
Continuous Controls Monitoring: A Case Study with Talecris

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Executive Summary

From Theory to Practice

Continuous monitoring and auditing are topics that have been discussed by the audit and controls professions for more than 20 years. However, the challenge has always been how to effectively enact these best practices within large technological infrastructures. In recent years, technology has advanced sufficiently to make these approaches a more practical solution for the testing of internal controls. As interest has increased, professional publications such as The Institute of Internal Auditors' General Technology Audit Guide on "Continuous Auditing: Implication for Assurance, Monitoring and Risk Assessment" have done much to generate awareness of the benefits of continuous monitoring and auditing and address practical implementation issues.

The Center for Continuous Auditing, based at Rutgers University Business School, has focused a combination of academic, professional associations, Big 4 accounting firms and technology leaders on these topics. As part of their ongoing efforts to raise awareness of this approach, The Center has undertaken a study of the continuous controls monitoring program used by Talecris Biotherapeutics Inc. The goal of this project was to highlight the benefits and challenges that come with implementing continuous monitoring.

Continuous Auditing vs. Continuous Monitoring

Very often, the terms "continuous monitoring" and "continuous auditing" are used interchangeably. The techniques and technologies employed in continuous auditing and continuous monitoring are generally the same. The primary difference, however, is in the ownership of the processes.

Continuous auditing is the responsibility of internal audit and is a method used to perform control and risk assessments automatically on a frequent basis. Continuous auditing changes the audit paradigm from periodic review of selected transactions to ongoing audit testing of 100 percent of transactions.

Continuous monitoring is owned and performed by management or the business process owner, as part of their responsibility to implement and maintain effective control systems. Since management is responsible for internal controls, it should have a means to determine, on an ongoing basis, whether the controls are operating as designed. By being able to identify and correct control systems on a timely basis, the overall control system can be improved. A typical additional benefit to the organization is that instances of error and fraud are significantly reduced, operational efficiency is enhanced, and bottom-line results are improved through a combination of cost savings and a reduction in overpayments and revenue leakage.

Talecris Biotherapeutics Case Study

Talecris Biotherapeutics has successfully implemented continuous monitoring of financial transactions to mitigate potential control, error and fraud issues. This implementation is owned by business unit owners, but was instigated and driven by the internal audit function. Talecris has seen enormous benefits to their organization as a result of this project, the details of which are contained in the body of this report.

The director of internal audit, Mary Ann Tourney, was the key driver in implementing this system when she joined the company in 2006. While many areas were in need of attention, initial focus was on the Purchase-to-Pay (P2P) cycle. All business areas related to P2P were engaged in a year-long project to establish, implement, monitor and improve financial controls. Some of the controls have been implemented in the main ERP system and can be viewed through the BI front-end. ACL Services Ltd., a leading provider of business assurance technology for audit and compliance professionals, was chosen to provide continuous monitoring technology for all key business processes.

As outlined in the study, operational differences between the two main business units of Talecris created significant implementation challenges for this project. Stakeholders in the P2P process were required to work with internal audit to overcome these challenges in order to obtain the significant benefits of continuous controls monitoring. And internal audit, after implementing the process, could then leave it to the business units to use the technology to ensure effective control systems for the business.

Executives today are more challenged than ever to make quick, well-informed decisions that address increasing business complexity and regulatory requirements. Talecris has demonstrated that close examination of the business transactions underlying financial reporting uncovers unforeseen risks, potential control breaches, and opportunities for operational improvements. The company has proven that continuous auditing and monitoring technology can effectively provide this critical insight for controls compliance of core business processes.

Continuous Controls Monitoring: A Case Study with Talecris

Danielle Lombardi and Miklos A. Vasarhelyi¹

Introduction

Talecris Biotherapeutics Inc. is a global biotherapeutic and biotechnology company that discovers, develops and produces critical care treatments for people with life-threatening disorders in a variety of therapeutic areas.² In 1942, Cutter Laboratories pioneered plasma fractionation and developed the first blood product, albumin. Several acquisitions and mergers later, Talecris emerged in 2005 and shortly thereafter expanded into Canada and Europe. Talecris is dedicated to continually building upon the 60-year legacy of innovation and commitment to improving the lives of people who rely on its therapeutic products.

The main headquarters of Talecris is located in Research Triangle Park, North Carolina. It has two main operational units, Talecris Biotherapeutics ("TBI") and Talecris Plasma Resources ("TPR"). TPR is a wholly owned subsidiary that operates plasma collection centers nationally. TBI uses the plasma collected by TPR to manufacture product. Both TBI and TPR adhere to FDA regulations. TPR operates largely with cash, using processes that have historically been manual. The great difficulty is that monitoring and control efforts need to be performed in numerous plasma collection centers, and Talecris has substantially expanded the number of those collection centers in recent years.

