

Process 1	Process 2	Disposition / Comments - ERP Seminars	Risk Noted by Others
Example 1			
<i>Their approach and our disposition to their conflicts:</i>			Critical
AutoAllocation Workbench	Purge Consolidation Audit Data	See FC122. Risk is access to Mass Allocations process. Additional access to Purge Consolidation Audit Data does not add to risk.	Run inappropriate autoallocation leading to misstatement of accounts
AutoAllocation Workbench	Consolidation Mappings	See FC122 and FC123 - both are risks as single functions. However, there is no increased risk with the combination of the two functions.	Run inappropriate autoallocation leading to misstatement of accounts
AutoAllocation Workbench	Consolidation Mapping Sets	See FC122 and FC126 - both are risks as single functions. However, there is no increased risk with the combination of the two functions.	Run inappropriate autoallocation leading to misstatement of accounts
AutoAllocation Workbench	Elimination Sets	See FC122 and FC123 - both are risks as single functions. However, there is no increased risk with the combination of the two functions.	Run inappropriate autoallocation leading to misstatement of accounts
AutoAllocation Workbench	Delete Journal Import Data	See FC122 and FC1 - both are risks as single functions. However, there is no increased risk with the combination of the two functions.	Run inappropriate autoallocation leading to misstatement of accounts
AutoAllocation Workbench	Correct Journal Import Data	See FC122 and FC1 - both are risks as single functions. However, there is no increased risk with the combination of the two functions.	Run inappropriate autoallocation leading to misstatement of accounts
AutoAllocation Workbench	GL Accounts	See risks related to Mass Allocation at FC122. Having access to GL Accounts also does not increase the risk with access to Mass Allocations.	Run inappropriate autoallocation leading to misstatement of accounts
AutoAllocation Workbench	Mass Maintenance Workbench	See FC122 and FC72 - both are risks as single functions. However, there is no increased risk with the combination of the two functions.	Run inappropriate autoallocation leading to misstatement of accounts
AutoAllocation Workbench	Define MassAllocations	See FC122 - both functions are included in that conflict	Run inappropriate autoallocation leading to misstatement of accounts
AutoAllocation Workbench	Enter Journals	See FC122 and FC1 - both are risks as single functions. However, there is no increased risk with the combination of the two functions.	High
AutoAllocation Workbench	Enter Encumbrances	See FC122 and FC1 - both are risks as single functions. However, there is no increased risk with the combination of the two functions. Enter Encumbrance function is included in FC1	Run inappropriate autoallocation leading to misstatement of accounts
AutoAllocation Workbench	Define Recurring Journals	See FC122 and FC104 - both are risks as single functions. However, there is no increased risk with the combination of the two functions.	Run inappropriate autoallocation leading to misstatement of accounts
AutoAllocation Workbench	Generate Recurring Journals	See risks related to Mass Allocation at FC122. Having access to Generate Recurring Journals also does not increase the risk with access to Mass Allocations.	Run inappropriate autoallocation leading to misstatement of accounts
AutoAllocation Workbench	Daily Rates	See FC122 and FC128 - both are risks as single functions. However, there is no increased risk with the combination of the two functions.	Run inappropriate autoallocation leading to misstatement of accounts
AutoAllocation Workbench	Period Rates	See risks related to Mass Allocation at FC122. Having access to Period Rates also does not increase the risk with access to Mass Allocations.	Run inappropriate autoallocation leading to misstatement of accounts
AutoAllocation Workbench	Historical Rates	See risks related to Mass Allocation at FC122. Having access to Historical Rates also does not increase the risk with access to Mass Allocations.	Critical
AutoAllocation Workbench	Import Journals	See FC122 and FC129 - both are risks as single functions. However, there is no increased risk with the combination of the two functions.	Critical
AutoAllocation Workbench	Translate Balances	See FC122 and FC130 - both are risks as single functions. However, there is no increased risk with the combination of the two functions.	Critical
AutoAllocation Workbench	Year-End Carry Forward	See FC122 and FC145 - both are risks as single functions. However, there is no increased risk with the combination of the two functions.	Run inappropriate autoallocation leading to misstatement of accounts
AutoAllocation Workbench	Open and Close Periods	See FC122 and FC131 - both are risks as single functions. However, there is no increased risk with the combination of the two functions.	Run autoallocation in the wrong period leading to misstatement of accounts
AutoAllocation Workbench	Post Journals	See FC132	High
AutoAllocation Workbench	Generate MassAllocations	See FC13	High
AutoAllocation Workbench	Generate AutoAllocation: Schedule M	See FC13	Critical
AutoAllocation Workbench	Generate AutoAllocation: Schedule R	See FC13	High
AutoAllocation Workbench	Consolidation Workbench	See FC122 and FC123 - both are risks as single functions. However, there is no increased risk with the combination of the two functions.	High
AutoAllocation Workbench	Transfer Consolidation Data	See FC122 and FC133 - both are risks as single functions. However, there is no increased risk with the combination of the two functions.	Critical
