

COMPLIANCE

Microsoft Dynamics AX

Managing Compliance with Microsoft Dynamics™ AX 2009

White Paper

Date: May 2008

www.microsoft.com/dynamics/ax



Contents

Introduction	3
What Is Compliance?	4
Compliance Drivers.....	4
Visibility and Control – Key Factors for a Successful Compliance Program.....	4
Effective Compliance Program	5
Microsoft Dynamics AX Compliance Center	5
Categories of Compliance Requirements and Microsoft Dynamics AX..	7
1. Standard Operating Procedures.....	7
2. Documented Transactions.....	8
3. Data Integrity	9
4. Audit Trails	12
5. Segregation of Duties/Responsibilities	12
Enable Global Compliance with Microsoft Dynamics AX.....	13
Reduce the Total Cost of Compliance with Microsoft Dynamics AX....	14
Transform Compliance into Business Benefits with Microsoft Dynamics AX	15
Conclusion	15
Appendix	16
Additional Resources.....	16
Compliance Management in the People-Ready Organization.....	17
Guidelines for How to Design, Execute and Manage a Compliance Program	17
Designing Your Compliance Management Program.....	17
Executing Your Compliance Management Program	17
Compliance Management Program Best Practices	19

Introduction

Companies are under enormous pressure to comply with a growing number, range and complexity of regulatory requirements. In recent years, corporate scandals due to poor internal controls have led to new regulations (such as Sarbanes-Oxley) as well as greater regulatory scrutiny. In addition, the growing demands of doing business in a rapidly changing global environment, the need to provide relevant and timely information, and report accurately and regularly to authorities, partners, stakeholders, and shareholders, have created even more challenges for organizations – making compliance adoption more critical than ever.

For many companies and organizations, simply meeting compliance requirements is no longer enough. Yes, a major concern in board rooms today is the cost of compliance. Performance expectations, increasing stakeholder demands, and changing market conditions are forcing business leaders to search for cost-effective ways to enforce compliance adoption without jeopardizing organizational agility and business growth. But some organizations are beginning to recognize the benefits of compliance and are turning it to their advantage – bringing their operations under better control while driving down compliance costs.

Compliance is complex requiring highly structured and rigid processes. Organizational agility demands that your organization is flexible enough to drive innovation, develop and expand customer relationships, improve operations, and build stronger business relationships. Finding the right balance requires a better understanding of compliance requirements and how they are integrated into business process systems, such as Microsoft Dynamics™ AX 2009 (referred to in the rest of this document as Microsoft Dynamics AX), that are people-ready and designed for agility.

Microsoft Dynamics AX is an adaptable business-management solution that provides the framework and tools to help organizations effectively manage the challenges of compliance and transform them into business benefits. Microsoft Dynamics AX, together with the expertise of Microsoft partners, offers a set of software and services that can help organizations:

- Simplify compliance and improve internal controls
- Increase the efficiency of the compliance processes
- Manage the risk associated with compliance
- Enable global compliance
- Reduce the total cost of compliance

By actively managing a balance between compliance requirements and agile business practices within the organization, organizations can realize the benefits of reduced risk, increased operational efficiency, and the continued building of a foundation on which to grow¹.

¹ Laws and regulations that affect companies are different in every country, and this document is not intended to present any specific guidance on how to interpret the laws and regulations of any country, state or organization in terms of compliance. This document presents general guidelines and suggests some practices that may be helpful when implementing your compliance activities, but does not and should not be construed to provide specific guidance for any individual company, organization or business management solution implementation. Likewise, compliance with laws and regulations is based on correct processes and technology being implemented and correctly put into use at each organization's individual sites. It is not possible to

What Is Compliance?

Compliance can be defined as observance, conformity, and obedience. In business, compliance generally designates the requirement to adhere to certain rules or laws, meet certain standards, and follow certain practices. Compliance standards can originate from external, as well as internal sources. A compliance requirement may be mandatory or optional and they can encompass virtually all aspects of the business environment – from financial and trade to regulatory and environmental. Customers and collaboration partners can also drive compliance adoption. Compliance becomes an important factor in a company's ability to compete effectively as customers and collaboration partners increasingly require companies to follow certain practices or meet their specific standards. From tax reporting forms to how you place a label on a box for a customer, compliance requirements help drive the ways in which businesses operate.

Compliance Drivers

Understanding the origin of compliance requirements enables appropriate prioritization and risk management. Compliance requirements that your organization must adhere to may be based on your ownership structure, management practices, location(s), and the market(s) in which you wish to participate, as well as your specific industry, customer, vendor, and bank affiliations.

External Drivers

External compliance requirements – whether they are driven by industry organizations, regulatory agencies, banks, trading partners, vendors, or customers – are top of mind among organizations today. Governments generate many regulations directed at businesses, too, and these regulations often provide the business community with the greatest challenges with regard to compliance. Many government regulations, such as the Sarbanes-Oxley Act, target specific industries and businesses while some apply to all businesses. Government compliance regulations reach across the entire spectrum of business operation activities – from tax collection and reporting, to verification of manufacturing quality and material tracing capabilities, to corporate governance.