TPR operates like a reverse retail industry, in that donors bring in the product (blood plasma) and TPR distributes money to them. TPR was initially formed in 2006 with 22 centers. As of the end of 2008 there were 63 centers located nationally and this is expected to increase to approximately 72 centers in 2009. Errors and fraud occurred frequently due to the expedited expansion of donor centers and the continued reliance on manual tracking of cash to donors. This led TPR management to explore how to tighten controls and reduce risk at their donor centers. Additionally, donors are incented on variable scales, for example, with referral bonuses and inconvenience fees if the center is unable to accept a donation. Center policies are designed to encourage donors to participate and to become repeat donors. These areas were highlighted for monitoring because of the high likelihood of errors and fraud.

¹ Rutgers Business School

² Per Talecris' website <http://talecris.com/talecris-about.htm>

Continuous Controls Monitoring: Why & Where to Start?

Mary Ann Tourney had been brought in as the director of internal audit prior to the TPR acquisition. The Institute of Internal Auditors (The IIA) standards require auditors to remain independent from the business and therefore Tourney was required not to assume a management role in the institution of controls. The job of the internal audit department is to effectively identify issues and drive a focus on controls, while holding operating and financial management accountable and responsible for their own controls. The internal audit team serves management in an advisory capacity in this regard.

Tourney rapidly moved to take charge of the department by identifying the most crucial areas requiring stronger internal controls. To meet a requirement to audit these centers twice a year, Tourney hired three corporate auditors for compliance work, among other responsibilities; however, this was not deemed sufficient and another solution was sought. Two additional factors made a solution very necessary: 1) the company was considering going public in a few years, necessitating a high standard of internal control, and 2) the plasma business subsidiary has high employee turnover, making it difficult to gain consistent controls. After several approaches were considered, Talecris identified ACL's continuous monitoring technology as the solution. This seemed to be the company's best option because of the need to manage controls across all units of TBI and TPR.

ACL Services Ltd. has 20 years of expertise and is a leading provider of audit technology products. ACL's offerings include continuous monitoring technology for the following business areas: 1) Purchase to Payment, 2) Purchasing Card, 3) Travel and Entertainment, 4) General Ledger, 5) Payroll, and 6) Order to Cash. Continuous monitoring reduces the burden of regulatory compliance by automating internal controls testing.

ACL's Purchase to Payment (P2P) tests enable companies to identify overpayments, missed discounts, fraud, and inefficiencies. The Purchasing Card tests allow for identification of unauthorized purchase card usage by efficiently monitoring and analyzing high volumes of purchase transactions. These tests also enhance the effective management of purchase card programs by ensuring all available discounts and rebate opportunities are leveraged.

With the Travel and Entertainment tests, companies are able to efficiently monitor adherence to their time and expense policies and detect expense report abuse and fraud. The General Ledger tests not only provide assurance regarding the accuracy and integrity of journal entries, but also reduce risk of error in financial statements while accelerating the year-end closing process. By utilizing the Payroll test, companies can detect payroll errors, fraud or misuse and verify pay amounts are in-line with policy and individual contracts. Lastly, the Order to Cash tests identify sources of revenue leakage, suspicious activities and inefficient collections.

Implementation Areas & Benefits

Purchase to Pay (P2P) was chosen as the initial implementation area due to it presenting the highest fraud risk. ACL worked closely with Tourney and her team to design metrics for the elements of the P2P tests and to customize the solution for each subsidiary's unique controls, business, operations and thresholds. For example, TPR had many small dollar amount transactions whereas TBI dealt on a much larger scale. There were also some similar components

of the continuous monitoring program, such as Travel and Entertainment (T&E), and Purchasing Cards (P-cards). The technology has the capability to work with any source of business data, ERP systems, and mainframe or custom-built applications. Following the COSO internal controls framework to identify key control objectives, ACL continuous monitoring analytics perform complex transactional analyses and identify control failures. The following diagram outlines the business processes and control objectives covered by the Talecris implementation of ACL continuous monitoring technology:

BUSINESS PROCESSES	CONTROL OBJECTIVES						
	Authorization	Accuracy	Completeness	Validity	Efficiency & Effectiveness	Segregation of Duties	Regulatory
Vendor Maintenance		✓	✓	✓			
Requisitions	✓	✓	✓	✓		✓	
Purchasing	✓	✓	✓	✓		✓	
Receiving	✓	✓	✓	✓	✓	✓	
Payables	✓	✓	✓	✓	✓	✓	
Payments	✓	✓	✓	✓		✓	✓
Continuous Monitoring Analytic Coverage	✓	✓	✓	✓	✓	✓	✓

**Continuous monitoring for the Purchase-to-Payment Cycle:
Key Control objectives and Analytic Coverage**

Figure 1: Key Control Objectives and Analytic Coverage

The entire implementation process took one year, and although it took longer than expected, continuous monitoring technology has benefited the company in countless ways. Some of the key outcomes included:

1. Improved risk management and accountability with regards to information and understanding;
2. Safeguarded millions of dollars of cash flow by monitoring and enforcing policy changes, especially important since overall cash flow is cyclical
3. Strengthened fraud detection leading to better vendor fraud deterrence
4. Tightened relationships with vendors to improve procedures
5. Strengthened processes and more stable controls
6. Improved cross functional controls
7. Reduced risk, particularly in relation to inherent risk
8. Increased capability for real-time adjustments of audit plan for risk and cost improvements

After the ACL continuous monitoring technology was customized and implemented for TBI and TPR, Tourney, in coordination with management, implemented controls monitoring for each major section of the Purchase to Payable

cycle: accounts payable, purchasing, and the financial controls group. TBI and TPR had separate and different issues that needed to be addressed and the tests were customized to each business's unique needs. Using ACL technology, the financial controls group within Talecris then took over and led each team in setting up additional controls to address any identified issues.