AutoAllocation Workbench	Transfer Consolidation Data Set	See FC122 and FC133 - both are risks as single functions. However, there is no increased risk with the combination of the two functions.	Run inappropriate autoallocation leading to misstatement of accounts
AutoAllocation Workbench	Generate Eliminations	See FC122 and FC134 - both are risks as single functions. However, there is no increased risk with the combination of the two functions.	Run inappropriate autoallocation leading to misstatement of accounts
AutoAllocation Workbench	Common Stock	See FC122 and FC135 - both are risks as single functions. However, there is no increased risk with the combination of the two functions.	Run inappropriate autoallocation leading to misstatement of accounts
AutoAllocation Workbench	Reverse Journals	See FC122 and FC1 (reverse journals are included in Enter Journals analysis) - both are risks as single functions. However, there is no increased risk with the combination of the two functions.	Run inappropriate autoallocation leading to misstatement of accounts
AutoAllocation Workbench	Concurrent Program Controls	See FC122 for risk related to AutoAllocation Workbench as a single function. However, there is no increased risk with the addition of the Concurrent Program Controls function.	Risk of inappropriate setup and processing of GL transactions
AutoAllocation Workbench	Storage Parameters	See FC122 for risk related to AutoAllocation Workbench as a single function. However, there is no increased risk with the addition of the Storage Parameters function.	Risk of inappropriate setup and processing of GL transactions
AutoAllocation Workbench	Tax Options	See FC122 and SA42 (reverse journals are included in Enter Journals analysis) - both are risks as single functions. However, there is no increased risk with the combination of the two functions.	Risk of inappropriate setup and processing of GL transactions
AutoAllocation Workbench	Submission Schedules	See FC122 and FC136 (reverse journals are included in Enter Journals analysis) - both are risks as single functions. However, there is no increased risk with the combination of the two functions.	Risk of inappropriate setup and processing of GL transactions
AutoAllocation Workbench	Define Transformation Rules	See FC122, FC137, and SA43 - all are risks as single functions. However, there is no increased risk with the combination of the functions.	Risk of inappropriate setup and processing of GL transactions
AutoAllocation Workbench	Statistical Units of Measure	See FC122 and FC138 - both are risks as single functions. However, there is no increased risk with the combination of the two functions.	Risk of inappropriate setup and processing of GL transactions
AutoAllocation Workbench	Financial Item	See FC122 and FC146 - both are risks as single functions. However, there is no increased risk with the combination of the two functions.	Risk of inappropriate setup and processing of GL transactions
AutoAllocation Workbench	GIS AutoAccounting Rules	See FC122 and FC139 - both are risks as single functions. However, there is no increased risk with the combination of the two functions.	Risk of inappropriate setup and processing of GL transactions
AutoAllocation Workbench	Journal Authorization Limits	See FC122 and FC114 - both are risks as single functions. However, there is no increased risk with the combination of the two functions.	Risk of inappropriate setup and processing of GL transactions
AutoAllocation Workbench	Assign Flexfield Security Rules	See FC122 and FC111 - both are risks as single functions. However, there is no increased risk with the combination of the two functions.	Risk of inappropriate setup and processing of GL transactions
AutoAllocation Workbench	Assign Descriptive Flexfield Security R	See FC122 and FC111 - both are risks as single functions. However, there is no increased risk with the combination of the two functions.	Risk of inappropriate setup and processing of GL transactions
AutoAllocation Workbench	Assign Key Flexfield Security Rules	See FC122 and FC111 - both are risks as single functions. However, there is no increased risk with the combination of the two functions.	Risk of inappropriate setup and processing of GL transactions
AutoAllocation Workbench	Journal Sources	See FC122 and FC70 - both are risks as single functions. However, there is no increased risk with the combination of the two functions.	Risk of inappropriate setup and processing of GL transactions

<u>Process 1</u>	<u>Process 2</u>	<u>Label</u>	<u>Business Process</u>	<u>Non-Risk Based Rank</u>	<u>Inherent Risk - see overall comment T</u>	<u>Pot'l Risk Mitigation - see overall comment O</u>
Example 1 - Our Approach - consider single function risks and possibility of combine risks						
Maintain Mass Allocations	Maintain Mass Allocations	FC122	Financial Close	High	Changing of mass allocation formulas that are inappropriate or not approved by management. This could lead to inappropriate allocation of account balances and misstatement of financial statements	Audit and monitoring of changes to mass allocations by someone other than the person doing the maintenance. Once the generate Mass Allocations process was run, if someone were to review the outcome of those journals before they were posted or during the financial close process, the error(s) might be caught. Top level financial statement controls. See overall comment P.