Internal Drivers

Managing internal compliance requirements is becoming even more important for organizations. The need to develop and maintain corporate content policies and rules such as deciding what documents to save and what to delete, data and document access rights, email attachment rules and management best practices – to name just a few – is driving compliance adoption across organizations.

A complete understanding of the sources of compliance for your organization can help you plan ahead and adopt and retire compliance requirements as those requirements and your organization evolve. The next focus for compliance management then becomes: "How do I adopt a new, strict structure of compliance requirements and keep current compliance actions intact while enhancing my organization's profitability, and its abilities to innovate, adapt, and optimize?"

Visibility and Control – Key Factors for a Successful Compliance Program

Information Technology plays a key role in helping companies manage an effective compliance program and enforce compliance requirements internally and externally. Technology enables the collection, analysis and control of enterprise-wide data, delivering the crucial information needed for

describe any business management system as "compliant" or "not compliant" because compliance depends on procedures as well as technology.

intelligent business decisions. Ideally, this means establishing a viable compliance program² and having compliance requirements integrated into business management systems like Microsoft Dynamics AX.

Effective Compliance Program

Compliance requirements are numerous and can vary throughout an organization. They affect the design standards, quality standards, processes, and reporting aspects of an organization. Therefore, visibility and control of compliance-related processes and activities are key factors in managing a compliance program in an efficient way. An effective compliance program helps ensure the following:

1. Compliance requirements are being met and managed properly
2. The organization efficiently adopts new compliance processes without duplicating efforts
3. High level documentation is provided in cases where compliance tracking activities are canceled
4. Procedures and mechanisms exist to systematically track:
 - Risk assessment
 - Requirement origination
 - Responsibility
 - Processes
 - Supporting technologies

Microsoft Dynamics AX Compliance Center

Microsoft Dynamics AX supports an organization's compliance program. Instead of having data and information locked away in separate information silos, Microsoft Dynamics AX provides one central location for users to view, manage, and control the internal controls, business process content, and reporting for the organization's compliance program. The Compliance Center – easily accessible via the Enterprise Portal – simplifies compliance efforts and helps keep business information secure through a comprehensive set of tools to manage and control sensitive business information and critical key performance indicators (KPIs).

The Compliance Center provides easy and convenient access to required documentation, internal controls and status tracking. From the Compliance Center, users can view graphs representing the efficiency and effectiveness of the internal controls, examine key performance indicators, manage action items from alerts or workflow, and add links to important external compliance sites.

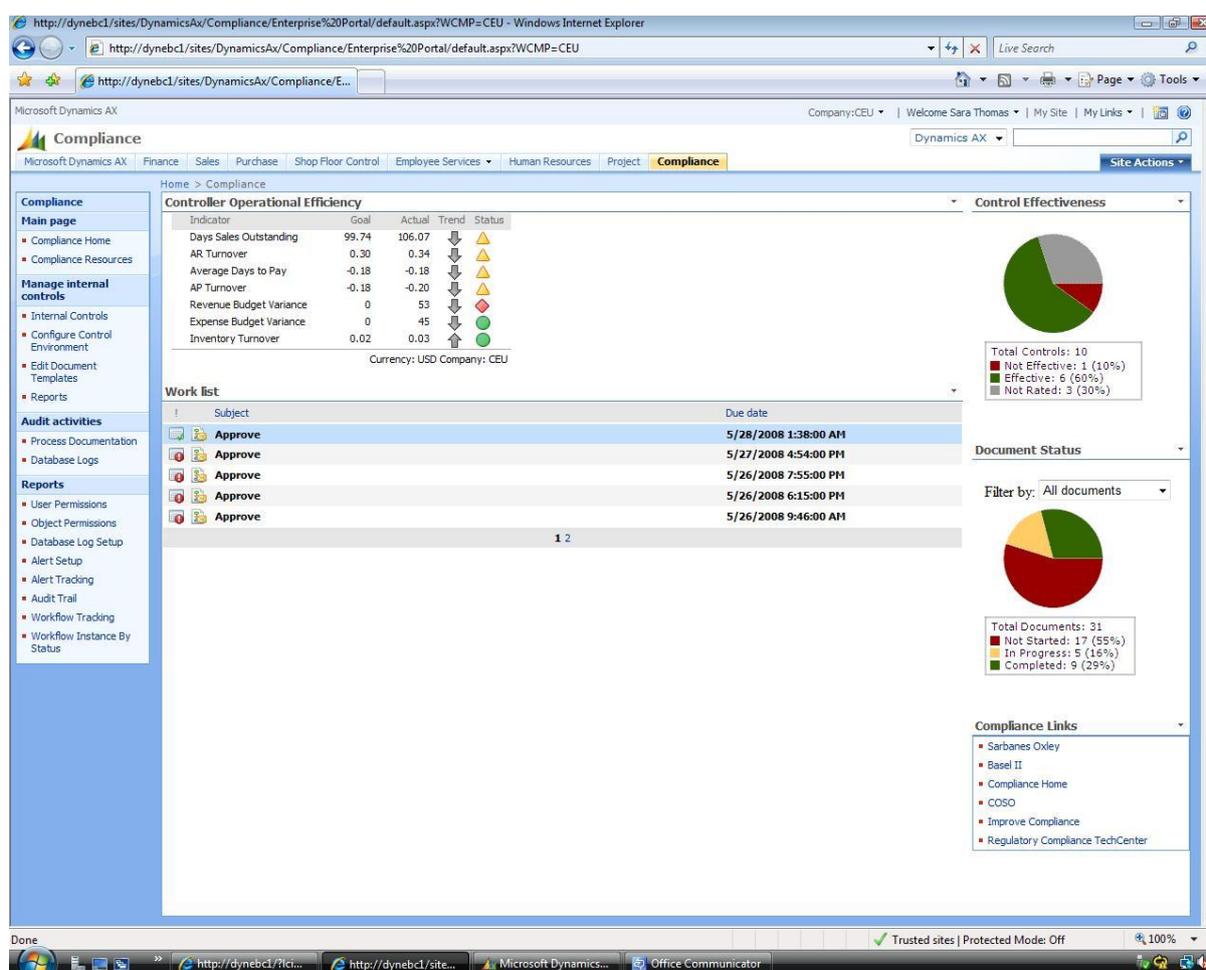
The Compliance Center also contains a document library which stores and shares important information about compliance, including business process documentation that enables users to view the statistical status and control effectiveness of the organization's internal controls.

