What an ERP Audit Finds

Idea In Short

Audit your enterprise resource planning [ERP] system if the month-end close takes longer than it did in the first year, departments bring different numbers to the same meeting, development spending keeps rising or an upgrade is coming. A focused audit of processes, data, customizations, integrations and access takes about two weeks and should end in a short list of findings ranked by business impact. Prepare a list of connected systems, two or three reports that don't match, known workarounds, administrator access and the names of the people who understand the setup. Most fixes need configuration changes, data cleanup and overdue decisions, not a new system. Name one owner for the ERP so reviews actually happen.

It's the fourth working day of the month and the books still aren't closed. The enterprise resource planning [ERP] system produced its numbers on day one. Since then, two people in finance have been pulling exports into spreadsheets, matching them against bank statements and a warehouse report that comes from another system, and fixing differences by hand. Nobody calls it a problem anymore, because it has worked this way since go-live.

That company doesn't think it has an ERP problem. It thinks it has a slow close. An honest audit of the system usually shows that these are the same thing, and that the slow close is only the most visible of several costs the business has been quietly paying for years.

What an audit actually looks at

A useful ERP audit is not a code review, and it is not a hunt for bugs. It looks at five areas and asks the same question about each one: is this helping the business, or costing it money?

- **Processes:** how work really moves through the system, compared with how it was designed to move. The gap between the two is usually where the spreadsheets live

- **Data:** duplicate customers and products, inconsistent units of measure, open documents nobody will ever close, and balances that only reconcile after manual adjustments
- **Customizations:** what was built, what it cost, and whether anyone still uses it
- **Integrations:** every connection to the bank, the online store, carriers, payroll and reporting tools, and who understands each one
- **Access:** who can see and change what, and how many paid accounts belong to people who left or never log in

The five areas feed one another. A process that bypasses the system produces data nobody trusts, and untrusted data pushes people toward spreadsheets, which in turn hide the process from anyone reviewing it. A review that looks at only one area, such as licenses, tends to miss the cause.

When my team at VentorTech runs a focused ERP audit for a mid-sized company, it takes about two weeks. The result should be a short list of findings ranked by business impact, not a 200-page report. A ranked list lets leadership act first on the two or three findings that carry the highest cost, instead of treating every issue as equally urgent.

Six findings that come up again and again

The details differ, but the findings in the systems my team reviews are consistent.

A shadow accounting system

Finance keeps a parallel spreadsheet because one part of the system was never trusted. That costs several people several days every month, and it creates a bigger risk: the spreadsheet, not the ERP, slowly becomes the real source of truth. For comparison, APQC's 2018 benchmark of more than 2,300 organizations found a median monthly close of 6.4 calendar days, with the slowest quarter needing 10 or more.

Reports that don't reconcile

Sales brings one revenue number, finance brings another. The cause is rarely a calculation error. More often, two reports are built on different definitions, for example one counts invoiced orders and the other counts shipped orders. Until someone decides which definition is right, leadership meetings start with an argument about the data instead of a

decision.

Customizations nobody uses

A custom approval screen, a special report for a manager who left two years ago, a module built for a sales channel the company has since closed. Each was paid for once and keeps costing money, because it has to be maintained and retested with every upgrade. Gartner analysts have noted that it is easy to find businesses that have spent 10 times as much on customizations as on the initial license fees.1

Licenses for inactive users

Most ERP vendors charge per user. Accounts for former employees, seasonal staff and people who moved to a shared login stay on the invoice because nobody is responsible for removing them. The problem is not unique to ERP: a Nexthink report found that almost half of all installed software and licensed Software-as-a-Service [SaaS] applications went unused by employees, and only 5% of respondents reported complete visibility into the licenses their employees use.2

An integration that depends on one person

The connection to the online store or the third-party warehouse works, but only one employee or one freelancer knows how. When that person is on vacation, orders pile up. When they leave, the company finds out how fragile the setup was.

Access rights nobody has reviewed since go-live

Warehouse staff who can edit prices, salespeople who can approve their own credit notes. This rarely leads to fraud, but it does lead to errors, and external auditors notice. Separation of duties is the concept of having more than one person required to complete a task, an administrative control meant to prevent fraud, sabotage, theft and misuse of information.3

None of these findings requires a new system. Most are fixed with configuration changes, data cleanup and a handful of decisions that should have been made at go-live.

Why companies put it off

If the findings are this predictable, why do so few companies audit a system that has been running for two to five years? Three reasons come up most often.

The first is fear of opening the box. An audit might show that the original project went worse than anyone admitted, and nobody wants to be the person who asked. A TechTarget report cites a Gartner claim that more than 70% of recently implemented ERP initiatives will fail to fully meet their original use-case goals, so the fear is not irrational.4

The second is the belief that the vendor is the problem. It is easier to blame the implementation partner than to look at how the company itself uses the system. Sometimes the partner is at fault, and the project needs a proper rescue and overhaul rather than another round of fixes. More often, the bigger issues are internal: unclear ownership, processes that changed after go-live, and workarounds nobody wrote down.

The third is that nobody owns the system. Information technology [IT] keeps it running, finance depends on it, operations works around it. Without a single owner, nobody has the mandate to order a review, so it doesn't happen.

Meanwhile, the cost keeps growing. Every month of manual reconciliation, every unused license and every new customization built on an unclear foundation adds to the eventual bill.

What to prepare before an audit

An audit is faster and cheaper when the company does some homework first:

- A list of every system connected to the ERP, including spreadsheets that act as systems
- Two or three reports that don't match, with a note on where the numbers start to diverge
- A list of known workarounds, even informal ones
- Administrator access to the ERP and to its integrations
- The names of the people who actually understand how things are set up. They are not always the ones on the org chart

Each item shortens the discovery phase. The system list lets the reviewer trace data across boundaries, and mismatched reports give the review a concrete place to start. Known

workarounds point to the processes that bypass the system, while administrator access shows configuration, users and integrations directly. The people who understand the setup explain decisions that no document records.

Signs the audit should happen now

An audit can wait if the system is stable and the business trusts its numbers. It shouldn't wait if:

- The month-end close takes longer than it did in the first year after go-live
- Different departments bring different numbers to the same meeting
- Spending on development keeps rising, but the system isn't getting easier to use
- An upgrade or a major change is coming, and nobody can say with confidence what it will involve

Each sign points to a different kind of cost. A longer close means manual work is growing, and mismatched numbers mean the definitions behind the reports have drifted. Rising development spend suggests customizations are accumulating without review, while an upcoming upgrade turns every undocumented change into a risk.

If two or more of these sound familiar, the system is already costing money. An audit puts a figure on that cost and shows which problems to fix first.

- 1On-premises ERP systems will soon get the 'legacy' label
- 2Report: Nearly half of software licenses are unused, wasting $44M+ per month
- 3Separation of duties
- 4Explaining the hidden costs of ERP implementations

Summary

A slow close is rarely only a finance problem, because it usually reflects the state of the enterprise resource planning [ERP] system underneath it. An honest audit looks at processes, data, customizations, integrations and access, and it keeps asking whether each one helps the business or costs it money. The findings repeat across companies: shadow

spreadsheets, reports that don't reconcile, unused customizations, idle licenses, integrations that depend on one person and access rights nobody has reviewed. Companies delay the audit out of fear, blame of the vendor and the lack of an owner, and the cost grows each month. If two or more warning signs sound familiar, the audit puts a figure on that cost and shows which problems to fix first.