Enter Journals	Enter Journals	FC1	Financial Close	Critical	Inappropriate or unauthorized entry of journal entries. Could also lead to inappropriate or unauthorized change to journal entries transferred from various subledgers or ADI. Result could be misstatement of financial statements.	Separation of entry versus posting of JE's with person posting JE responsible for reviewing for appropriateness and authorization of JE. Review of JE's after entry, but before closing and comparing to JE checklist signed off by appropriate level of management. Top level financial statement controls. See overall comment P.
Run Mass Allocations	Run Mass Allocations	FC153	Financial Close	High	Inappropriate timing on running of mass allocations resulting in allocation journals that are not appropriate or are unauthorized. This could result in the misstatement of financial statements	Once the generate Mass Allocations process was run, if someone were to review the outcome of those journals before they were posted or during the financial close process, the error(s) might be caught. Top level financial statement controls. See overall comment P.
Maintain Mass Allocations	Run Mass Allocations	FC013	Financial Close	High	Would allow someone to define and run a mass allocation which could result in a manipulation of financial data	Audit and monitoring of changes to mass allocations by someone other than the person doing the maintenance. Once the generate Mass Allocations process was run, if someone were to review the outcome of those journals before they were posted or during the financial close process, the error(s) might be caught. Top level financial statement controls. See overall comment P.
Common Stock	Common Stock	FC135	Financial Close	Low	Improper entry of common stock and dividend information could result in inaccurate EPS calculations which could result in bad decisions by management or inaccurate release of financial information relying on such underlying numbers	Top level financial statement controls. See overall comment P.
Example 2 - Our Approach - understand the full process and take into account risks in manual processes outside the system						
Enter AP Invoices	Reconcile AP Control Acct	PP038	Procure to Pay	Medium	Ability to code an invoice to the AP control account and concealment of the entry in the AP reconciliation process. This could result in hiding of fraudulent invoices	Would be difficult to further mitigate this risk. However, significant theft or manipulation of balances should be identified during top-level financial statement controls. See overall comment P
Access to check stock	Bank Reconciliation / Clear Transactions	PP002	Procure to Pay	High	Writing of a fictitious check and concealment of it, whether the payment was recorded or not	Outside of segregating, it would be difficult to mitigate this risk. However, detailed review of bank reconciliation may mitigate. Also, rotation of bank reconciliation assignments, especially if it was unannounced would also help mitigate the risk. Positive pay could also help mitigate the risk. In most cases, bank reconciliations, although supported by functionality in Oracle are really being compiled outside the system.
Approve New Suppliers	Enter Suppliers	PP10	Procure to Pay	High	Fictitious supplier could be approved, then entered. Invoices could then be sent to company and recorded (depending on invoice approval process). Requisition or PO could be created versus fictitious supplier	Any person involved in the entry of suppliers should not be allowed to approve new suppliers. An audit of supplier entry to approved suppliers should take place by someone that cannot enter suppliers to ensure that only approved suppliers are being entered.
Approve New Suppliers	Enter PO's	PP008	Procure to Pay	Critical	Collusion with suppliers for kickbacks / bribes to issue PO's. Risk ordering excess or unneeded inventory. If an approver can also be an initiator of a new supplier, this could allow the entry of a fictitious supplier and subsequent entry of PO(s) against such supplier.	See overall comment H for entity level controls that may help mitigate some of the risk. Three way match to the receipt could help mitigate the risk if receipt is verified and entered by someone other than the person issuing the PO. Inventory controls to review for excess or inappropriate inventory
Enter PO's	Enter PO's	PP146	Procure to Pay	High	Entry of a PO, especially a two-way match PO, could lead to fraud. A weak supplier approval process would make this risk High (see overall comment A) because it may allow for the establishment of a fictitious supplier. Even without the establishment of a fictitious supplier, the entry of a PO in conjunction with collusion with a valid supplier could lead to fraud. See also overall comment J related to ERS / automatic invoicing of goods received. Two-way match PO's would allow for matching of invoices to the PO without a receipt which would likely be paid when payments are run in AP	Creation and auditing of invoice batches being separate from data entry could help mitigate the risk. However, it would be difficult to catch changes to invoices once the initial audit of the batch was performed unless a separate process was put in place for this as well. Implementing an invoice approval limit for each employee could help mitigate the risk. Requiring all AP invoices to be approved by someone other than the requestor / requisitioner would help mitigate the risk if the review for appropriateness of the expenditure was done. Top level financial statement controls. See overall comment P - in particular budget to actual and flux analysis.