² Please see the Appendix in this document for suggestions, best practices, and more information on designing and managing a compliance program.

Compliance requires recording, documenting, and reporting exactly what happened, when, and by whom. These activities are fundamental to an effective compliance program. Microsoft Dynamics AX enables the user to view database logs quickly and can store compliance documents in the document library. From the Compliance Center, the Database Logs page makes it possible to view and filter data of changes to the database, for example, who made the changes and when the changes were made. The view is sorted by table name and shows a description of the record, date, type of change, created time, created date, user who created the record, current value, and previous value.

Users are also able to generate business process documentation by using the Task Recorder. And, Microsoft Dynamics AX provides a number of reports to help monitor an organization's compliance activities including user permissions, object permissions, database log setup, alert setup, alert tracking, audit trail and workflow tracking, and makes them available from the Compliance Center.

The Compliance Center helps employees gain greater visibility into compliance-related processes, status, and activities and gain greater control of compliance processes.



All compliance-related processes, controls, activities and metrics can be viewed from one location. The Compliance Center in Microsoft Dynamics AX helps organizations manage compliance by delivering increased visibility and better control of compliance-related activities and processes.

Categories of Compliance Requirements and Microsoft Dynamics AX

Even though there are many ways a compliance requirement can force a business to change its business processes and how or where data is captured, the categories of compliance requirements are fairly limited. By identifying and understanding a compliance requirement's relative categorization, it's easier to select the correct set of process and technology solutions to help establish a compliance program and ensure compliance. Compliance requirements fall into the following five categories:

1. Standard Operating Procedures
2. Documented transactions
3. Data integrity
4. Audit trails
5. Segregation of duties and responsibilities

Microsoft Dynamics AX provides a framework and tools that support these key categories of compliance requirements.

1. Standard Operating Procedures

A Standard Operating Procedure is typically instituted within a business to help ensure that efficient, consistent actions are carried out, and it is also used as a tool to assist in the training of new people executing any particular function or task. With compliance, Standard Operating Procedures are added or adjusted to meet the requirement. For example, a pharmaceutical manufacturer that has a clean room manufacturing environment must create Standard Operating Procedures for the actions a person takes when entering the clean room environment. This may include a shoe cleaning station and the usage of shoe covers. Making a step-by-step Standard Operating Procedure clearly accessible and readable at the clean room entrance could be only one of many methods companies can use to meet the compliance requirement of assuring product sterility.

Automating the processes associated with standard operating procedures, such as recording tasks and adjusting requirements, helps organizations free up people so they can focus on the activities that add value to their business. Microsoft Dynamics AX helps organizations enforce Standard Operating Procedures by automating the process of creating and sharing business process documentation and standard operating procedure documents.

Perform More Processes Faster

Automated workflow is crucial for enforcing compliance. Manual processes slow productivity. Microsoft Dynamics AX Workflow helps organizations to perform more processes faster and more consistently. For example, it's possible to create individual workflows or business processes to automate compliance with corporate policies and procedures. Microsoft Dynamics AX Workflow enables you to configure workflow approval processes based on pre-defined templates to fit your business needs. It's possible to track the status and history of a specific workflow instance to analyze and determine if changes need to be made to the workflow to improve efficiency. And, with Microsoft Dynamics AX, Web services can be used to check and ensure compliance with regulations such as trade restrictions automatically at the sales order entry level.

Better Internal Controls with Approval Workflows for Financial Journals

Standard Operating Procedures also include enforcing internal controls for specific, pre-defined actions and processes. This can be especially relevant in financial processes. For example, Workflow in Microsoft Dynamics AX enables the setup of approval processes on selected financial journals on a per journal name basis. The approval process allows the user to define the conditions under which approvals are required and to specify the approver(s). The workflow infrastructure updates the workflow status of the journal as needed to provide visibility as to whether the workflow status is pending approval, approved, rejected, etc. And, the workflow status controls the actions that may occur during workflow execution, such as not allowing posting or generating payments until the approval workflow is completed.

