IMPROVING GOVERNANCE THROUGH DIGITAL TRANSFORMATION

July 20, 2017 – Dallas Round Table
TODAY’S PRESENTERS

Clint McPherson
Managing Director, Internal Audit & Financial Advisory
Protiviti

Tanya Trout
Director, Software Services & Enterprise Content Management Solutions
Protiviti

Bill Vencil
Associate Director, SharePoint & Enterprise Content Management Solutions
Protiviti
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*Inclusive of Protiviti’s Member Firm network, revenue for the year ending 2016 was $865M
**Inclusive of Protiviti’s Member Firm network, the number of professionals is more than 4600
A BRIEF HISTORY OF TIME

• Over the past century, technological advancements have dramatically changed the way we live and interact interpersonally. The internet has made the world flat, sped up the sharing of information, and spawned new ways to do business which is continuing to rapidly evolve.

Major Leaps in Technological Innovation

Digitization is an end-to-end perspective and perpetual, cumulative evolution of integrating the latest technologies for continuous improvement of an organization’s core business and how they service their customers.
GLOBAL INSURER PREPARES FOR A MAJOR DIGITAL TRANSFORMATION

Background & Objectives

• In late 2015, a regional division of one of the world’s largest insurers publicly acknowledged that digitalisation—which included improved digital capabilities for its agents, straight-through processing, enhanced mobile platforms to better engage with customers, and improved analytics capabilities —would be a linchpin for its growth.

• The organization supported decades-old systems, including 15 separate policy administration systems that carried with them a host of paper-based processes. Also, the insurer was deficient on a few key digital basics. While its leaders wanted to be able to engage with their customers online, the organization had collected e-mail addresses for only 3% of its customers.

• The insurer’s leaders needed to assess the IT department and its ability to support the desired digital transformation.

Solution

• Starting in February 2016, Protiviti undertook a multidisciplinary, four-pronged approach to evaluate whether the organization’s IT capabilities were capable of executing their digital strategy.

• Evaluated the existing quality of service for core applications.

• Determined whether the current IT architecture was capable of supporting a digital journey and elaborate on strengths and deficits.

Deliverables

• Protiviti created a road map for the insurer to be fully digital in name and deed by 2020 including a 18-month comprehensive road map to close the gaps identified during the assessment as obstructing the digital transformation.

• Developed a target operating model for IT with specifics on how to close the technology and capability gaps that may obstruct digital transformation.

Benefits to Client

• The organization got to know the gap areas and has started its journey towards building the capabilities and programs needed to fill in those gaps.

• They are focused on increasing the speed and quality with which they operate and implement.

• The organization has begun making significant changes to adopt an enterprise architecture as well as the critical digital mind-sets that will fuel its digitalisation and modernization efforts.

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PRIVATE EQUITY FIRM INTRANET TRANSFORMATION

**Context**
- Small IT support team
- Transition to O365
- Redo of corporate intranet

**Goal**
- Efficient organization of deal team / data room sites
- Fund & corporate accounting documentation
- External stakeholder collaboration (limited partners, investors, auditors, etc.)

**Delivery**
- Information architecture development
- Migration from SharePoint 2007 and 2010
- User experience / creative design
- Security design
GLOBAL FINANCIAL SERVICES COMPANY ADOPTS ROBOTIC PROCESS AUTOMATION

<table>
<thead>
<tr>
<th>Background &amp; Objectives</th>
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<tbody>
<tr>
<td>One of the world’s largest insurers had embarked on a <strong>significant cost-cutting push</strong> and <strong>identified several internal business functional areas</strong> ripe for transformation. However, The company struggled to determine exactly which processes were the best targets for automation as well as where the return on investment on robotics systems would be greatest.</td>
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<tr>
<th>Solution</th>
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<tr>
<td>• With strong documentation and process controls in place from the previous ERP software implementation, the way was paved for strong robotics automation in those areas where the potential for outsized return could be proven.</td>
</tr>
<tr>
<td>• Protiviti identified high-volume, time-consuming tasks that were routine, repetitive, or highly transactional as the best targets for automation.</td>
</tr>
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<table>
<thead>
<tr>
<th>Deliverables</th>
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<tr>
<td>• Delivered an implementation road map with recommendations for which RDA and RPA tools would best suit the client’s needs.</td>
</tr>
<tr>
<td>• Developed and applied a methodology to <strong>prioritize investments</strong> in automating finance functions.</td>
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<table>
<thead>
<tr>
<th>Benefits to Client</th>
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<tbody>
<tr>
<td>• Robotic automation increased efficiency and provided significant savings in several areas, including tax consolidation.</td>
</tr>
<tr>
<td>• The new standardized processes permit more precise monitoring, reporting, and control.</td>
</tr>
</tbody>
</table>
Does your company have a digital transformation effort underway?
LESSONS FROM OUR INTERNAL JOURNEY

Starts with a single idea

Key Elements of Infrastructure are a Pre-Requisite

Organization – Define RACI across your organization

People – Right talent and bandwidth

Processes – Identify prime candidates

Systems - Identify impacted enterprise systems

Data - Need it before you get started!

