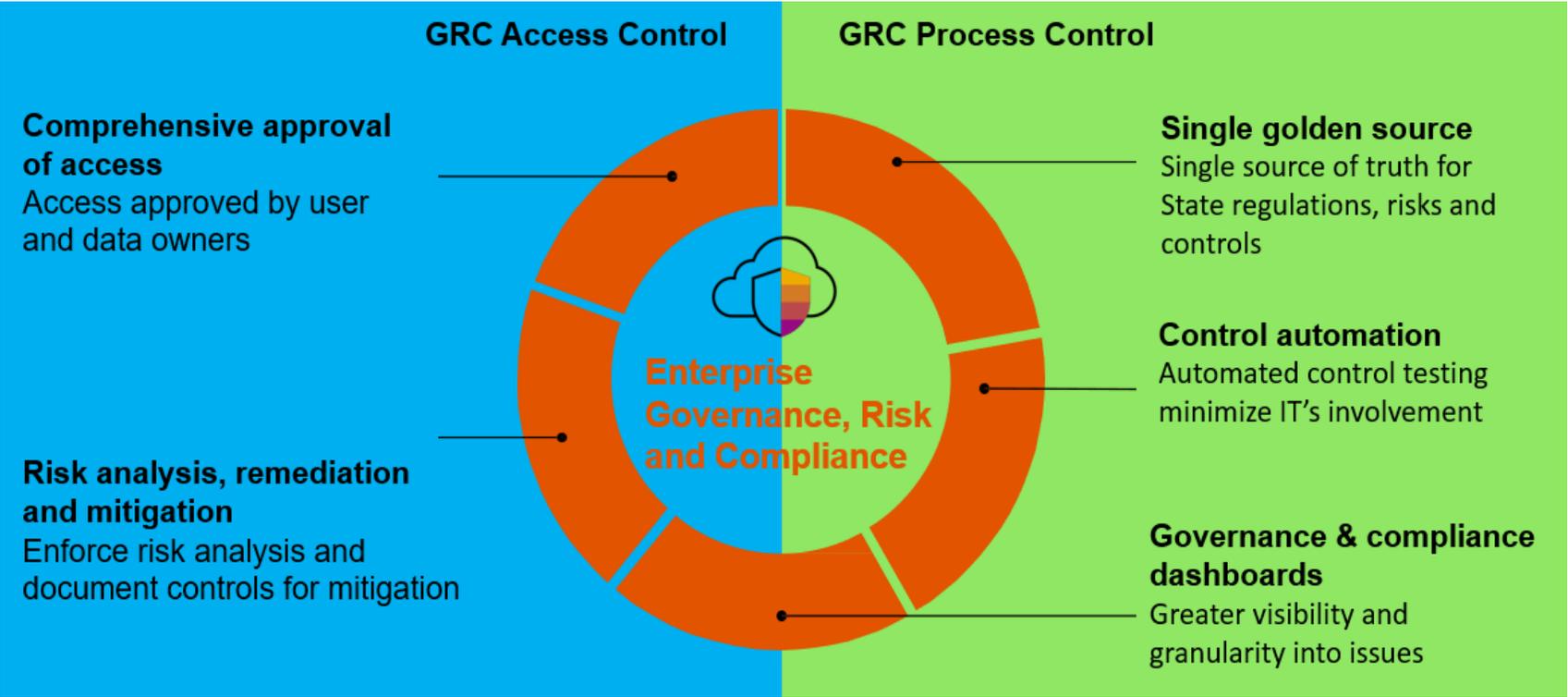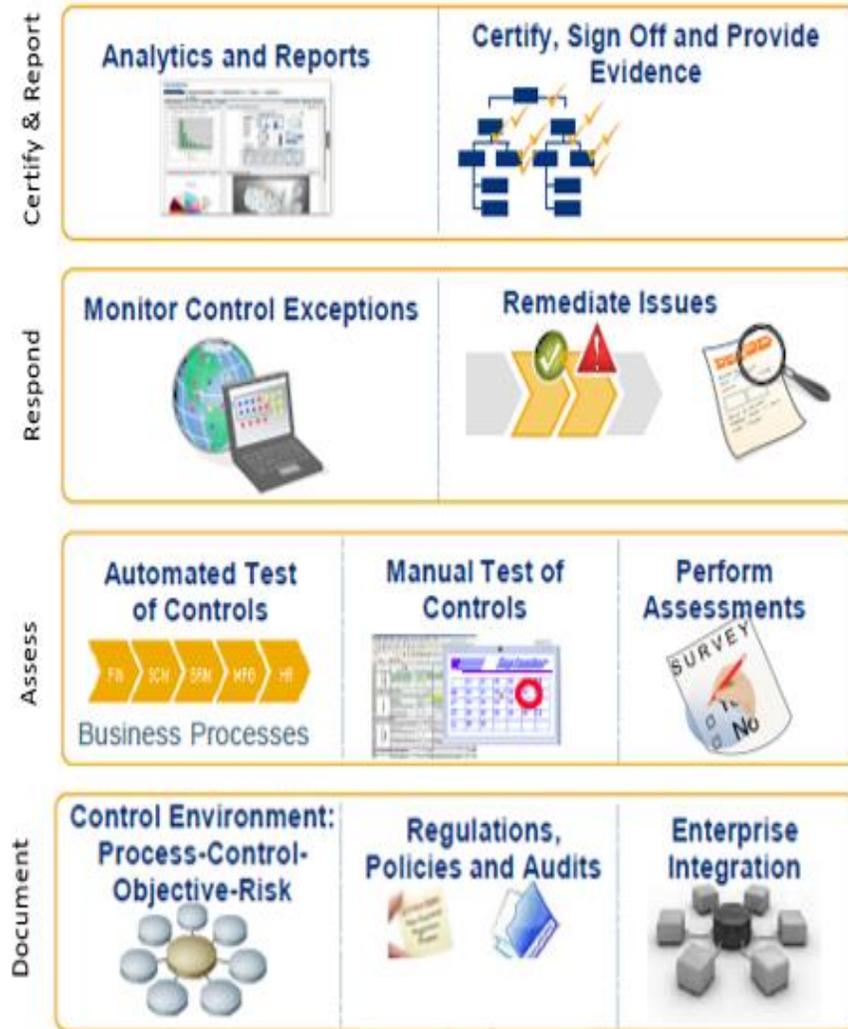~ 400 controls   ~600 risks   ~800 mitigated users