Document and Record Tasks and Activities Automatically

Accurate documentation of tasks and activities and making this information easily accessible are crucial components to enforcing standard operating procedures successfully. Microsoft Dynamics AX delivers the capability of logging and recording tasks and activities and making the information available from the Compliance Center, in Microsoft Office documents and in Microsoft SharePoint sites.

For example, it's possible to create documentation for processes or training-oriented documentation using the integrated Task Recorder in Microsoft Dynamics AX. Based on the recorded tasks and user activity in the application, documents can be generated that include step-by-step instructions and illustrations in a number of Microsoft Office document formats, such as Microsoft Office Word, Microsoft Office PowerPoint® presentations and process-oriented documentation in Microsoft Office Visio®. Additional information and steps can be added, including company or organization policies and procedures. The document can then be stored, accessed, and controlled from the Compliance Center Document Library. This is a SharePoint document library, so you can control access to this document library, if necessary.

Improve Employee Compliance Awareness and Training

Publishing compliance practices and standard operating procedures and making them available within the organization is an important part of managing compliance; however, employee training in compliance practices and company policy is also key.

Management can help improve compliance awareness throughout the organization and train employees in corporate policies by using Questionnaire in Microsoft Dynamics AX. You can design and execute compliance-related questionnaires and mandatory online training to ensure that employees are up-to-date on new corporate compliance policies and procedures and enforce training in areas where improvements are needed.

2. Documented Transactions

Many compliance requirements focus on recording exactly what happened, when, and by whom. For compliance requirements that ask for documented transactions, the transaction should be captured as close to the source of the transaction activity as possible. For example, a sausage manufacturer must be able to track meat products from their origin to the completed products. The receiving function should record the receipt of the data – meat product and the associated lot, vendor, date, time, received by, and so forth – as the item is received. Then, as the product is pulled from inventory and placed into production, additional data must be captured showing that this raw meat lot was issued to make a particular lot identification of a product as the item is picked, and so on, until the item is shipped out the door. Having this data provides an information chain back to the original raw

material, along with the ability to inspect and/or quarantine any associated products or raw materials up or down the production chain if any issues of quality or safety arise.

Track and Trace Transactions

The audit trail system in Microsoft Dynamics AX supports compliance requirements that require documented transactions. Microsoft Dynamics AX makes it possible to identify the origin of an entry; the user who created the entry and the entry date and time. The inventory trace system also supports batch serial and lot number track and tracing to raw material lots. In addition, compliance reports such as Audit Trail enables users to view a list of transactions and who created them, transaction types, and accounts and vouchers by transaction date and created date. The audit trail reports are available from the Compliance Center.

Microsoft Dynamics AX also includes workflow delegation and tracking features. This feature allows users to figure out where a workflow is in the process of completing and supports compliance scenarios where it is important to document exactly who approved what, when.

Automate Quality Assurance

Microsoft Dynamics AX supports quality management by automating the quality assurance process and managing turnaround times when dealing with non-conforming products, regardless of their origination point. For instance, a quality order is issued upon completion of a production order thereby triggering a quality inspection of the finished goods. This ensures that production orders are processed according to the specified requirements.

Verify and Approve Transactions with Electronic/Digital Signature

Microsoft Dynamics AX enables obtaining approval information for user-defined compliance control processes electronically with electronic signatures.³ This feature can be used to comply with FDA 21 CFR Part 11 in the Life Sciences process industry and for general compliance scenarios in finance and public sector. Microsoft Dynamics AX supports digital signatures for improved security and non-repudiation capabilities. With this feature, the user is empowered to make modifications to any process in the system, so that a correct signature is required before the modified process can be completed. For example, a signature could be required when approving a bill of materials change or releasing a production order.

3. Data Integrity

If you document transactions electronically to meet compliance requirements, there must be assurances that the data is available, secure, and tamper proof. In cases of sensitive data, such as credit card and Social Security information, this is a must, and the organization may face significant risk and financial implication if this data is mismanaged. To help ensure data integrity, systems and procedures, such as backup processors and disk systems, must be put in place to make sure there is high availability of data. Data encryption is another way to help ensure integrity of data that could end up in unintended hands, whether the data in question is stored within your systems or transmitted, sent, or stored on remote storage media.

Actively Monitor Data Changes with Alerts

Alerts in Microsoft Dynamics AX help organizations monitor and control compliance-related business activities and events. Employees can quickly and easily create alert rules that deliver automatic notifications of changes to purchase orders, vendor address, customer records, data changes, and so on. Users with administrative rights can create, modify, and delete alert rules for individual users and

³ The functionality will be available as part of an electronic signature with digital signature support package planned to be released after Microsoft Dynamics AX 2009.

assign alert rules to other users. Users can also tailor alerts to specific business needs by creating templates for alert rules or modifying existing rules for individual users.

