



## Automating SOX

# Transforming SAP Compliance with Continuous Controls Monitoring

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# Introduction

Since its enactment in 2002, the Sarbanes-Oxley Act has been a cornerstone of corporate governance, financial transparency, and investor protection in the United States. However, complying with SOX requirements can be daunting for companies, especially as regulatory scrutiny intensifies and the business landscape evolves.

Traditionally, organizations have relied heavily on manual processes to ensure SAP compliance with SOX regulations. These manual efforts often involve labor-intensive tasks such as documentation, testing, and reporting, which can be time-consuming, error-prone, and resource-intensive. Moreover, manual processes may struggle to keep pace with the requirements of today's dynamic business environment, leaving companies vulnerable to compliance risks and inefficiencies.

For organizations to maintain a strong compliance posture, it's more critical than ever to move beyond outdated manual processes and embrace advanced controls technology solutions. Continuous Controls Monitoring (CCM) enables organizations to monitor their SAP internal controls continuously, detect potential issues in real-time, and take proactive measures to mitigate risks. By automating routine tasks and providing real-time insights into controls effectiveness, CCM empowers companies to strengthen their compliance posture, enhance operational efficiency, and drive sustainable business growth.

In this eBook, we will explore the challenges posed by manual SOX compliance and understand how CCM can drive efficient and cost-effective compliance practices by harnessing the power of automation.

# SOX Compliance: Understanding the Challenges

Controllers and Directors of Internal Audit in companies are well aware of the complex demands and resource requirements of SOX audits. Compliance with regulations is of utmost importance, but relying solely on manual processes for audit preparation can put a lot of pressure on your team, increase the chances of errors, and result in unexpectedly high costs.



Let's delve into the realities of manual SOX audit preparation:



Despite the dedication and proficiency of team members, managing controls documentation within spreadsheets becomes a cumbersome endeavor. From navigating intricate controls mapping to wrestling with cross-system data integration, it's a process susceptible to errors compounded by version control complexities. The cumulative hours spent navigating these challenges in spreadsheets culminate in exhaustion and frustration for the team.



Manually extracting transactional data, system configurations, and user access reports introduces bottlenecks and potential security vulnerabilities. Your team expends vital resources on collating this information, diverting attention away from critical analysis and remediation endeavors.



Without a structured workflow, securing timely approvals and gathering evidence of controls execution often necessitate repeated follow-ups. Email threads become convoluted, responses slip through the cracks, and pivotal review opportunities pass without resolution.



While the direct labor costs associated with manual SOX processes are readily apparent, other burdens loom. Inefficient preparation amplifies scrutiny from external auditors, leading to protracted project timelines and inflated invoices. Moreover, the risk of errors and undetected non-compliance escalates alongside employee burnout, underscoring the imperative for streamlined processes.

# What is Continuous Controls Monitoring?

Continuous Controls Monitoring (CCM) represents a dynamic and proactive approach to control oversight. In this modern paradigm, real-time or near-real-time automated tools are employed to monitor and assess controls as transactions or activities occur within an organization.

Unlike the periodic nature of traditional monitoring, continuous controls monitoring ensures ongoing scrutiny, utilizing technology, analytics, and algorithms to swiftly analyze large volumes of data. This immediate and automated detection of anomalies or issues allows prompt intervention and risk mitigation.

Continuous monitoring seamlessly integrates into daily business operations, becoming an integral part of the organization's compliance and risk management strategy. The efficiency and responsiveness inherent in continuous controls monitoring distinguish it from traditional methods, offering a more adaptive and effective means of maintaining the security and integrity of organizational processes.

CCM can play a pivotal role in automating SOX compliance by leveraging technology to streamline and enhance key compliance activities.



# Automating SOX with CCM

The transition to a CCM solution isn't merely implementing technology; it's transforming your entire SOX approach. It equips your team with tools that streamline their work, provide proactive insights into your organization's control environment, and ensure you approach every audit with greater confidence and less anxiety. An automated CCM solution provides:

## Real-Time Monitoring

CCM platforms continuously monitor internal controls, financial transactions, and system activities in real time. This proactive approach enables organizations to promptly detect anomalies, errors, or deviations from established controls, allowing for timely intervention and remediation.

## Automated Transaction Monitoring

CCM automates the process of identifying potentially risky transactions by applying predefined rules to analyze transactional data and system activities. This approach focuses on the transactions, leveraging controls to assess whether they fall outside expected parameters. CCM replaces manual review processes, which can be slow and error-prone, with automated workflows that efficiently and consistently monitor transactions for anomalies.