Identifying Control Weaknesses on the Manufacturing Side

TBI's accounts payable department met routinely to discuss issues, update controls, and work with the IT department to identify issues throughout the implementation. The implementation's next phase moved to the business intelligence (BI) module of SAP to allow for simultaneous data and process work. The integration with BI software enables online analytical processing, data mining, and alerts, which provided a foundation for accessing and presenting data, searching for patterns, and identifying exceptions. The primary issues identified by the TBI's accounts payable team were: invoices, 1099s, purchasing cards, travel and entertainment cards, payments, and returned goods policy.

Invoices & 1099s

With invoices, the accounts payable team drew upon the signatures stored in SAP to match them to the signatures on the actual invoices. To improve the 1099s, which had numerous incomplete vendors in the system, vendor master data created a new form with new fields and ensured each field required completion.

Purchasing cards

P-cards (Purchasing cards) are monitored manually to ensure there is no personal use of the cards. P-cards are used as a more efficient alternative to high volume low-dollar purchase orders. The manual process entails receiving a statement, obtaining receipts, and acquiring approval signatures from the employee and manager; accounts payable personnel must then audit the P-cards 100 percent. ACL P-cards tests were implemented so management could automate the monitoring of P-card usage.

Preventative controls were also put in place, such as the coding of acceptable vendors for business expenses. If a vendor is not pre-approved by the company, the card is rejected; however, if an employee needs to make a purchase from a restricted entity, they must call first for approval and a temporary removal of the restriction.

Travel and entertainment cards

Travel and entertainment (T&E) cards had also been processed manually. In July, 2008, the company implemented the Concur Travel and Expense system to automate expense processing so that the cards could be directly paid. Payment runs of expenses were done weekly and payments were sent directly to the card provider and checks were cut to employees for cash expenses. Automation addresses this challenge of dual payments from a single submission, as well as the need to capture T&E data for the purpose of tax deductions. Concur is the world's leading

provider of on-demand Employee Spend Management services, enabling organizations to globally control costs by automating the processes they use to manage employee spending. Designed for travel and expense, it automatically reconciles what was booked to what was spent, thereby eliminating the traditional manual expense report. Refer below for a screenshot of Concur. An employee can log onto the system, define what they want reported, and either fax or scan in the receipt. However, the system recognizes only that something was scanned into the system, and not that it was the actual receipt.

In addition, ACL continuous monitoring tests for T&E were also implemented to allow internal audit to track real-time usage of expenses.