It's possible to set up Alerts to monitor by a specific date or system change. What's more, Alerts in Microsoft Dynamics AX can be configured for delivery via email in Microsoft Office Outlook[®], Enterprise Portal and from the Compliance Center.

Alert reports can be viewed from the Compliance Center giving users a quick overview of the alerts that are set up for the company and the events that trigger them.

Improve Internal Controls

System controls in Microsoft Dynamics AX and Microsoft Office help with data integrity, data security and help organizations put the controls in place to monitor changes in critical data and policy violations.

First, any data that is posted into Microsoft Dynamics AX is updated automatically throughout the application modules via the setup of posting profiles. So when data in one module is changed, the change is automatically updated in another, providing real time and up-to-date information throughout the system.

Second, with Microsoft Dynamics AX you can prove that your data is trustworthy and has not been tampered with. For example, you can control access to data throughout Microsoft Dynamics AX by managing security restrictions on forms, records and data fields for specific user groups and domains, and define and assign rights according to how you want security restrictions managed.

Third, the Record Center in Microsoft Office helps make sure that vital company records, including critical documents (for example, financial reports, supplier contracts, and customer correspondence), are properly retained for legal, compliance, and business purposes and then properly disposed of when no longer needed. The Record Center in Microsoft Office SharePoint[®] Server 2007 helps control that records are never automatically modified by the system and helps prevent direct tampering of records by versioning any changes made to document contents and by auditing specific types of changes.

It's also possible to control data integrity through user-defined and centrally managed controls to eliminate manual processes and the possibility of human error. The audit trail system in Microsoft Dynamics AX enables you to identify the origin of an entry; the user who created the entry and the entry date and time.

In addition, the Microsoft Dynamics AX Expense Management feature helps managers define and enforce company expense policies to which employees will be held accountable when entering expense reports. Expense policies can be defined to either:

- Warn an employee that they have violated a policy but allow them to submit their expense report or
- Prevent an employee from submitting the expense report until they have made the necessary changes to adhere to the policy.

Microsoft Dynamics AX also enables better control over procurement processes. The built in system logic in Microsoft Dynamics AX can automatically prevent duplicate vendor invoices from being posted.

Finally, with the internal control environment in the Compliance Center it's possible to configure and manage internal controls more easily. The internal control environment is a COSO-based framework which helps facilitate corporate governance over business process content, internal control documentation, audit information, and reporting and provides a graphical overview of the control effectiveness and document status.

Standard Reports

Build compliant financial reports such as an income statement or balance sheet in Microsoft Dynamics AX. Ledger accounts can easily be mapped into line items. This helps organizations compose reporting rows based on given posting layers to produce financial statements for different generally accepted accounting principles (GAAPs). Microsoft Dynamics AX also supports the creation of financial reports in extensible Business Reporting Language (XBRL), an XML-based worldwide standard for publishing, exchanging and analysis of financial reports and data. XBRL makes it easier to prepare and publish financial documents.

Organizations can also show that financial reports generated from Microsoft Dynamics AX are authentic and that approvals and signoffs are duly authorized by the appropriate decision maker or Controller with Signature Collection provided for Office documents (for example, Microsoft Office Excel) in Microsoft Office SharePoint Server 2007.

Reduce Risk with Improved Security Settings

Microsoft Dynamics AX helps protect data integrity with the single sign-on feature. Microsoft Windows authentication and the single sign-on feature of Active Directory helps increase efficiency and convenience because users only have to log on once (at the Microsoft Windows log-on) to access Microsoft Dynamics AX.

Security settings are set up and maintained in one place and no matter how much the system is customized the user security-features setup retains its integrity. Microsoft Dynamics AX gives organizations an efficient way to control who has access to what features and data. The administrator can create user groups that have permission to access specific functionality and data based on the organization's business processes and needs. The administrator then assigns users to the individual groups. The users in each group can only see the functions and data for which they have permission.

And, when an external report is created by Microsoft SQL Server Reporting Services, the security setting in Microsoft Dynamics AX is applied automatically – also outside of the application.

Organizations can protect and maintain greater control over digital information, including confidential and sensitive documents (for example, customer correspondence, supplier contracts, and internal policies) with Microsoft Office SharePoint Server 2007 Information Rights Management (IRM). Sophisticated IRM features of the 2007 release allow administrators to define exactly who can open, modify, print, forward, and take other actions with the information in Microsoft Office documents.

The electronic input and storage of approval information for later verification and review helps ensure the necessary level of data security. With Microsoft Dynamics AX, time spent managing journal approvals is reduced with the built in Approval System for Microsoft Dynamics AX.

And, with Microsoft Forecaster it's possible to help ensure the lockdown of budget numbers and create pre-defined approval hierarchies that limit who can participate and who has final approval.

Data Security and Trustworthy Computing – Microsoft Priorities

Microsoft is committed to building software and services that will help better protect our customers and the industry. Since the Trustworthy Computing Initiative was introduced in early 2002, Microsoft has been working wholeheartedly to address security issues in its software and the industry. As part of our focus on technology investments, Microsoft takes a "defense-in-depth" approach to protection and is aligning around three core elements: fundamentals, threat and vulnerability mitigation, identity and access control. For more information on the progress we are making, please visit [Trustworthy Computing](#) at [Microsoft](#).