Policies – what restrictions do you need to overcome?

Reporting – Track pre and post success indicators

Agile road map
DIGITALIZATION BRINGS RISK

1. IT Security and Privacy/Cybersecurity
2. Infrastructure Management
3. Emerging Technology and Infrastructure Changes – Transformation, Innovation, Disruption
4. Resource/Staffing/Skills Challenges
5. Regulatory Compliance
6. Budgets and Controlling Costs
7. Cloud Computing/Virtualization
8. Bridging IT and the Business
10. Third-Party/Vendor Management

Source: IT Audit Benchmarking Survey, 2016 – Protiviti and ISACA
CURRENT STATE RISK ASSESSMENT

Technology Governance and Risk Management disciplines are not fit for purpose and are not evolving quickly enough to keep up with the rapidly changing needs of the business.

Compliance & Technology Centric, No Real Business Insight
Business Risk Appetite is not Driving Process
Lost in Detail & Missing Key Strategic Risks
Not Ready to Embrace a Cloud Enabled World
Risk Management Culture not Embedded
Inadequacies of Technology Risk Elevated by Cyber
Ineffective Utilization of Technology
Poor Management Information
## DIGITAL TRANSFORMATION BRINGS OPPORTUNITY FOR BETTER GOVERNANCE

<table>
<thead>
<tr>
<th>Stakeholder Engagement</th>
<th>Operational Performance</th>
<th>Business Analytics &amp; Decision Science</th>
<th>Digitizing Products &amp; Services</th>
</tr>
</thead>
<tbody>
<tr>
<td>Exploring new ways to build strong relationships with stakeholders</td>
<td>Creatively using technology to improve performance</td>
<td>Exploiting enhanced data analytics to improve decision making</td>
<td>Launching new, enhanced products, and exploring new business models</td>
</tr>
</tbody>
</table>

### What If your corporate hub could help you. . .

- Promote your organizational culture?
- Increase your people’s effectiveness and efficiency?
- Share and collaborate both internally and with other stakeholders?

### . . . All while

- Managing your underlying risks

### . . . And not just

- Documenting your controls

### . . . But also

- Automating your business processes
GRC STAKEHOLDERS

• Who is involved?
GRC USE CASES VARY

• Which of the following capabilities do you currently use your GRC product for?

Top GRC Use Cases

- Risk assessments: 77%
- GRC dashboard & reporting: 65%
- Control monitoring & enforcement: 60%
- Enterprise/operational risk management: 54%
- Policy & document management: 42%
- Audit management: 42%
- IT GRC platform: 33%
- Vendor and third party risk management: 29%
- IT security & vulnerability management: 25%
- EHS: 17%
- Compliance & ethics training: 17%
- Business continuity: 17%


Protiviti Perspective:
• There is no single platform that supports all of these functions. Organizations are well served to take a best-of-breed approach to the tools utilized to support specific capabilities. Establishing a workflow and/or reporting layer that spans multiple systems and GRC program areas is a key to embedding GRC across the enterprise.
Protiviti Perspective:
The Internal Audit teams execute different processes than other assurance teams, and need to maintain IA’s independence. Yet, key elements of the IA function touch both Line 2 and Line 1 stakeholders. Alignment of these touch points promotes a coordinated governance culture across the enterprise.

Source: The IIA Research Foundation, “Staying a Step Ahead, Internal Audit’s Use of Technology,” August 2015

