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# Harnessing Oracle Governance, Risk, and Compliance Applications to Improve Your PeopleSoft 9.1 Upgrade

## Introduction

Upgrading to Oracle PeopleSoft Release 9.1 is much more than a technical activity; it raises a myriad of business questions that organizations must carefully evaluate. Historically, risk and control considerations have been overlooked during ERP upgrades in the name of implementation speed, efficiency, and resource constraints. However, new regulatory demands, more stringent investor scrutiny, and the increasing opportunity for fraud in a frail global economy are raising the stakes for organizations to focus on the importance of control when upgrading their ERP systems.

The good news is that getting controls “right” during an upgrade is less expensive than retrofitting controls after the upgrade is complete. Going live before appropriate internal controls are in place will not only decrease business performance, it gives rise to unnecessary costs because of the need to subsequently go back and correct the ERP system. It may also cause the organization to report significant control deficiencies, lose the confidence of critical stakeholders, and leave itself vulnerable to fraud and wastage.

This white paper highlights several areas where the opportunities to take advantage of substantial enhancements in PeopleSoft Release 9.1 may also lead to significant risks when effective change management and control procedures are not properly applied. The paper describes optimal points to incorporate risk and control considerations before, during, and after an upgrade; and explains how the Oracle Governance, Risk, and Compliance (GRC) applications suite may be leveraged to streamline the upgrade process itself, while building an enterprise GRC platform that helps realize operating efficiencies, transparency, and sustainable compliance and risk management well into the future.

## New Opportunities, New Risks

Oracle PeopleSoft Release 9.1 delivers significant functional enhancements across Financials, Human Resources, Supply Chain, Procurement, and Projects. This latest release was developed based on customer feedback, industry best practices and analyst research. The broad range of new features and solutions it offers introduces important changes for current PeopleSoft Suite customers to consider.

One essential upgrade planning activity is determining which business processes and controls to keep and which to change. Certain business processes should be kept intact to ensure continued compliance and performance, while others will inevitably change to address the evolving needs of the business. The effects of these changes can also reach far beyond the PeopleSoft Suite, to affect other application systems and activities that are currently performed manually. If not anticipated and managed, change can come at considerable cost and risk. The most significant risks to the upgrade are:

- Unmanaged changes that hold up the upgrade process
- Unnoticed and unwanted changes that cause costly deficiencies

## Dramatically Improve the Period Close

Let's take Oracle's PeopleSoft Financial Management as an example. Some of the key features introduced in PeopleSoft Financial Management Release 9.1 include:

- **Increased Processing Flexibility in Allocations:** In PeopleSoft General Ledger 9.1, allocations provide customers with greater configuration flexibility, maintenance and processing efficiency, and allocation methodology control. To provide the ability to refine criteria, Release 9.1 delivers the flexibility of using exclusion logic for the pool and basis, thus reducing the need for multiple steps. In order to support internal as well as external compliance requirements, the release also supports effective-dating of the allocation group, which allows companies to track the historical basis of the financial data that results from allocation processing in the ledger
- **Incremental Consolidation Processing:** In PeopleSoft General Ledger 9.1, consolidations have been enhanced to provide incremental processing of entities, thereby reducing processing time during the critical period-end close. Customers can consolidate each node on the hierarchy and store the results.

- **Real-Time General Ledger to Subsystem Reconciliation:** Reconciling the ledger to subledgers is a control and audit requirement for all organizations as part of regular financial processing. In PeopleSoft General Ledger 9.1, the subsystem reconciliation function supports a more efficient, online and automated balancing of the ledger to Payables and Receivables control accounts. The subsystem reconciliation process enables incremental updates from the feeder systems, reducing the volume of data for more efficient processing.
- **Automate Accruals Processing for Liabilities:** Creating accrual accounting entries is a critical part of period closing to properly reflect the activity in the financial results. PeopleSoft Financial Management 9.1 automatically accrues expense reports and cash advances that have not been fully processed in PeopleSoft Expenses. Automatic accrual of payables invoices that have not been fully processed will also be automatically accrued and the reversals properly applied within PeopleSoft Payables.

