THE POWER OF BEING UNDERSTOOD

AUDIT | TAX | CONSULTING
Speaker

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- 18+ years working with SAP
- Part of over 30+ SAP implementations
- 15+ years in security & controls
- 10+ years in public accounting
- Developed an SAP Risk Governance function in a fortune 19 company with 2 controls monitoring tools
Agenda

• Most common SAP Implementation issues
• SAP Implementation Project Methodologies aligned to risk
• Overview ERP Project Implementation Risk along with case studies
• Q&A
Most common effects of SAP implementation risk

After go-live:
• SAP not working as the business designed
• Users security not working. Users cannot print.
• Users don’t know how to do their job
• Some business process functions are not working
• System performance doesn’t meet operational demand
• Budget for the SAP implementation was two to three times more than estimated
• SAP project didn’t go live on estimated date

Sound familiar?
Root cause of these issues could be more than meets the eye....
SAP implementation risk... occurs at *any* phase of an SAP implementation including prior to **Project Prep**
Pre-Project Prep SAP Implementation Risk

- Due diligence not performed during vendor selection
- Unsuccessful business process mapping prior to implementation
- Implementation vendor contract not reviewed by an outside service provider for scope, etc. prior to contract being signed by key stakeholders
- Aggressive project plan developed
- Poor resource leverage model from implementers. High % of off-shore usage and lack of on-shore strategic experts
A. Client thought they were getting more than they actually signed and paid for.

B. Client signed-up for implementation tasks, they shouldn’t have been responsible for. Didn’t realize it until part of the way into the project resulting in unplanned cost overruns and quality issues.

C. Client didn’t get the value they expected from their implementer or out of SAP after the implementation.
What is Continuous ERP Project Implementation Risk?
SAP Implementation Risk
SAP Implementation Risk

• Business process experts leading the business side of an SAP implementation do not understand the company’s true business operations resulting in a lack of:
  – Fit-Gap Analysis, and/or BPDs (Business Process Design Documents), Process Flows, not completed prior to Realization or Validation of system design

• Phase gate criteria not established and approved by key stakeholders

• Criteria not clearly described for use of KDDs (Key Decision Documents) including where available system functionality will be replaced with manual steps outside the system

• Project documentation retention strategy not developed

• Customized functionality added where standard functionality was available

• SAP implementers do not have an understanding of how to match SAP out-of-the-box functionality to clients’ business needs

• UAT testing not well defined and not well executed
Case Study: SAP Business Requirement Risk

A. Those representing the business in all phases of the project did not have a good understanding of all scenarios to be incorporated into the new SAP systems.

A. Fit-Gap Analysis, BPDs, Process Flows and other critical documents were not completed prior to validating the system.

B. Resulted in a lot of down stream project impacts on security and controls timing, and additional unplanned effort/costs.
SAP Implementation Risk

Project Governance

Cost → Scope → Quality → Time → Project Governance

Continuous ERP Project Implementation Risk

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SAP Implementation Risk

- Aggressive project plan that is unrealistic. Project plan not detailed enough to understand dependencies among work streams.
- Lack of an adequate amount of project update meetings throughout the engagement
- Lack of clear project governance strategy or strategy not communicated to all levels of the project
- Project methodology selected such as ASAP or agile RDS (Rapid Deployment) is not understood by all project team members
- Succession plan for key members of project leadership, process design, security or IT architecture
- Impact of other critical projects either in IT or the business which could stretch resources too thin or compromise deadlines
- SAP best practice project plan templates are not used resulting in unclear understanding of dependencies and engagement between parties involved.
- There is not a 50/50 shared responsibility between business and IT, for accountability of the success of the project.
- Lack of tracking all risk/escalation/closure of all project related issues. Inaccurate awareness of risk escalated to key stake holders
- Lack of tracking of scope changes.
- Lack of a communication strategy and/or strategy roll-out throughout the project
- Ineffective or uninvolved Steering Committee
A. Steering committee was not actively engaged in the project, decisions were being made at too low of levels, resulting in a highly over budgeted project without all the needs that the business really needed to do their job.

B. Budget tracking not detail enough to understand the impact of scope changes until the project was close to being over.
• Unclear architecture plan for the to-be state
• Unclear DR/BCP plan for go-live
• Unclear identification of all interfaces and/or 3rd party systems during scoping
• System performance estimated for the to-be-environment, doesn’t align to true daily operational needs
Case Study: SAP Project Implementation Risk

A. Critical infrastructure server requirements were forgotten about, which meant a significant cost closer to go-live that was unplanned.

