

# Sharp Electronics'

## Transparent, Centralized, and Standardized Internal Controls Framework

### Improving Documentation Processes and Data Sharing for Internal *and* External Auditors

by Lauren Bonneau, Managing Editor

The finance organization at Sharp Electronics Corporation had two major goals in the area of internal controls: Centralize its documentation, and standardize its controls and processes. The Internal Controls group sought to reduce its overall number of controls, the costs from external audit fees, its management assessment cycles, and its internal audit testing cycles — freeing up business users to concentrate on their core responsibilities.

Wyatt MacManus, Senior Manager of Process Management and Business Controls, Internal Controls Group, Sharp Electronics

— who serves as a business liaison between the company's finance and IT departments — led an initiative to improve the company's internal controls framework and documentation, management assessment procedures, and internal audit testing.

The company implemented SAP BusinessObjects Process Control and has been using it for two years — for documentation only in the first year, and as a fully operational application in the second year. "Overall, our experience using SAP BusinessObjects Process Control in our comprehensive internal controls environment has been extremely positive," says MacManus. "We've already seen between a 15% and 20% cost reduction from year one to year two."

For Sharp Electronics, the system guarantees that the company's control documentation is retained and available for audit. "At a higher level, the oversight in the internal controls lets us monitor our entire landscape," he says. "We can very quickly create a comprehensive report of all of our controls to identify issues and see where we should focus our remediation efforts as needed."

#### The Search for a Process Control Solution: 5 Key Factors

When it came time to select a tool for its internal controls framework, the Internal Controls group at Sharp Electronics performed a market assessment and built a matrix of its basic requirements:

- 1 A central repository for all process narratives and related controls
- 2 A structured, manageable controls hierarchy with organizational roll-up and assignment of responsible parties
- 3 Process documentation for management assessment
- 4 Process documentation for internal audit testing
- 5 Integration with both the core SAP ERP 5.0 system and key non-SAP financial systems for consolidations and reporting

After a standard ROI estimation analysis of the top two tools, the company selected SAP BusinessObjects Process Control. "Our vice president of finance follows a best-of-breed philosophy," says MacManus. "The fact that we're nearly 95% an SAP shop doesn't necessarily mean we're going to select SAP software. However, in this case, the suite of SAP BusinessObjects GRC solutions — and SAP BusinessObjects Process Control in particular — is the best of breed."

#### Moving to Automated Process Control Software

A major factor driving the company's decision to implement SAP BusinessObjects Process Control was Japan's enactment of the J-SOX legislation, which is based on the US's Sarbanes-Oxley Act (SOX).

While the new legislation did expedite the project, the company was moving in the direction of a governance, risk, and compliance (GRC) solution anyway — due to pressure from its parent company and the subsidiary's new vice president of finance. "Previously, there was not much emphasis on the framework we had in place, which was spreadsheet-based monitoring. We would send consultants out at the end of a quarter to ensure business users were performing their controls," says MacManus. "But this post-check-up wasn't a real-time reminder. Now, rather than being reactive and responding to issues after they occur, we can proactively see an issue occurring, address it in real time, and resolve the potential issue before it escalates."

#### A Successful and Beneficial Implementation

The project commenced in September of 2008 during Sharp Electronics' first year of J-SOX compliance. MacManus and his team completed the implementation in three months, with the

## Sharp Electronics Corporation

**Headquarters:** Mahwah, New Jersey

**Industry:** Manufacturing, consumer and business electronics, and solar panels

**Revenue:** \$15 million+

**Employees:** 2,000+

### Company details:

- Subsidiary of Sharp Corporation (headquartered in Osaka, Japan), a global company that touches over 40 countries' markets
- Net worth is \$3.5 billion+
- Operates 10 different business units
- 90% (soon to be 95%) of the system landscape is comprised of SAP software
- Over 5,000 SAP users

### SAP solutions:

- SAP ERP 5.0
- SAP SCM 5.0
- SAP BusinessObjects Process Control 2.5
- SAP BusinessObjects Access Control 5.3
- SAP BusinessObjects Global Trade Services 7.2
- SAP NetWeaver Portal 7.0
- SAP NetWeaver PI 7.0
- SAP NetWeaver BW 7.0
- SAP Solution Manager 7.01



help of third-party consultant MPH Consulting, Inc., some Basis support, and ramp-up support from SAP.

The approximately 100 business users at Sharp who use the solution say that SAP BusinessObjects Process Control is extremely intuitive and easy to use from both an administrator and end-user perspective, according to MacManus. “Essentially, if you can navigate a web browser-type application, you can understand SAP Business-

Objects Process Control,” he says. “Our users — the testing team in particular — highly value the application due to its very organized and methodical nature.”

Of all the benefits Sharp Electronics is reaping due to the new application’s automation capabilities, MacManus cites advanced document retention, invaluable time savings, and improved testing as the most important.

### ► Advanced Document Retention

According to MacManus, the application eases the burden that comes with internal controls reporting — now, control owners don’t have to worry about retaining their documentation. The system retains the documents for however long the retention policy requires. “We have policies in place for any control-related documents, and they’re saved on a server,” he says. “Control owners don’t have to set up their own schedules or reminder systems for performing controls. They get a reminder that their monthly assessment is coming up, and the system specifies what to do and walks them through the controls process.”

### ► Invaluable Time Savings

Business users have more time to concentrate on their core duties, such as selling, marketing, or accounting, rather than making copies of reports, putting the copies in binders, or filing the binders. Instead of spending time wondering if they performed control ABC or XYZ, control owners can now rely on a system that tells them which controls they need to perform and when. To ensure those controls are performed, the application also includes escalations that notify supervisors when users may not meet their due date. “The control owners are saving time so they can focus on their core business responsibilities,” MacManus says. “And the managers responsible for the business processes see that the control owners are doing their jobs and won’t have issues when it comes time for testing or auditing.”

### ► Improved Testing

Testers now have all of their assessment plans in the system with step-by-step instructions — so one tester can easily assign responsibility and pass tests off to other testers without going through a complex transitioning process. Now, testers can store their test documents in the same place as the documentation they reviewed from the

management team’s assessments. In the past, these documents were stored in different places. The internal audit team stored information in its own section of the network drive, and the control owners used another section of the network and manually stored documents in binders. SAP BusinessObjects Process Control has been a centralizing factor, pulling all the documentation together in one place.

Previously, the Internal Controls group had to augment its internal audit team with outside consultants to help with testing and administration. “Now, we have this highly organized, highly regimented system in place,” MacManus says. “We’ve built a rapport where our external auditors can rely more on the work of our internal auditors, which is also a key to reducing costs for our external audits.”

### Standardization and Centralization

Because Sharp Electronics can now focus on standardizing its processes and reducing controls across all of its business divisions, the company sees the potential for significant time-saving and auditing improvements. Internal auditors can now focus on a wider array of issues and depend less on outside resources, thus reducing external audit fees.

“If any company needs to adhere to legislative compliance, then an application like SAP BusinessObjects Process Control is the way to go,” says MacManus. “It sets your company up to have a highly transparent and consolidated internal controls framework. All of your business units and divisions can store their documentation and data in one centralized place, and you can share that data easily with your external auditors.” ■