While improved support for the critical period close process offers the opportunity for unprecedented operational efficiency, these significant changes also introduce the risk of unanticipated, unwanted, and unnoticed effects. For example, PeopleSoft Financial Management modules that share critical application setups may be inadvertently affected when the upgrade occurs. Keeping track of these changes is imperative, yet nearly impossible to do without the aid of automation and stringent documentation.

### Maximize Cash and Reduce Liabilities

More than ever organizations are trying to balance effectively managing cash and liabilities while simultaneously supporting new business opportunities. While extending credit to your customers helps boost sales, it also increases your cost of working capital and financial risk, especially in challenging economic times. With PeopleSoft Financial Management 9.1, many enhancements focus on maximizing cash from financial operations by reducing liabilities.

- **Centralized Management of Credit and Collections:** Customers face several challenges in managing their credit and collections process that include high administrative costs and quick access to relevant data. In Release 9.1 of PeopleSoft Receivables, the Credit and Collections Workbench provides a central point for receivables users to review action items, to analyze customer information, and to perform appropriate actions. By incorporating the existing receivables data into a centralized workbench, customers can leverage receivables functionality to increase the efficiency of their collections.

- **Improve Day Sales Outstanding with Direct Debits Prenotes:** Companies incur charges due to incorrect account information in a direct debit payment. They need to reduce these charges and improve day sales outstanding. Confirming the account information prior to making an actual payment reduces the administrative costs associated with resolving direct debit account errors and associated bank charges. PeopleSoft Receivables 9.1 provides the option to prenote direct debits which enables users to confirm the account information prior to making a payment.
- **Offer Automated Discounts with Dynamic Discounting:** Organizations continue to look for ways to increase their working capital and improve their bottom line, and one area they've focused on is recognizing discounts on liabilities. Suppliers are now making this even more attractive by offering more discounts for early payments. PeopleSoft eSettlements 9.1 delivers Dynamic Discounting which enables suppliers to offer automated discounts for buyers who elect to pay their invoices early. Dynamic Discounting is designed to provide a more flexible discount concept than is traditionally used by most companies.
- **Improved Book to Bank Reconciliation:** Reconciliation is critical to an organization's compliance and control structure. Customers need to reconcile the ledger balances to bank account balances. The current Book-to-Bank Reconciliation functionality integrates with General Ledger, Payables, Receivables, and Treasury. In PeopleSoft Cash Management 9.1, the Book-to-Bank Reconciliation functionality includes transactions from PeopleSoft Expenses through PeopleSoft Payables.

While these features open up new opportunities, it's essential to balance performance with control. Improper configurations can affect the integrity of an organization's data and lead to extensive financial error, misstatement, and exposure to fraud. Transparency and sustained compliance shouldn't be compromised by the changes inherent to the upgrade process.

## Increased Control with Transaction Level Security

A similar mix of opportunity and risk is introduced through advances in user access to financial data. Organizations want to control access to financial data at a more granular level. Currently, the PeopleSoft architecture provides a robust security infrastructure allowing customers to manage access to specific menus, components, and pages throughout the enterprise solution. It is complemented by an application security layer that further allows customers to manage access to specific control data such as business unit, paycycle, project, asset book, and others within the applications. In Release 9.1, ChartField Security has been added, a framework that allows customers to control access for up to two ChartFields for specific high-exposure entry functions and most inquiry functions. Customers can use the power within PeopleSoft tree nodes and ranges, permission lists, and roles to configure ChartField security rules. The enhanced ChartField security supports these sample entry functions: purchasing entry, voucher entry, and journal entry.

Adoption of this new access framework, if not effectively managed, can lead to inappropriate user privileges and segregation of duties conflicts, increasing the risk of security, policy violations, error and fraud. Unless these changes are properly managed, the enterprise increases its exposure to operational risk.