B. Interface initial budget and understanding was 10, the project ended up with 250 due to not having architecture documentation up to date with current footprint.
SAP Implementation Risk

- Data not classified properly including regulatory data, privacy data, sensitive data, critical data
- Data owners not identified
- Data not properly migrated or validated
- Data cleansing not properly completed
- Testing of data migration not accurate or complete. Evidence of testing not retained.
Case Study: SAP Project Implementation Risk

A. Client data was incorrectly mapped from a non-SAP system to SAP for an implementation. No evidence was retained of the user signed off of the mapped data. Several years later a material misstatement was found from inventory and sales being incorrectly under and over stated.

B. Critical data was not identified during or after an implementation. Batch programs carrying critical data were not identified. Batch programs stopped working and the same week a virus hit the entire system. 2 weeks of financial data were overwritten and lost.
SAP Implementation Risk

- Regulatory requirements not identified up front
- Controls work stream not integrated into the project
- Security and control design dependencies not met by the project resulting in non-ideal or non-optimal controls being identified
- HR position/titles not able to directly map to a security model
- Wrong security design model selected (Enabler vs. Derived)
- No ERP security vulnerability assessments prior to go-live
- Controls embedded into the responsibility of off-shore or 3rd party vendors not communicated or confirmed in SLA contracts
- Critical general control level configurations are not enabled at go-live
- Knowledge transfer of security/control options not provided
Case Study: SAP Project Implementation Risk

A. SAP was implemented close to 3 times the initial budget. A post-implementation review conducted demonstrated that custom security t-codes were twice as much as should have been there. The most basic automated controls were not enabled. This uncovered that the implementers had falsely guided the client that they needed “custom” development to “standard” SAP functionality. Also turned into a lawsuit.

B. Client was told there would be no code level customization, only to find through failed automated process controls testing, that code was being changed. Turned into a lawsuit with implementers.

C. Company code set to productive not enabled even 5 years after the SAP implementation. Data deletion programs were run. Logging and monitoring of system data was not enabled. Resulted in a material misstatement.
SAP Implementation Risk

Organizational Change Management

Continuous ERP Project Implementation Risk
SAP Implementation Risk

• Change management and communications not aligned

• Communication of changes in the to-be state not communicated to all levels of the organization

• Change management and security not aligned regarding final roles and responsibilities covering SAP tasks and clear training to the end-users.

• Inadequate training of how end users will perform their job after go-live

• Lack of quality training documentation remaining at client site after implementers leave
A. Company upgraded their SAP system with all critical business tasks moved from manual excel/post it note based, to system based. Change management and training was not clear to users in how they would do their job in SAP post-go-live. Users continued using manual outside the system processes even though training documentation supported new in system processes. FDA performed a post-go-live audit and found tasks being performed out-side the system, not inline with new training documentation resulting in fines and shut down of operations for a period of time.
SAP Implementation Risk

- Post-go live support does not adequately address operational needs
- 3rd party vendor SLAs not adequate and clear enough regarding roles and responsibilities
- Resource planning not adequate
  - Current daily operational needs are not met due to critical key team members involvement and focus into the SAP implementation vs. their daily job.
- For public SOX clients, key control owners shift to SAP implementation, leaving a gap of control knowledge for the current operational state resulting in SOX control failures on the current state
A. Client decided to off-shore most IT support up through Director level. Off shore wasn’t aware that part of their job related to supporting key SOX controls. Significant amount of failures came in several years in a row due to this issue.

B. Client’s system was not properly tested during performance testing. After several months post go-live users were complaining about significant lag time to perform basic functions. Additional funding, unplanned, was needed to increase system performance to a sustainable level.
In Summary

• Project risk can happen at any point of the SAP implementation life cycle, including before the project starts.

• Project risk cannot always be prevented but it can be monitored, and mitigated before it results in post-go-live issues.

• Project risk is real and can directly impact investment dollars before and after and implementation, it's not a theoretical “what if” concept.

• Project risk can also be mitigated or at least planned for, with the right trusted advisors. SAP Implementation Risk Assessments can help monitor risk at any phase of a project which can help mitigate the risk or surprises of the risk:
  - Before project begins
  - During the project
  - After go-live
QUESTIONS AND ANSWERS?

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THANK YOU FOR YOUR TIME AND ATTENTION