<table>
<thead>
<tr>
<th>Audit Use Cases</th>
<th>Extensive</th>
<th>Moderate</th>
<th>Minimal</th>
<th>None</th>
</tr>
</thead>
<tbody>
<tr>
<td>IA Risk Assessment</td>
<td>17%</td>
<td>33%</td>
<td>22%</td>
<td>28%</td>
</tr>
<tr>
<td>Planning &amp; Scheduling</td>
<td>17%</td>
<td>29%</td>
<td>23%</td>
<td>31%</td>
</tr>
<tr>
<td>Manage Information Collected by IA</td>
<td>19%</td>
<td>29%</td>
<td>21%</td>
<td>30%</td>
</tr>
<tr>
<td>Electronic Workpapers</td>
<td>41%</td>
<td>31%</td>
<td>14%</td>
<td>14%</td>
</tr>
<tr>
<td>Flowchart or Process Mapping</td>
<td>18%</td>
<td>34%</td>
<td>26%</td>
<td>22%</td>
</tr>
<tr>
<td>Monitor &amp; Track Remediation</td>
<td>24%</td>
<td>28%</td>
<td>20%</td>
<td>28%</td>
</tr>
<tr>
<td>Internal Quality Assessments</td>
<td>11%</td>
<td>26%</td>
<td>24%</td>
<td>39%</td>
</tr>
<tr>
<td>Data Mining &amp; Analytics</td>
<td>19%</td>
<td>34%</td>
<td>23%</td>
<td>24%</td>
</tr>
<tr>
<td>Continuous/Real-Time Auditing</td>
<td>14%</td>
<td>30%</td>
<td>25%</td>
<td>31%</td>
</tr>
</tbody>
</table>

MEASURE OF AUDIT USE CASES

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ELEMENTS OF THE INFRASTRUCTURE

Line 1 Inputs
- Assessments
- Certifications
- Information Requests
- Action Plan

External Solutions
- GRC Platforms
- External Databases
- IT Security Solutions
- 3rd Party Content

Framework
- Relational Data Model
- Structured Content & Libraries

Workflow
- Sequenced Review & Approval
- Big Data Analytics
- Continuous Monitoring

Reporting Experience
- Management Reporting
- Mobile Analytics
- Search & Query Results

System Outputs
- General Communication
- Review & Escalation
- External System Updates
How would you describe the level of integration across your GRC processes and technology?
How do you communicate, share and collaborate across your business?

This?

or

This?
How do you centralize, organize, aggregate and report on information

This?

or

This?
DIGITAL HUB DEMONSTRATION
CLIENT STORIES
### Global Apparel Manufacturer

#### Digitalization Use-Cases

- Social publishing across multiple channels
- Workflow design and development

#### Client Description

- Client is one of the world’s largest apparel and footwear development, marketing and distribution companies.

#### Client Challenge

- Client was seeking to **improve corporate communication with employees, increase collaboration and improve efficiency around business processes.** They were seeking a partner to work with their Corporate Services Technology and Enterprise Application teams to define requirements and redesign their corporate intranet and improve business process automation.

#### Powerful Insights

- The redesign overhauled key elements of the companies corporate intranet to create a **more consumable hub for employees to perform key corporate activities.** Key design elements include **mega-menus** that allow employees to quickly jump to any area of the portal; **corporate highlights** such as newsfeeds, events, discussions, spotlights, etc.; and **launch points to other applications** to create the sense of a one-stop-shop.
- **Enterprise workflows** were also designed and integrated to manage key processes. One complex workflow included key activities such as **estimation and approval for switching the shipping method based on defined rules regarding delays, document routing, conditional approval logic with branch routing,** single-click navigation to simplify the business user experience, and the creation of an event receiver to cross-reference 6 different data sources required to perform shipping calculations.
CUSTOMER REGULATORY INTELLIGENCE EXAMPLE

- **Line 1 Compliance Automation**
- **Action Plan Resolution**

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**Detailed AML policies and procedures are written in accordance with global/regional regulations.**

In line with global and/or regional AML regulations, the PayPal AML Compliance and Global Operations teams maintain documented standards/policies and procedures that outline the requirements of regional laws and regulations and the implementation of an AML program. The policies, stored on Confluence, are reviewed and updated on at least an annual basis, and procedures, stored within InfoCenter, are updated as needed.

**Global Compliance Testing (Second Line of Defense):** (COOd) conducts independent validations of remediated issues to provide leadership with an independent view of the issues.

The Global Compliance Testing Team conducts independent qualitative validations of remediated compliance issues globally on a risk basis, as issues are remediated. These validations assess the technical and substantive completion of completed remediation plans to provide compliance leaders an independent option of the current state of the original issue. The process will be ongoing in the future.

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**Current Control Pillar Rating: Strong**

An auto-calculated rating of high was assigned to this pillar.

- **STRONG**
- **Adequate**
- **Weak**
- **None**

The pillar rating has been raised due to a coverage of High.

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Based in Atlanta, Georgia, Crawford & Company is the world's largest independent provider of claims management solutions to the risk management and insurance industry as well as self-insured entities.