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Enter PO's	Line Types	PP137	Procure to Pay	Critical	Line Types determine whether or not receipts are required for PO lines and Receipt Close %. Access to change line types would allow someone to change this configuration which is often relied upon as a key control and is critical to the prevention of fraud. Access to both functions would allow a user to change a line type configuration and issue a PO with a two way match, for example. This could override automated controls such as the requirement to have a three way match.	Audit of changes and review by someone independent of the process to determine whether change was approved and considered impact on documented controls and efforts to prevent fraud.
Example 3 - Our Approach - take into account risks presented by users having access to single high risk functions						
Enter Suppliers	Enter Suppliers	PP082	Procure to Pay	Critical	Access to enter suppliers allows a user the ability to enter a supplier, including the setting up of a fictitious supplier. It also allows a user to override system level tolerances that are set in Payables Options tolerances related to Qty Ordered, Qty Received, Tax, and Price	Audit of all changes to suppliers and review of changes - tying back to source documents showing their approval - by someone independent of the changes
Maintain Profile Option Values	Maintain Profile Option Values	SA022	System Administration	Critical	Various application setting can be maintained via profile options. Unauthorized or inappropriate changes to profile options could lead to changes to key control configurations, change to approvals processes, and/or changes to access to sensitive data	Audit of changes and review by someone independent of changes
Maintain Profile Options	Maintain Profile Options	SA036	System Administration	Critical	This form allows SQL statements to be embedded within it which could lead to fraud or inappropriate manipulation of data	Audit of changes and review by someone independent of changes
Example 4 - Our Approach - take into account traditional Segregation of Duties risks - two function risks						
Enter Journals	AutoPost Setup	FC020	Financial Close	High	AutoPost could be used to post improper or unapproved journal entries	Journal Approval Process. It depends on the way journal approval process is implemented. Read the white paper titled "Internal Controls Best Practices using Oracle's Journal Approval Process" which can be downloaded after joining the Oracle Users Internal Controls Repository. See the link at www.oubpb.com. If the key setups are not properly defined and secured, the risk would remain high. If the key setups are properly defined and secured, then the risk could be assessed as Medium. Manual journal entries by their nature have a high risk. A review of all manual journal entries by someone other than the initiator can only partially mitigate the risk
Enter Journals	Bank Reconciliation / Clear Transactions	FC021	Financial Close	High	Concealment of fictitious payment or theft of cash by writing a journal entry -whether the payment was recorded or not	Outside of segregating, it would be difficult to mitigate this risk. However, detailed review of bank reconciliation may mitigate. Also, rotation of bank reconciliation assignments, especially if it was unannounced would also help mitigate the risk. Finally, scrutiny of manual journal entries would be necessary by reviewing supporting documentation. However, a fictitious payment could be concealed whether is was recorded or not
Approve New Suppliers	Enter AP Invoices	PP007	Procure to Pay	Critical	A new supplier could be approved and would be set up by someone with supplier entry access. An audit of the supplier process would not show an exception to justify further review since approval and related entry is within policy. Then a fictitious invoice could be entered against such supplier	Random sampling of invoices and review of the invoices against policy (tolerance, hold release, verification of the receipt of goods, etc). Batch preparation separate from entry and audited of such
Bank Account Maintenance	Invoice Inquiry	PP025	Procure to Pay	High	An employee who knew which suppliers were coming up for payment could change the supplier's bank account to a fictitious account for the timing of the payment batch, then change the bank account bank, partially hiding the audit trail of the change, and creating a payment to a fictitious account	See white paper regarding bank account entry and maintenance best practices available in the Oracle Apps Internal Controls Repository. Mitigation could occur by auditing all entry and changes to banks and bank accounts or a workflow approval process for such.
Enter AP Invoices	Enter Goods Receipts	PP031	Procure to Pay	High	Entry and subsequent payment of goods / services not received. For fraud to occur, would have to result from collusion with the supplier or another employee to set up fictitious supplier and enter PO's against such supplier. A weak supplier approval process would make this risk High (see overall comment A). See also overall comment J related to ERS / automatic invoicing of goods received.	Final payment register review that would include a sampling of smaller payments, if done by reviewing supporting documentation versus policy, and independently confirming the receipt of the goods/ services could be a mitigating risk. depending on how many 'smaller' payments were made versus sampled.
Enter Suppliers	Enter AP Invoices	PP079	Procure to Pay	Critical	Fictitious suppliers can be entered and a related invoice(s) entered. A weak supplier approval process would make this risk High (see overall comment A)	Most likely mitigation is an audit process of Supplier entry. However, where that process is weak, a person with invoice entry process could request a new supplier be added and circumvent the control. Depending on frequency of audit versus the timing of invoices being paid, the risk could be partially mitigated. A workflow approval process could partially mitigate the process as well