## Data Integration and Analysis

CCM solutions integrate with various financial systems, databases, and applications to collect and consolidate relevant data for compliance purposes. By automating data aggregation and analysis, CCM enhances the accuracy and completeness of compliance assessments, enabling organizations to identify trends, patterns, and potential risks more effectively.

## Workflow Automation

CCM streamlines compliance workflows by automating tasks such as control documentation, evidence collection, and issue resolution. This reduces the administrative burden on compliance teams, accelerates the compliance process, and ensures that deadlines are met in a timely manner.

## Alerts and Notifications

CCM systems generate alerts and notifications to notify stakeholders of control failures, exceptions, or potential compliance issues. These alerts can be configured to trigger based on predefined thresholds or rules, allowing organizations to proactively address emerging risks and prevent compliance breaches.

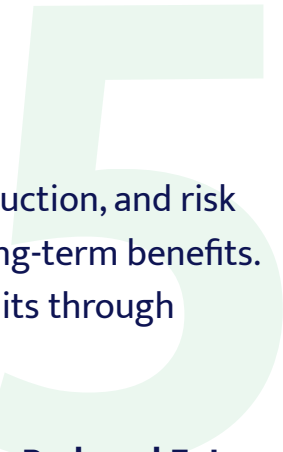
## Audit Trail Documentation

CCM systems maintain detailed audit trails of compliance activities, including transaction testing, issue resolution, and approval workflows. This automatic documentation ensures transparency and accountability in the compliance process, facilitating audits and regulatory inspections.

## Continuous Improvement

CCM facilitates continuous improvement in SOX compliance by providing actionable insights and analytics on control effectiveness, compliance trends, and process efficiencies. Organizations can use this data to identify areas for optimization, refine control frameworks, and enhance overall compliance posture over time.

# Justifying the Investment: A Cost/Benefit Exercise



CCM is an investment in process efficiency, error reduction, and risk mitigation, potentially delivering both short- and long-term benefits. It drives direct and indirect cost savings for SOX audits through several key mechanisms:

## **Efficiency Gains**

CCM automates repetitive tasks such as data collection, transaction testing, and documentation, reducing the time and effort required to complete these activities. By streamlining processes and eliminating manual interventions, CCM enhances audit efficiency and productivity, enabling audit teams to focus their efforts on higher-value tasks.

## **Resource Optimization**

With CCM, organizations can allocate resources more effectively by leveraging technology to perform routine audit procedures. This allows audit teams to reallocate human resources to tasks that require specialized expertise or strategic analysis, maximizing the value derived from audit engagements.

## **Minimized Remediation Costs**

CCM enables organizations to identify control deficiencies and compliance issues in real time, allowing for timely remediation and mitigation efforts. By addressing issues promptly, organizations can prevent compliance problems from escalating and avoid costly remediation activities that may be necessary if issues are left unaddressed for an extended period.

## **Reduced External Audit Fees**

CCM enhances the effectiveness of internal controls and reduces the likelihood of control deficiencies or material misstatements in financial reporting. As a result, external auditors may spend less time and effort on audit procedures, leading to lower audit fees for the organization.

## **Decreased Compliance Risks**

By automating transaction monitoring and testing, CCM enhances the accuracy and effectiveness of compliance activities, reducing the risk of non-compliance with SOX requirements. This, in turn, mitigates the potential financial and reputational risks associated with compliance breaches, avoiding the costs associated with regulatory penalties, fines, litigation, and damage to brand reputation.

## **Improved Audit Preparedness**

CCM helps organizations maintain up-to-date documentation, evidence, and audit trails of compliance activities, facilitating smoother and more efficient audit processes. By proactively managing compliance requirements and maintaining audit readiness, organizations can reduce the time and effort required to respond to audit requests and inquiries, resulting in cost savings associated with audit preparation and coordination.

# Automate your Audit with Pathlock CCM

Pathlock Continuous Controls Monitoring is a revolutionary product that automates key compliance tasks, streamlining the process and improving compliance efficiency and accuracy while reducing workload strain on team members.

The key differentiator for Pathlock's CCM is the ability to monitor 100% of transactions and quantify the financial impacts of control violations that have a financial focus, such as invoicing, payments, and treasury. Other IGA vendors simply can't do this.

## Proactive Issue Resolution

In the dynamic landscape of SAP environments, the ability to address issues proactively is paramount. Pathlock CCM facilitates the early detection and resolution of control issues in real time, preventing potential disruptions and optimizing the performance of SAP systems. This proactive stance minimizes the impact on operations and enhances overall efficiency.