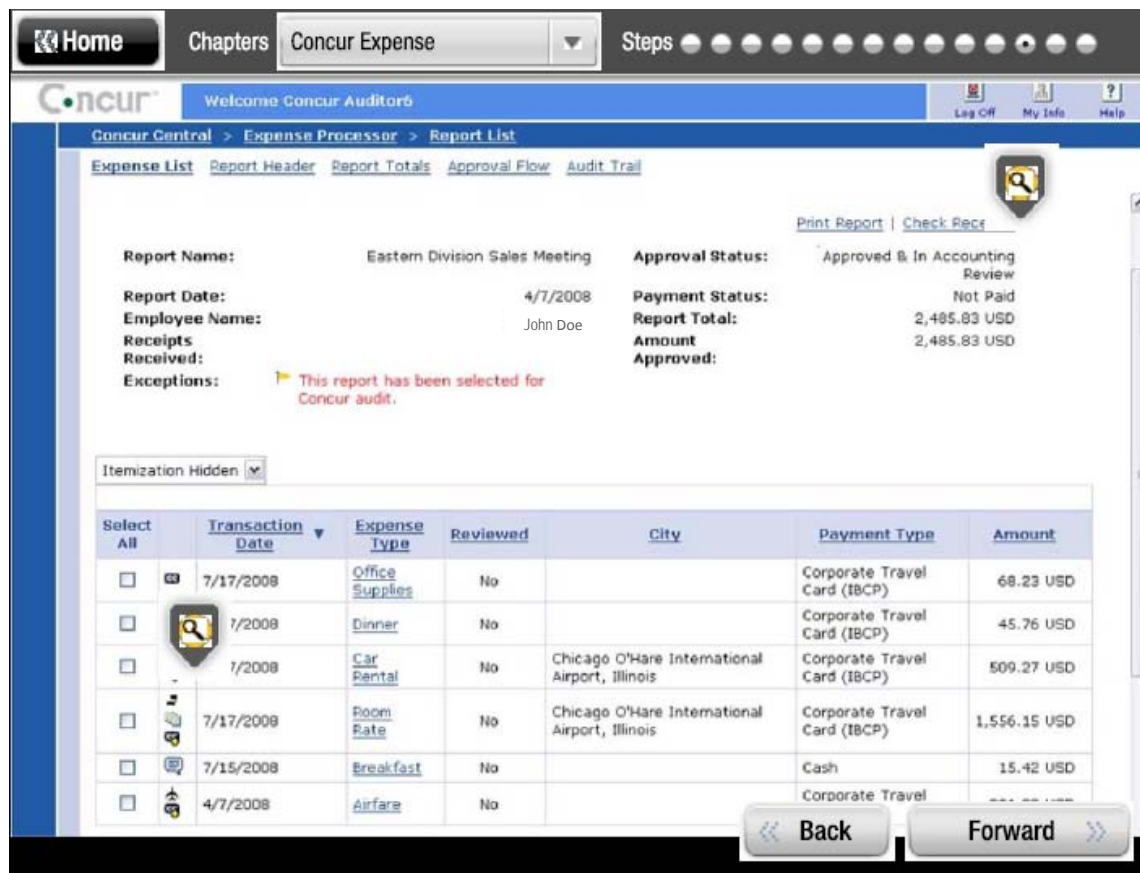


Figure 2: Concur screenshot

Payments

In the payments area, TBI needed to improve data integrity to obtain system reliability before ACL continuous monitoring could be implemented. This would avoid false positive detection due to incorrect purchase order payment terms being entered into the system. The Vendor Master File was inherited from the previous company and the system had never been properly locked down to restrict a system user from using a particular vendor. Rather, it only listed "do not use" next to the vendor name in the system, with no controls to actually prevent an employee from using that

vendor. The vendor review team examined the entire vendor list and approved a subset to be locked down by IT to archive dormant vendors (i.e. those not used within the past two years). Within a year, they brought the list down from approximately 100,000 to 12,000 vendors, and now the system requires a sign-off when a change is made to a vendor. The treasury and purchasing departments worked together to set up Automated Clearing House (ACH) to pay vendors automatically, as this process is more cost effective than issuing paper checks. ACH is an electronic funds transfer system governed by the NACHA Operating Rules, which provides for the interbank clearing of electronic payments.

Returned goods policy

When goods were returned from TBI, a credit was placed on the vendor’s books. There was no vendor notification and the company would only become aware of it if they inquired with the vendor. In response, Talecris now requires that shipping documents be filled out in entirety, sent to the warehouse and accounts payable, and recorded upon return by the accounts payable department. Internal audit also brought in a third-party cost recovery group to locate outstanding credits. This resulted in substantial cash recovery. Refer to the flow chart below for the process related to shipping documents.

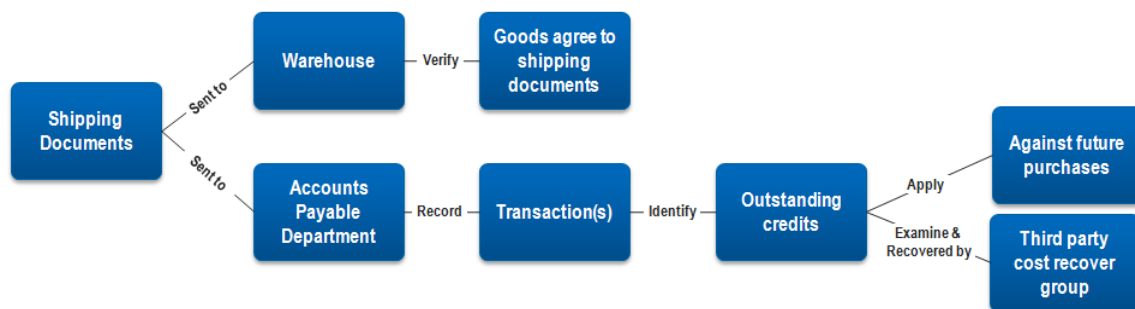


Figure 3: Shipping Documents Process

Identifying Control Weaknesses on the Donor Center Side

TPR’s accounts payable team identified key issues in: receiving, donor center controls, daily cash reports, purchase order management and purchasing.

Receiving

There were two key issues surrounding the receiving process. The first was the difficulty in capturing credits because no formal procedures existed relating to receiving goods. To gain better visibility, Supplier Relational Management (“SRM”), a web-based SAP component that facilitates requisitioning, was implemented. This did not affect controls testing since the underlying transactional data retained the same structure.

The second issue was that there was no centralized shipping or receiving point, so every center shipped/received its own goods; hence, there were no bills of lading and a three-way match could not be done. Controls on

manufacturing purchases were improving; however, those for services, which were the bulk of purchases, had not changed for the better. The company created service contracts as a record of the purchase by utilizing SRM, which also provided a web portal for receiving in order to accomplish a three-way match.

Donor center controls

In order to determine if donor center controls were properly functioning, Tourney ordered same-day sets of surprise audits for all donor centers, and identified many control weaknesses. Not one auditor was asked for identification or for the letter that was given to him/her by Tourney proving identity as an auditor; yet they were given the cash to count when requested. This revealed various issues, and many investigations were commenced based on the findings from these audits. The outcome of these audits has been to develop stronger internal controls. For example, all visitors must now be signed in, escorted throughout their entire visit, and not be given access to cash (emergency cash is kept on hand in a safe and at a local bank as a precaution in case ATMs are down).