4. Audit Trails

Although an organization may document transactions and capture and securely store data, this is often not enough, on its own, to meet compliance requirements. There must also be a trail of exactly what changes happened to the data, when it changed, and who/what made the change. This trail of changes is typically referred to as an audit trail. For example, the credit limit of a customer is often a data point that is required to be controlled by corporate governance compliance requirements. Each time a customer's credit limit is changed, the audit trail will record the old credit limit, the new credit limit, the date and time the change was made, and what user made the change. Having this information makes it possible for management and auditors to see that credit limits aren't being improperly manipulated to process orders for customers who may pose an accounts receivable risk to the organization.

Database Logging and Audit Trail, in Microsoft Dynamics AX makes it possible to track, trace and report changes to Microsoft Dynamics AX data fields and tables that are relevant to your compliance strategy. And, database log setup reports are available from the Compliance Center that show a list of the database logs that have been created, who created them, what they track, and the date they were created.

Effective compliance depends on electronic audit trails and the ability to quickly and accurately document processes from beginning to end. Microsoft Dynamics AX enables drill down of transactions and from the Compliance Center it's possible to view a list of transactions and who created them, transaction types, and accounts and vouchers by transaction date and created date.

5. Segregation of Duties/Responsibilities

With highly critical decisions that carry high risk/high value, it is often not advisable to place full responsibility in the hands of a single individual. In a chain of related processes, this would mean separating the authority of people so that they could manage only sub-sets of an activity. In this way, two or more people are required to complete the entire process. In the case of processing payments to vendors, for example, there should be someone who has the authority to enter purchase orders (POs), approve the receipt of the materials/services, and enter the vendor invoices and match them against the POs, and a different person with the authority to approve and deliver payment. Having this separation helps to eliminate payment for goods/services not approved and/or actually delivered. When managing data transactions, segregation of duties is often not enough. In this case, a two-tier approval to change data or record data is required to secure against fraud and to minimize entry errors. In such situations, the systems should not accept the data entry until a second individual gives their approval.

Microsoft Dynamics AX supports segregation of duties and responsibilities in a variety of ways. It's possible to reduce the risk of conflicting or overlapping control and ownership of documents and duties. Record Level Security enables you to easily set up and define the security of documents and data in a way that supports segregation of duties and responsibilities. It's possible to view what rights

different users have. User permission reports can be viewed from the Compliance Center as well as user group assignments for a range of companies and objects. You can easily see if permission conflicts exist for a user in different groups and companies.

Account views can be filtered by setting up dimension rules and applying Record Level Security to a specific dimension. In this way, control is increased and errors caused when entries are made to inappropriate accounts are greatly reduced.

With Microsoft Dynamics AX, the approval process for specific documents such as purchase requisitions and expense reports can be defined so that documents are processed and approved in a consistent and efficient manner.

It's easier to track the status and history of a specific workflow instance to analyze and determine if changes need to be made to the workflow to improve efficiency.

And managers can apply workflow rules and conditions to support business policies towards purchasing. A manager can approve an electronically submitted purchase requisition thereby saving time for the manager and the employee.

Configurable Alerts

Configurable alerts in Microsoft Dynamics AX also make it easy to monitor and track changes made to business data and manage important events such as changes in a customer's credit limit. By simply defining a specific Alert rule, users can automatically be notified of an event, such as when a due date for a purchase order is exceeded by a specified number of days.

Enable Global Compliance with Microsoft Dynamics AX

The business world is global which makes compliance even more challenging as it intensifies the need for keen insight and understanding of local regulations. Microsoft Dynamics AX helps enable global compliance with automated workflow and processes. For example, you can use Web services to check and ensure compliance with regulations such as the trade restrictions for a specific country at sales order entry. And the Compliance Center makes it easier to store, access and view country-specific regulations and documents.

Comply with National and International Financial Regulations

In addition, Microsoft Dynamics AX provides global compliance support with local tax, regulatory, and market requirements to help accounting managers comply with complex national and international financial regulations. We have a team of experts at Microsoft that extends this business process functionality to address specific local, regulatory requirements in the countries where we support Microsoft Dynamics. We research legal changes in each country and work to develop features that help customers to stay compliant with regulatory changes before they actually become law. Microsoft develops country-wide, horizontal governmental and financial reporting features in countries where there is an official Microsoft Dynamics release.

As part of configuring customer solutions to meet the unique business needs of customers, Microsoft Dynamics AX partners provide more industry-specific features and regulatory updates such as those that affect specific groups of customers (in industries like construction, retail or farming, for instance). Our partners also create local regulatory features that meet the specific regulatory requirements that may be unique to cities, states or provinces.

Reduce the Total Cost of Compliance with Microsoft Dynamics AX

Microsoft Dynamics AX helps enable organizations to reduce the total cost of compliance out-of-the-box. Integration with other Microsoft products including Active Directory, Windows SharePoint Services, Microsoft Office SharePoint Server, SQL Server 2008, Office 2007, and Windows Workflow Foundation means that your people are working with one integrated solution instead of several disparate systems.