200
work with over 200 of Fortune 500

70
Expansive Network serving 70 countries

A GROWING, INTERNATIONAL AUDIT TEAM
Department of 22, reporting administratively to Crawford's General Counsel and functionally to the Audit Committee of the Board of Directors. Recently deployed using Office 365 with Nintex to support Internal Audit Work-Papers

POST IMPLEMENTATION ADVANCEMENTS

- Integrated network drive provides access to files and audits
- Updated timesheets include calculations and validation
- Automated validation rules drive consistency and quality in the audit
- Enhanced email alerts include rich text information (HTML & Images)
- Added rulesets to ensure segregation of duties (test and reviewer)
OTHER DIGITAL HUB USE CASE EXAMPLES
VENDOR RISK MANAGEMENT

Vendor Request

Vendor Review / Approval

Vendor Relationship Management

Vendor Management

New Vendors Awaiting Assessment

Vendor Name: Forbes Corp.
Status: With Vendor

Vendor Name: PPI Micro Inc.
Status: In Process

Vendor Name: EIS LLC.
Status: In Process

Vendor Name: Flexsys.
Status: In Process

Vendor Name: Rollins LLC.
Status: With Vendor

Upcoming and Overdue Issues

Vendor Name: Gartner
Due Date: 07/08/2015

Vendor Name: Roper LLC.
Due Date: 08/10/2015

Vendor Name: Amazon Inc.
Due Date: 09/23/2015

Vendor Name: Danziger.
Due Date: 09/14/2015

Vendor Name: Valtra.
Due Date: 10/03/2015

Vendor Status

Potential (14)
Inactive (12)
Active (37)

EXISTING VENDORS

Business Owner:
Vendor:
Review Status:

Search for a Vendor

Vendor Name: Omega Inc.
Contact Name: Paul Orr
Contact(s): paul.orr@gmail.com
Business Owner(s): Stephanie Williams
Vendor Status: Active
Vendor Risk: High
Review Status: Complete

Vendor Name: Roman Electric
Contact Name: Regina Walter
Contact(s): regina.walter@yandex.com
Business Owner(s): Lindsey Williams
Vendor Status: Active
Vendor Risk: Medium
Review Status: Complete

Vendor Name: Racor
Contact Name: Elaine Bell
Contact(s): elaine.bell@gmail.com
Business Owner(s): Marianne Newton
Vendor Status: Active
Vendor Risk: Low
Review Status: Complete

Vendor Name: Minmac
Contact Name: Steven Espinosa
Contact(s): steven.espinosa@yahoo.com
Business Owner(s): Leslie Aversa
Vendor Status: Potential
Vendor Risk: Low
Review Status: With Vendor

Vendor Name: Oceana
Contact Name: Mary Smith
Contact(s): mary.smith@yandex.com
Business Owner(s): Andrew Nichols
Vendor Status: Inactive
Vendor Risk: Medium
Review Status: Complete

Vendor Name: ControlLED LLC
Contact Name: Conny Murphy
Contact(s): conny.murphy@gmail.com
Business Owner(s): James O'Connell
Vendor Status: Potential
Vendor Risk: High
Review Status: In Process

Vendor Name: Coors Inc.
Contact Name: Eric Park
Contact(s): eric.park@outlook.com
Business Owner(s): Christopher Chu
Vendor Status: Potential
Vendor Risk: Medium
Review Status: In Process

Vendor Name: Flexion
Contact Name: Roberto Mical
Contact(s): roberto.mical@outlook.com
Business Owner(s): Brian Powell
Vendor Status: Active
Vendor Risk: Critical
Review Status: Complete

Vendor Name: Decapex
Contact Name: Richard Lee
Contact(s): richard.lee@gmail.com
Business Owner(s): Darrell Johnson
Vendor Status: Active
Vendor Risk: Medium
Review Status: Complete

Vendor Name: Centria Zoey
Contact Name: Kelly Harrington
Contact(s): kelly.harrington@ outlook.com
Business Owner(s): Wendy Oerga
Vendor Status: Potential
Vendor Risk: High
Review Status: In Process

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Risk Assessments

Action Plan Resolution
REGULATORY COMPLIANCE

Line 1 Compliance Automation

Action Plan Resolution

Risk Assessment

<table>
<thead>
<tr>
<th>Requirement</th>
<th>Op Controls</th>
<th>Policies/Procedures</th>
<th>Training</th>
<th>Monitoring/Testing</th>
<th>Overall Score</th>
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</thead>
<tbody>
<tr>
<td>Reg B, Notification of action taken, ECOA notice, and statement of specific reasons — when notification is required.</td>
<td>Weak</td>
<td>Adequate</td>
<td>Weak</td>
<td>Adequate</td>
<td>Strong</td>
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<tr>
<td>3002.09</td>
<td>Weak</td>
<td>Adequate</td>
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<td>Adequate</td>
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QUESTIONS?

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