| SAP GRC Access Control | SAP GRC Process Control |

GRC Access Control

GRC Process Control

Comprehensive approval of access
Access approved by user and data owners

Risk analysis, remediation and mitigation
Enforce risk analysis and document controls for mitigation

Enterprise Governance, Risk and Compliance

Single golden source
Single source of truth for State regulations, risks and controls

Control automation
Automated control testing minimize IT's involvement

Governance & compliance dashboards
Greater visibility and granularity into issues

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Benefits

Reduced Cost of Compliance
- Automation monitoring frees up resources for value tasks
- One stop shop for audit
- Streamlined evaluations
- Lower total cost of ownership
- Increased efficiency 70% by eliminating manual SOD controls evaluations
- Increased efficiency 50% based on automation of control design assessment
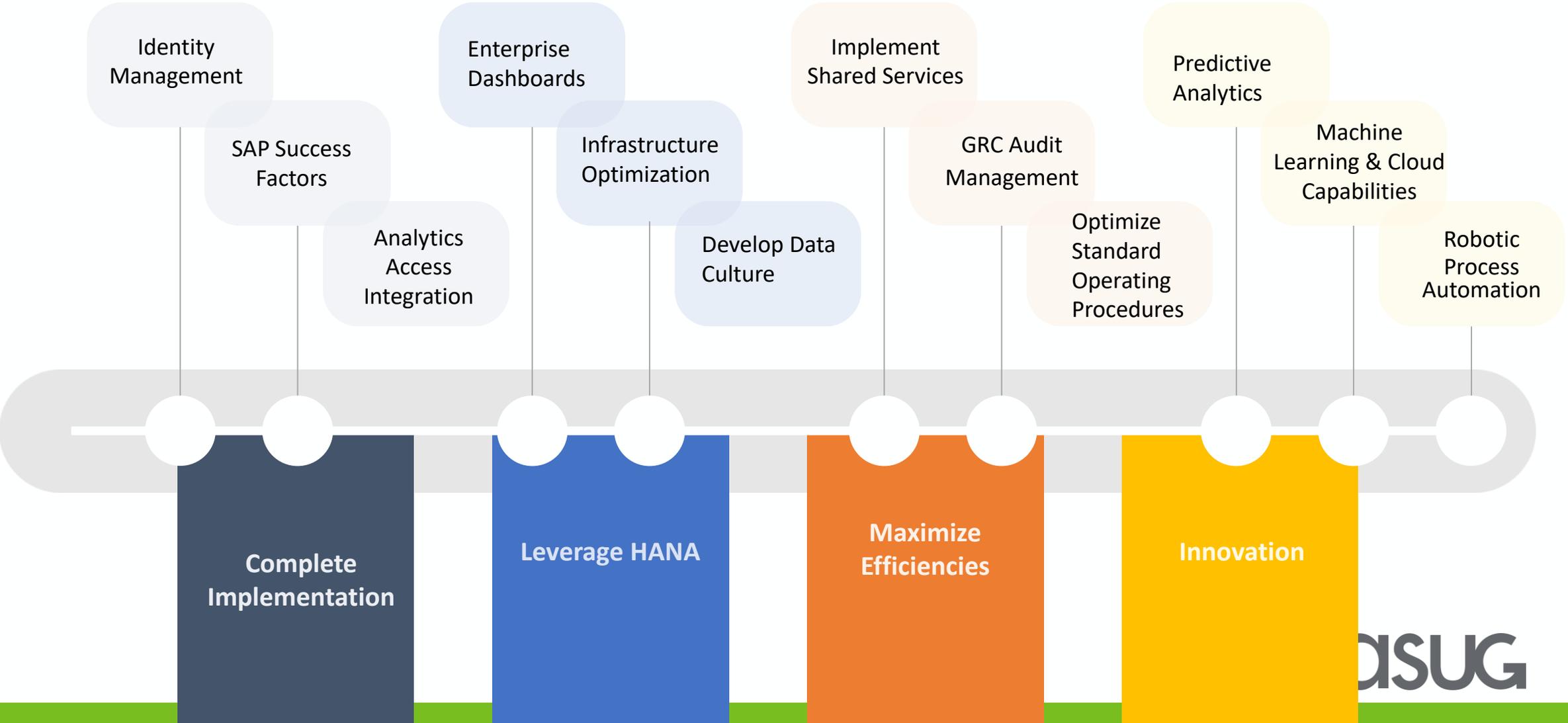
Improved Confidence
- Visibility into real-time information
- Single version of the truth
- Reinforced accountability