For example, Microsoft Dynamics AX and the 2007 Microsoft® Office system offer an integrated approach to compliance that helps increase controls through data integrity and data security while reducing overall cost. Enterprise Portal in Microsoft Dynamics AX runs natively on Microsoft Windows® SharePoint® Services and can utilize the Microsoft Office SharePoint Server 2007 compliance features.

And, because Microsoft Dynamics AX works like and with other Microsoft products it is people-ready meaning your people can get up and running quickly and focus on what's important.

This is significant because:

- One system makes it easier to manage security settings. Security is set up in one place – Microsoft Dynamics AX. Active Directory and Windows Single Sign-On means that the security settings still apply even when working with reports outside the application.
- It's easier to train employees. Employees are working in a familiar working environment helping to lower learning curves so users can focus less on technology and more on their business goals. High user adoption enables people to comply with corporate procedures faster and easier.
- Maintaining one system is more efficient than maintaining several. Crucial information is entered into a one central repository helping to lower the cost of maintaining the system. It's also easier to implement, customize, upgrade, and modify. Microsoft Dynamics AX provides the same version of code for Web and Microsoft Windows clients, which can lead to simpler, less expensive development and IT costs.
- Improved reporting helps drive smarter decisions. Get the right information to the right people in virtually any business environment with Microsoft SQL Server™ Reporting Services. SQL Server Reporting Services delivers a robust environment for creating, managing, and delivering traditional, paper-oriented reports, as well as interactive, Web-based reports and key performance indicators that help in managing compliance.

Increase Productivity and Improve Visibility

RoleTailored design in Microsoft Dynamics AX helps to meet individual user needs to inspire greater productivity. A task-centric interface customized to each user's preferences and role helps individuals focus on what's critical to their specific jobs. The Role Center in Microsoft Dynamics AX helps empower employees to respond faster and more accurately to compliance-related tasks and actions. Alerts, vital compliance data and information are presented in a way that is easy to understand and easier to see.

Transform Compliance into Business Benefits with Microsoft Dynamics AX

Compliance requires capturing information, accurately, organizing and retaining the information and quick and efficient analysis and presentation. This requires processes and procedures that are an integrated part of a company's way of doing business. Having a compliance strategy helps companies gain better control over their business processes, improve customer service, and can even increase brand awareness among customers and stakeholders. But a compliance strategy isn't enough if you don't have the right systems in place to support the strategy.

Microsoft Dynamics AX can help organizations enforce compliance in a consistent, cost-effective way while streamlining business processes and improving efficiency across the organization. The compliance features in Microsoft Dynamics AX deliver:

- Improved visibility into compliance status and activities
- Better consistency in complying with corporate policies
- Greater control by making it easier to track and manage compliance
- Segregation of duties to comply with regulations
- A lower cost of compliance with streamlined and automated processes
- Improved governance by enabling the tracking of internal controls automatically
- Enable global compliance

Conclusion

Microsoft Dynamics AX delivers an integrated and automated solution designed to help you manage the risks and costs associated with meeting compliance requirements. Furthermore, it extends your investment in Microsoft products and technologies, and gives you deeper visibility into and control of business practices that you can use to generate a competitive advantage.

Appendix

Additional Resources

- Regulatory Compliance Planning Guide
<http://www.microsoft.com/technet/security/guidance/complianceandpolicies/compliance/rcguide/default.aspx?mfr=true>
- Regulatory Compliance Demystified
<http://msdn2.microsoft.com/en-us/library/aa480484.aspx>
- Compliance Features in the 2007 Microsoft Office System
<http://www.microsoft.com/downloads/details.aspx?FamilyID=d64dfb49-aa29-4a4b-8f5a-32c922e850ca&DisplayLang=en>
- Security Compliance Management
<http://go.microsoft.com/fwlink/?LinkId=113939>
- The People-Ready Business White Paper
http://download.microsoft.com/download/1/5/3/153753D9-5D5E-41F9-BB05-6776AAA2FAF6/People_Ready_Business.doc
- Find a local Microsoft Dynamics AX Partner in your area.
<http://www.microsoft.com/dynamics/worldwide.aspx>

Compliance Management in the People-Ready Organization

A people-ready organization automates routine tasks and provides real-time information so people can make timely decisions with increased confidence. The goal of a people-ready organization is to help people focus on the business activities that add the most value. Despite these value-adding goals of compliance, your people might perceive a new compliance program as intimidating. Compliance programs typically involve changing business processes that affect many people, and adding new responsibilities and tasks to their already busy schedules. It is important that employees understand that a successful compliance program typically does improve business performance and reduce organizational risk.

Guidelines for How to Design, Execute and Manage a Compliance Program

Managing the interrelationships between business goals, personnel, compliance requirements, Standard Operating Procedures, organizational agility, expansion (or reduction), continual process improvement, product quality, innovation, service, and other business requirements is critical to your long-term success. This section provides some guidance you should consider when establishing your compliance processes and procedures. These guidelines can help you find a long-term, healthy balance between compliance requirements and other factors.