One of the first steps towards tightening controls was to implement a new procedure to disburse money to donors at each center. Automated Teller Machines (ATMs) were installed at each location, and a secure, unique code is provided to each individual donor. To receive the cash disbursement, a donor receives a pin number that is entered into the ATM along with his/her date of birth. The ATMs also serve as theft deterrents as they limit employee access to cash at the donor centers, and additionally provides risk mitigation for the non-trivial cash reserves necessary for center operation. A Donor Management System (DMS) logs plasma donations, donors and manages the ATM payouts.

Daily cash reports

Daily cash reports were previously created in a spreadsheet, which could easily be manipulated or altered at the donor centers. Using Business Intelligence technology, it became possible to determine how much cash from the safe or ATM was being disbursed. Money is now collected from TPR by a third party who deposits the cash into the machine. The donor centers do not handle the cash for the ATM directly; they only control the cash in the safe that is kept for contingency payments. TPR tracks cash flow through the use of Business Intelligence. Internal audit tracks operations through daily scorecards implemented in ACL. Further details are provided in the "Working with Continuous Monitoring Technology" section.

Purchase order management

Due to the explosive growth in the number of donor centers, TPR had found it challenging to develop and maintain policies and controls. TPR employees made visits to centers on occasion; however, there was not enough manpower to accomplish this daily or even weekly. The previous company did not have a formal procurement system or means to purchase with credit card. Once the centers were monitored, the ratio of non-purchase orders to purchase orders was reduced from 80/20 to 40/60. This relatively high ratio was due to the nature of numerous immaterial (i.e., less than \$5,000) purchases/bills not being invoiced by the centers (e.g. lawn service, janitorial staff, sanitation, power,

etc.). Since donor center staff are not permitted access to core business systems, they are required to submit paper requisitions.

Purchasing

The purchasing transaction cycle was evaluated as a whole for the company, as opposed to separately for Talecris and TPR. Previously, the company reviewed annual spending and, if spending with one particular vendor was considered material, a contract would be drawn up with that vendor. The purchasing department, with the assistance of internal audit, developed their own internal processes by rewriting policies and developing measurements to achieve best practice. Seven corporate policies specific to procurement were developed, six procedures were written to enact those policies, and four department procedures were designed within the procurement group. These were formally designed to ensure that in the event of employee turnover, new hires could continue to follow the procedures and properly perform the job requirements.

Summary of Results

In early 2009, Talecris had 27 full time professionals and three temporary professionals in the procurement sector performing purchasing and administrative duties; four were dedicated to performing this function for TPR. Since Talecris also operates via two foreign affiliates, consistent policies were necessary to avoid potential complications.

The major challenges that Tourney's team and ACL continuous monitoring technology helped to overcome were: vendor master, credit cards, open purchase orders, buyer rotation, ethics and cost savings.

- Vendor Master: There were thousands of unused vendors in the system. In the first year of implementation, the list of approved vendors was reduced from 100,000 to 12,000. Segregation of duties now exists between departments, such as accounts payable and procurement. Different departments review the vendor database to ensure it is continually updated.
- The company inherited an undocumented, poorly understood credit card platform. Procurement cards were viewed as the alternate procurement method and requisitions were completed in the ERP system. The company began running spend reports, revising and documenting the policies, and locking down the spending by putting blocks in place to control where and how much spending occurred.
- Since production items were noted as "in receivables," the company could not easily determine when to close purchase orders, causing confusion with incorrect red flag indications. The IT group developed new tools in SAP that ran a count of open orders and then forced a close. Attention was then placed on ensuring purchase orders were entered into the system so they could be tracked. The procurement to payable process moved \$12 million from items that were not recorded via a purchase order to recorded purchase orders. This was done for transactions such as insurance fees, sales fleet car leases and other dealings that had not previously been recorded via purchase order.

- Buyer rotation was problematic because the company mainly conducted business with specialists. A teaming environment was developed, which includes cross company interaction and cross training.
- The purchasing department developed rules and procedures and distributed them to all vendors, as well as posting them on the internal website under "*Supplier Ethics*." New vendors are required to check off that they have read the procedures, and new vendor certification has been established to make suppliers aware of the required procedures. The Company has strict regulations governing the introduction of a new supplier relating to direct material purchases. To maximize cost savings, the procurement department is involved early in the process before the actual spending occurs.

Tourney and her team knew something had to be done for monitoring overall financial controls. With ACL continuous monitoring in place, the company initiated a remediation effort for the following cycles: Procurement to Pay, Payroll, Payroll, Capital and Fixed Assets. The financial controls group was responsible for the design of the controls, and a matrix management system was designed. Previously, the company did not have a central repository to maintain contracts. A platform was identified and a working group was formed to transition between groups and to develop a tracking mechanism. The financial controls group made plans going forward to better ensure controls were operating effectively and efficiently. This department has not yet utilized ACL's continuous monitoring technology to its fullest potential, however plans are being developed for the immediate future.