## Efficient Resource Utilization

Pathlock CCM automates the monitoring process in SAP environments, reducing the manual effort required for periodic audits. This efficiency allows organizations to optimize resources, freeing them up for more strategic tasks and initiatives.

## Change Management and System Updates

SAP systems undergo changes, updates, and patches to stay current. Continuous monitoring ensures that controls remain effective after such modifications, reducing the risk of vulnerabilities introduced during system updates. This proactive approach enhances the overall security posture of SAP environments.

## Audit Efficiency

Continuous monitoring provides auditors with up-to-date information on control effectiveness, streamlining the audit process. By reducing the need for extensive manual sampling, CCM offers a more accurate representation of the SAP system's security posture, making audits more efficient and insightful.

## Data Integrity

Maintaining data integrity within SAP systems is paramount for informed decision-making. CCM helps to promptly identify and address data anomalies or inconsistencies, contributing to the accuracy and reliability of information stored in SAP.



# Quantification of Risk with Pathlock CCM

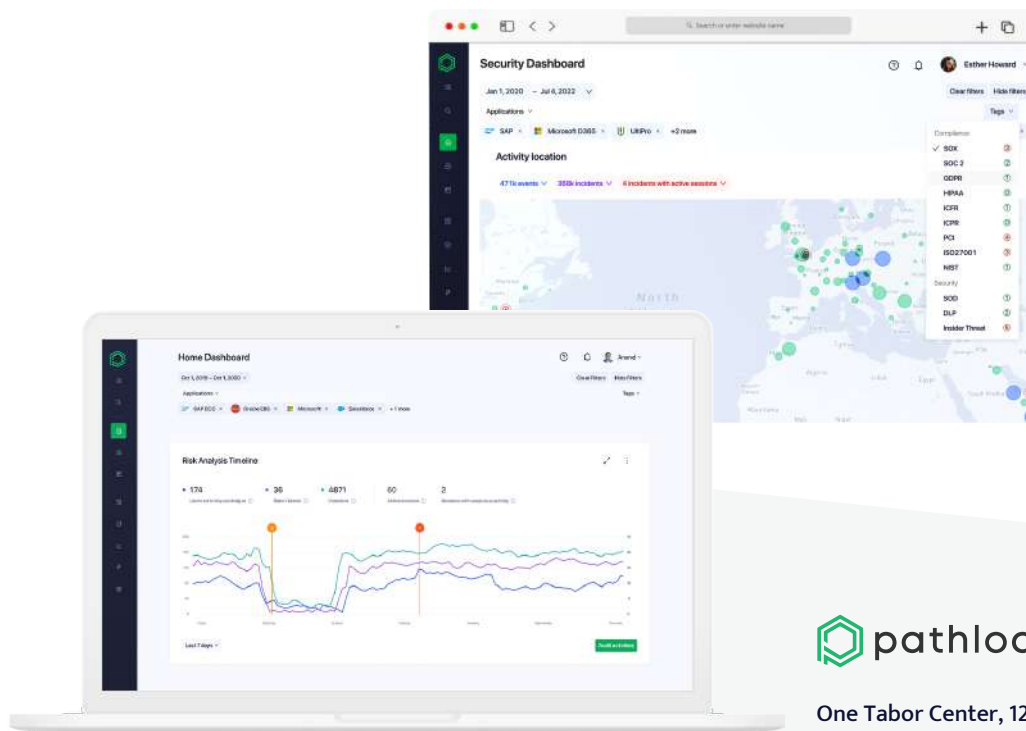
In addition to the features mentioned above, Pathlock CCM offers a unique financial perspective on risks within your SAP applications. Pathlock's ability to translate risks into concrete dollar values can act as a catalyst for cultural change within your organization. By bringing everyone together under the banner of data-driven risk management, organizations can foster a culture of transparency, accountability, and proactive risk mitigation. This shift in perspective empowers everyone – from the boardroom to the shop floor – to play an active role in safeguarding your SAP environment.

In today's dynamic compliance and risk landscape, organizations must be prepared to continuously evolve their controls monitoring strategies in line with technological advancements, shifting risk profiles, and upcoming compliance regulations. Pathlock is committed to partnering with you on this journey, providing ongoing innovation and support to keep you ahead of the curve.

# About Pathlock Cloud

The Pathlock Cloud platform protects the leading ERP systems and enterprise business applications and the critical transactions they power. Our application governance solutions help companies enforce GRC controls and take action to prevent loss. Enterprises can manage all aspects of application governance in a single platform, including user provisioning and temporary elevation, ongoing user access reviews, control testing, transaction monitoring, and audit preparation.

For more information, visit [pathlock.com](https://pathlock.com)  
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