Designing Your Compliance Management Program

1. Establish a compliance board.
 - a. Create a Chief Compliance Officer (CCO) chair, with departmental heads as members.
2. Document all compliance requirements in relation to the short, mid, and long-term goals and objectives of your organization.
3. Understand and document each department's strategies with regard to meeting their compliance objectives.
4. Understand and document the procedures of each department's compliance processes.
5. Understand and document the relationship between each department with regard to the procedures of the compliance program (consider making graphical charts illustrating the processes and relationships).
6. Identify risks (for example, legal, financial, operational, market perception) and corresponding compliance requirement points.
7. Relate the compliance requirements to standard operational procedures, data, personnel authority, security, audit, and sign-off requirements.
8. Identify how a compliance action affects other processes and departments.
9. Determine if there are significant additional actions or considerations (Standard Operating Procedures, policies) that need to be examined.

Executing Your Compliance Management Program

The following suggestions are offered to help you achieve compliance within your business while maintaining the benefits of a people-ready business.

1. Communicate about the overall compliance program with department managers and key employees.
2. Encourage and facilitate teamwork by using the appropriate technology enablers.
3. Categorize compliance requirements into groups and designate which functional areas they impact.
4. Identify the point(s) in which the compliance measure will be integrated into business systems and Business Operating Procedures.
5. Set responsibilities and rules on how compliance procedures and data are to be managed.
6. Establish the criteria for maintaining and managing the relevant compliance procedures and data.
7. Communicate and document guidelines so that all the relevant people know the legal and financial consequences of compliance process mismanagement.
8. Use procedures and systems to manage exceptions and encourage people to provide insights to enable compliance process improvement.
9. Seek and build strong relationships with external resources that can provide expertise on compliance areas that are relevant to your business.
10. Create Standard Operating Procedures for personnel to follow and include the exception processes.
11. Enable and support data capture, audit ability, security, backup, and archiving in your compliance processes.
12. Document all data retention requirements.
13. Set procedures and the ability to audit all data deletion with two-tier sign-off when data is deleted, if required based on risk assessment.
14. Set compliance responsibility at the executive officer and manager/director levels of the organization.
 - a. Make sure all employees understand that they are responsible for following the defined compliance policies.
 - b. Define a process for escalating compliance issues, for example, when policies are not clear or there is question about their applicability in a given situation.
15. Institute a continual compliance review and improvement program that uses compliance Key Performance Indicators (KPIs), people insights, exceptions, non-compliance data and external monitoring of compliance regulations as feedback to improve processes.

Compliance Management Program Best Practices

As presented in the sections above, compliance affects established business operations and reporting related to your business processes. Agility is enabled by building the following characteristics into your compliance program, which allow your people to focus on tasks that add the most value:

5. Empower people to be innovative and provide insights
6. Include a method for people to categorize and deal with exceptions
7. Institute a process to record non-compliance and corrective actions
8. Use a system that enables people to communicate quickly and effectively
9. Use a system to monitor, evaluate, and improve processes continually

It is important to know which compliance rules you need to live by, from where they originate, and in which ways they impact your people and business. This understanding can help you implement compliance management solutions in a way that actually improves your business operations while managing risk and meeting compliance requirements. The solutions and processes that you make available to your people for managing exceptions and communicating effectively can provide your organization with a foundation for continuous business improvement. In order to continuously improve your business, you must give your people the information they need to make informed decisions.

Microsoft Dynamics is a line of integrated, adaptable business management solutions that enables you and your people to make business decisions with greater confidence. Microsoft Dynamics works like and with familiar Microsoft software, automating and streamlining financial, customer relationship and supply chain processes in a way that helps you drive business success.

- *U.S. and Canada Toll Free 1-888-477-7989*

Worldwide +1-701-281-6500

www.microsoft.com/dynamics

The information contained in this document represents the current view of Microsoft Corporation on the issues discussed as of the date of publication. Because Microsoft must respond to changing market conditions, this document should not be interpreted to be a commitment on the part of Microsoft, and Microsoft cannot guarantee the accuracy of any information presented after the date of publication.

This White Paper is for informational purposes only. MICROSOFT MAKES NO WARRANTIES, EXPRESS, IMPLIED, OR STATUTORY, AS TO THE INFORMATION IN THIS DOCUMENT.

Complying with all applicable copyright laws is the responsibility of the user. Without limiting the rights under copyright, no part of this document may be reproduced, stored in or introduced into a retrieval system, or transmitted in any form or by any means (electronic, mechanical, photocopying, recording, or otherwise), or for any purpose, without the express written permission of Microsoft Corporation.

Microsoft may have patents, patent applications, trademarks, copyrights, or other intellectual property rights covering subject matter in this document. Except as expressly provided in any written license agreement from Microsoft, the furnishing of this document does not give you any license to these patents, trademarks, copyrights, or other intellectual property.

© 2008 Microsoft Corporation. All rights reserved.

Microsoft, The Microsoft Dynamics Logo, [\[list all trademarked products\]](#), are either registered trademarks or trademarks of Microsoft Corporation or Microsoft Business Solutions ApS in the United States and/or other countries. Microsoft Business Solutions ApS is a subsidiary of Microsoft Corporation.