Reduced Risk
- Faster remediation
- Improved business processes and overall performance
- Risk awareness

Roadmap

Identity Management

SAP Success Factors

Analytics Access Integration

Enterprise Dashboards

Infrastructure Optimization

Develop Data Culture

Implement Shared Services

GRC Audit Management

Optimize Standard Operating Procedures

Predictive Analytics

Machine Learning & Cloud Capabilities

Robotic Process Automation

Complete Implementation

Leverage HANA

Maximize Efficiencies

Innovation

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Lessons We Learned That You Don't Have To

Early Investment with SAP training
Client team needs to know SAP before design workshops start; enables them to translate business process in terms of SAP tcodes and better articulate requirements

Staffing
Client team should be adequately staffed to effectively facilitate translation of business requirements to system integrator, who is the SAP expert
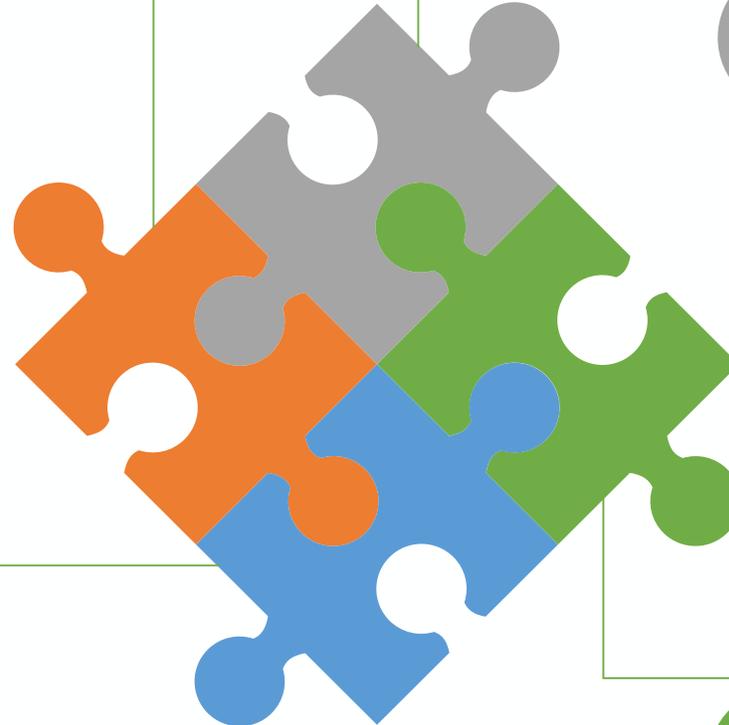
Leadership Engagement
The leadership should be actively engaged and play catalyst role to drive the change management

Maximize Resource Utilization
Starting with design workshops, there should be a dedicated GRC Lead who understands the functional aspects of the business and has technical capabilities.

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Presentation Materials

Access the slides from 2019 ASUG Annual Conference here:
http://info.asug.com/2019-ac-slides

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Q&A

For questions after this session, contact us at
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