The first step set in motion was integrating ACL continuous monitoring and the current Business Intelligence system ("BI") to work collectively and check each other. BI, a component of SAP, is a reporting tool that pulls data from various feeder systems. The goal is to establish more controls, since it is reasonable to increase controls using automation; the inefficiency of manual controls did not permit such expansion. Document imaging is another must, because by scanning invoices into the system, the system itself is automatically able to conduct a three-way match. By executing those procedures, the department has the capability to conduct more analytical procedures and shift the focus to processing procedures.

Working with Continuous Monitoring Technology

The key element to strengthening Talecris' internal controls, from internal audit's perspective, was ACL's continuous monitoring technology. The software operates continuously, overseeing all transactions relating to a specific cycle. Upon opening the program (See Figure 4 below), the homepage displays a consolidated summary of the entire company, with the option of selecting an affiliate and viewing a report by entity.

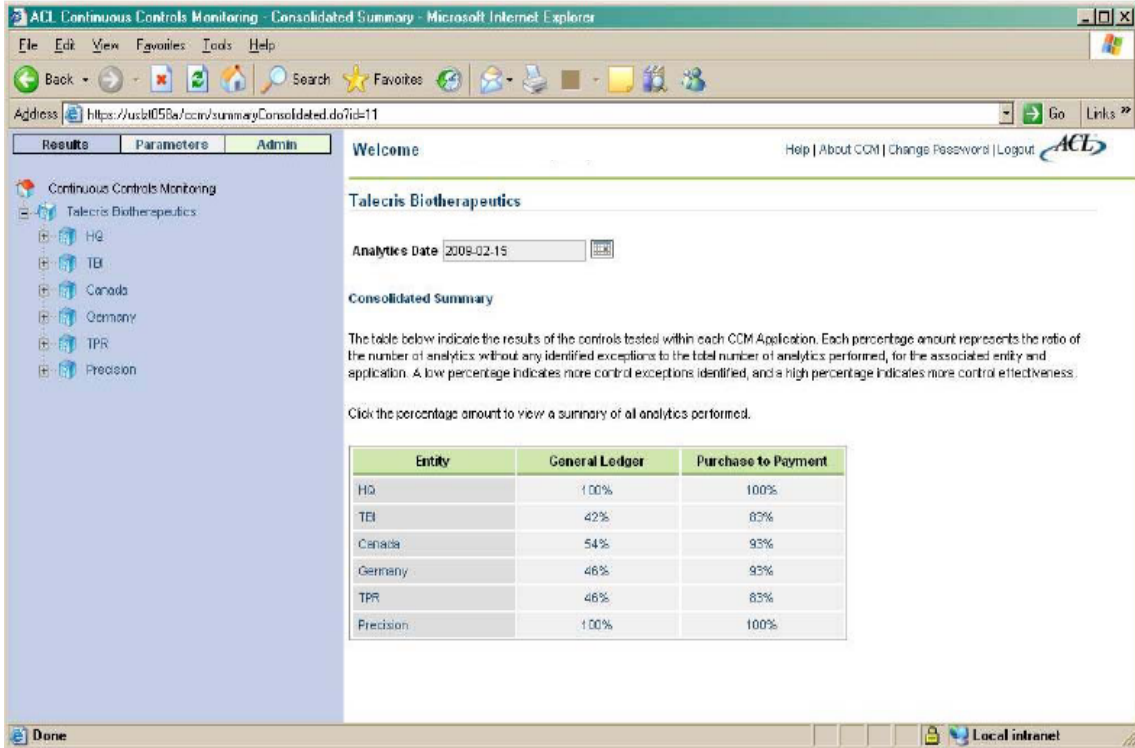


Figure 4: ACL Home Page Screen Shot

In the report area on the home page, a summary of analytics is listed by entity and area, with a percentage rating representing the amount of exceptions. For example, a "100%" rating indicates zero exceptions analytically. Details of that entity and area are available by clicking on the specific percentage. Note that a metric is flagged green if it is running fine and flagged red if numerous exceptions exist.

Within the purchase to payable cycle, the option to view a summary of exceptions is available. Refer to Figure 5 below for a screen shot of summary exceptions.