In the following sections, we'll review specific recommendations for when and how to leverage the Oracle Governance, Risk, and Compliance (GRC) applications suite to help fully realize the benefits of an upgrade to PeopleSoft Release 9.1, while intelligently minimizing the risks.

## When to Consider Risks and Controls in Your Upgrade

Organizations seeking to “design in” controls as part of an ERP upgrade should proactively identify risks at both the entity and business-process level, and evaluate controls that will mitigate those risks. Organizations that wait for control issues to surface during the upgrade could experience distraction and delays in the upgrade timeline. The methods used to identify risks and controls, and the results found, often depend on the organization’s GRC maturity. Risks and controls might be managed enterprise-wide and interdependently in a mature organization, while others might have a more ad-hoc or fragmented approach. Regardless, steps can be taken to minimize disruptions during the upgrade and ensure that business processes are protected over the long term, well after the upgrade.

The suggested tasks before an upgrade are:

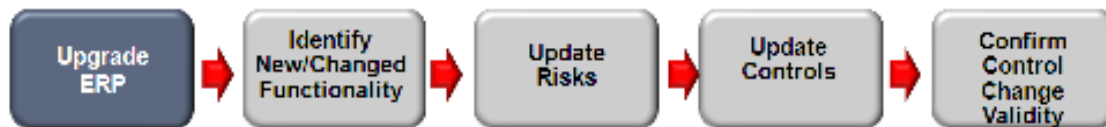
- Assess the organization’s operational, financial and compliance requirements.
- Identify the risks associated with each requirement.
- Evaluate existing or new controls to mitigate those risks. Controls can consist of automation, manual activities, or a combination of the two.
- Activate controls.

### **Before Upgrade**



During the upgrade, organizations can then focus on preserving existing controls and introducing new ones when warranted by changes in functionality, business processes, or compliance requirements.

### **During Upgrade**



One decision that organizations must assess is whether to identify risks and execute controls in their current PeopleSoft 8.x environment. The primary advantage of this approach is that it allows organizations to establish a baseline of proper risk and control management first. For example, they can begin to ensure that segregation of duties violations are identified and corrected in their PeopleSoft 8.x environment. Then when it is time to upgrade to Release 9.1, the organization can concentrate only on the changes introduced by the upgrade, resulting in an upgrade project that is faster and more focused.

Another option is to identify risks and execute controls against the backdrop of the Release 9.1 upgrade. Firms would assess their existing environment, look at their internal controls, identify known deficiencies, and compare this against the expected capabilities in Release 9.1. The primary advantage of this approach is that it allows organizations to look at controls holistically as a portfolio, to better align and link control specifications to current business procedures and application configurations in PeopleSoft Release 9.1.

Regardless of the approach taken, the process of creating, reviewing and revising controls helps prepare organizations for post-upgrade operation. Efficient and sustainable business processes that are protected by ongoing monitoring will support your organization over the long run.

## How the Oracle GRC Applications Suite Helps

Oracle provides an enterprise GRC platform for managing the changes to business processes and controls that are inherent in a PeopleSoft upgrade. The platform integrates documentation and process management, automated controls enforcement, and business intelligence to provide comprehensive capabilities for compliance and risk management requirements. By leveraging the Oracle GRC applications suite, organizations can ensure sustainable compliance, sound business processes, and protected information in post-upgrade operations. The Oracle GRC applications suite includes the following modules:

- **Oracle Enterprise GRC Manager (EGRCM)** provides the shared foundation and tools needed for enterprise-wide management of GRC programs and reduces overlapping and redundant policies, processes, risks, and controls.
- **Oracle GRC Intelligence (GRCI)** empowers organizations to stay on top of critical risk management activities. It offers visibility into an organization's upgrade readiness and risk responsiveness by providing risk, control and performance analytics and dashboards.
- **Oracle Enterprise GRC Controls (EGRCC)** continuously monitors, enforces and optimizes processes to prevent prohibited or suspicious activities. By monitoring critical setups and user access, it ensures adherence to company policy by identifying control breaches as soon as possible. There are several control governors that comprise EGRCC:
  - **Oracle Application Access Controls Governor (AACG)** - Provides real-time monitoring and preventive enforcement of crucial access policies. The system anticipates potential segregation of duty (SOD) conflicts before they arise and prevents the assignment of roles or responsibilities within an application that would compromise proper SOD policies.
  - **Oracle Enterprise Transaction Controls Governor (ETCG)** - Continuously monitors transactions to detect suspicious transactions and redundant business practices. During upgrades, companies will undertake changes in policies and controls, leaving them vulnerable to waste and fraud. ETCG spots anomalies in everyday transactions, thereby reducing cash leakage, and avoiding fraud and costly remediation.

- **Oracle Configuration Controls Governor (CCG)** - Controls and tracks changes to key application setup and master data to facilitate change management without burdening core business operations. The solution records designated setup values, permitting quick examination and evaluation of new values and comparison of values from different releases, points in time or environments. It also performs continuous monitoring once the upgrade is done to ensure ongoing configuration integrity.

The following tables summarize how organizations can potentially leverage the Oracle GRC applications suite before, during and after the upgrade.

**TABLE 1. BEFORE THE UPGRADE**

	<b>AACG</b> User Access	<b>CCG</b> Settings & Master Data	<b>ETCG</b> Transactions	<b>EGRM/GRCI</b> Compliance & Risk Mgmt.
Identify compliance and GRC requirements				●
Define and identify risks				●
Identify controls that address risks	●	●	●	●
Create baseline for automated controls	●	●		●
Execute on compliance requirements	●	●	●	●

**TABLE 2. DURING THE UPGRADE**

	<b>AACG</b> User Access	<b>CCG</b> Settings & Master Data	<b>ETCG</b> Transactions	<b>EGRM/GRCI</b> Compliance & Risk Mgmt.
Consider impact of new functionality	●	●	●	●
Identify controls that will change	●	●	●	●
Update "false positive" segregation of duties rules, global vs. rule-specific conditions	●			●
Confirm configurable controls		●		●

**TABLE 3. AFTER THE UPGRADE**

	<b>AACG</b> User Access	<b>CCG</b> Settings & Master Data	<b>ETCG</b> Transactions	<b>EGRM/GRCI</b> Compliance & Risk Mgmt.
Gather audit evidence to demonstrate that controls have not been negatively impacted	●	●	●	●
Document changes to functionality, controls, risks	●	●		●
Establish new baseline for automated controls		●	●	●
Create “before” and “after” listings of changed configurations		●		●

## Conclusion

Oracle PeopleSoft Release 9.1 delivers new functionality with significant value for every line of business owner across the enterprise. To achieve the desired return on investment from a PeopleSoft Release 9.1 upgrade, organizations must effectively manage the business process and control changes introduced by the upgrade. Organizations must also integrate and optimize controls within re-designed business processes to realize operating efficiencies, reductions in cost, and effective risk mitigation. The Oracle Governance, Risk, and Compliance applications suite can prevent costly deficiencies and rework while helping to sustain a sound business platform for the future. Superior results can be achieved when the Oracle GRC applications suite is used before the upgrade to identify risks and automate controls. During the upgrade, the Oracle GRC applications suite accelerates and ensures the identification of critical system changes, allowing you to specify and modify controls in response to those changes. Continued use of the Oracle GRC applications suite embeds deep-seated controls within PeopleSoft Release 9.1 so business processes are kept intact and optimized long after the upgrade project is complete.



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Authors: Barry Greenhut, Jan Wentzel

Contributing Authors: Stéphanie Maziol, Annette  
Melatti

Oracle Corporation  
World Headquarters  
500 Oracle Parkway  
Redwood Shores, CA 94065  
U.S.A.

Worldwide Inquiries:  
Phone: +1.650.506.7000  
Fax: +1.650.506.7200  
oracle.com



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