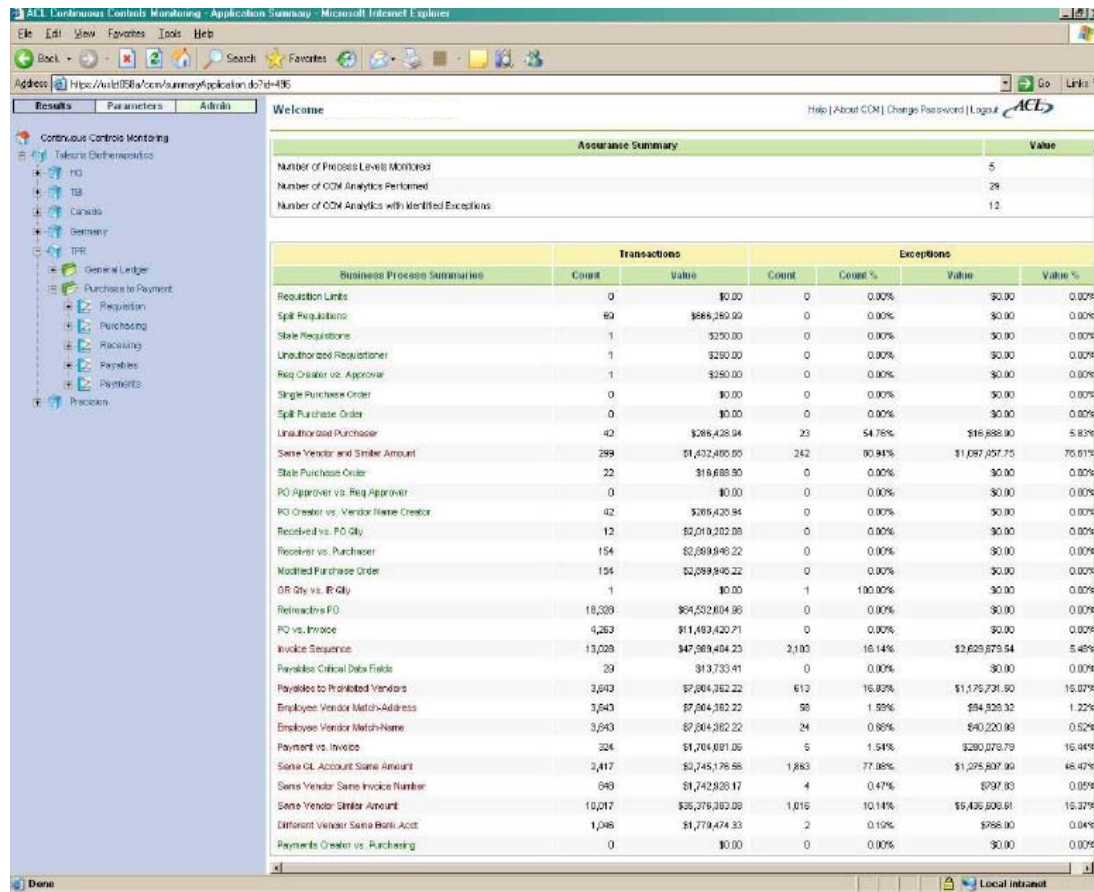


Figure 5: Summary Exceptions Screen Shot

Selecting each individual test presents a listing of exceptions. From there, each individual exception can be selected to view relevant details such as the dollar amount and the employee responsible for the exception. Refer below for a screen shot of an individual exception.

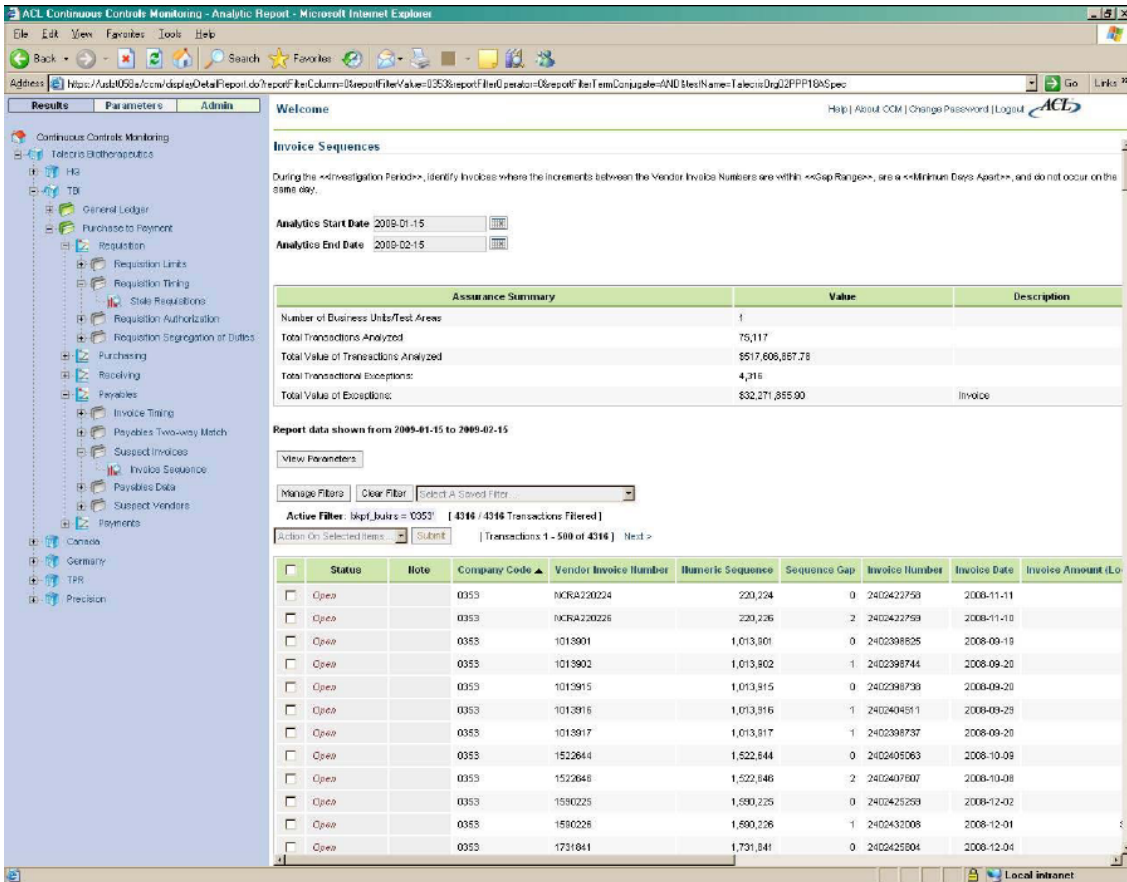


Figure 6: Individual Exception Screen Shot

A full list of the controls tests used is provided in Appendix A.

In addition to utilizing ACL software and analytics, Tourney and her team developed a “module” of their own. It leverages the donor payout data logged in DMS. They built a script in ACL that analyzes data and imports it into Excel. The company processes and reviews the data, presenting it on a six month roll forward schedule that determines high/moderate/low risk centers. From there, a consolidated scorecard is produced covering cash policies and procedures, cash management, and cash reporting. If a center is given a larger valued ranking, it is considered less risky. The following metrics are tracked:

- *buddy bonus by center* - if a donor brings in a buddy, the donor is eligible to receive additional funds
- *inconvenience fee by center* - if for some reason a center is unable to accept a donation, the person is given a payment just for coming in
- *incorrect payment made by the center* - actual payment vs. default payment
- *payments made by the center*
- *cash payments by the center*

Conclusion

Internal auditors are under increasing pressure to assure organizations that they are effectively evaluating risk management, control, and governance processes. Even with tight budget constraints and limited staff resources, internal audit is facing greater expectations for performance than ever before, through demands for increased productivity and production of tangible, value-added contributions to the organization.

ACL continuous monitoring technology addresses the control gaps that often exist within ERPs and BI reporting systems. While ERP and BI systems may have certain capabilities to prevent fraud and errors from occurring, most auditors find that they are not sufficient to effectively trap the typical problem transactions that occur. Talecris has benefited from ACL's specialized technology which is based on many years of experience of knowing where these control gaps exist and how to identify specific instances of financial leakage.

One of the greatest advantages of continuous auditing and monitoring is its independence from the underlying operational and financial systems. It runs independent of ERPs and BI systems. It is designed to find transactional anomalies and to identify breaches in controls so you can protect the integrity of your business. Unlike BI tools, continuous monitoring technology provides granular and individual transactional detail information, which enables identification of fraud, error and abuse. And once it is configured, it can run autonomously.

In the Talecris project, managers and business process owners were involved in the creation of controls tests, so they could clearly identify what needed to be reviewed. ACL created all of the required documents and the company consulted with an outside IT provider on integrating ACL continuous monitoring with SAP. Currently, a direct link exists between SAP and ACL and an ad hoc basis was utilized to test parameters for filtering. A security log is maintained so the administrators of the tests can identify who logs into the system.

The company's overall goal was to monitor controls and have the business process owners oversee them. The company intends to next implement each of the other five business process areas, focusing on one at a time. With internal audit's leadership and initiatives, TBI and TPR have already shown substantial improvement in the effectiveness of internal controls. Controls are continuously monitored and reviewed, addressing any and all exceptions. The company has the utmost confidence in internal audit and is assured that they are operating efficiently and effectively with regards to controls.

Tutorial Questions

1. What are the major motivations of a company to move towards a controls monitoring initiative?
2. What steps should a company take in their process to decide on whether to acquire a continuous monitoring technology solution?
3. In what areas must internal audit and management work together in the implementation of a continuous monitoring program?
4. In reviewing the case list in descending order, what were the five major control / process problems that were found before internal audit intervened?

Appendix A

The controls tests were as follows:

- i. Requisition
 - 1. Requisition Limits
 - 2. Split requisitions
 - 3. Stale requisitions
 - 4. Unauthorized requisitions
 - 5. Requisition creator vs. approver
- ii. Purchasing
 - 1. Single PO
 - 2. Split PO
 - 3. Unauthorized purchase
 - 4. Same vendor similar amount
 - 5. Stale PO
 - 6. PO approver vs. requisition approver
 - 7. PO creator vs. vendor name creator
- iii. Receiving
 - 1. Received vs. PO quantity
 - 2. Receiver vs. purchaser
 - 3. Modified PO
 - 4. Goods received quantity vs. identified goods quantity
- iv. Payables
 - 1. Retroactive PO
 - 2. PO vs. invoice
 - 3. Invoice sequence
 - 4. Payables critical data fields
 - 5. Payables to prohibited vendors
 - 6. Employee vendor match based on address
 - 7. Employee vendor match based on name
- v. Payments
 - 1. Payment vs. invoice
 - 2. Same GL account same amount summary
 - 3. Same vendor same invoice number
 - 4. Same vendor similar amount
 - 5. Different vendor same bank account summary
 - 6. Payments creator vs. purchasing summary