



# Making compliance a key element in a major utility's transformation

## Key facts

**Client:** A U.S. regional power utility

**Industry:** Power and utilities

**Primary goal:** Upgrade compliance along with new billing and service options

**Primary platform:**  
SAP S/4HANA IS-U



When senior management at a U.S. power utility serving millions of customers decided to replace an outdated customer relationship management (CRM) platform, they didn't think small. Along with the latest industry-specific software from SAP, the company commissioned three leading IT consultants to design and implement a new system offering far greater functionality. KPMG was one of them, assigned not only to oversee quality assurance to help the client manage program-level risks but also to address a key risk challenge by integrating application security and controls to meet Sarbanes-Oxley (SOX) regulatory requirements.

After more than two years of work, the company successfully launched a new CRM and billing platform that quickly gained the trust of a range of stakeholders. Customers are getting new online options for paying bills, monitoring power usage, and receiving alerts. Management and investors are positioned to benefit by adding new services and rate structures. And, regulators are seeing accurate, detailed documentation on rapidly changing compliance requirements.

## Outcome highlights

Key outcomes	Risk rationalization resulted in reduction of reported SOX risks by more than 80%	More than 75% of controls are now automated	Data protection for more than 3.5 million customers
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# Client transformation journey

## Before

### A company held back by outdated legacy systems

The decades-old CRM/billing platform used by the client lacked the functionality to offer a better digital experience to customers and adapt to new requirements from regulators. It also limited the company's ability to offer new services—including renewable energy options, charging for electric cars, and energy management and monitoring—in a fast-changing market. And behind the scenes, existing on-premise software solutions led to higher operating costs and greater exposure to compliance and risk issues.

## After

### A better customer experience, plus better security and controls

By offering users an improved online experience for paying bills, selecting plans, and getting updates on potential power outages, the client has quickly become a leader in an industry known for old technology and limited customer service.

The successful launch of the new CRM and billing platform to millions of customers in early 2021 speaks to our role delivering quality assurance services for the project overall. And within the project, our risk team helped the client achieve their security and control objectives, establishing a risk and controls program that balances business process enablement with the need to protect the integrity of each function, as well as addressing compliance requirements.

## Future

### Ready for the future—whatever it brings

Thanks to upgraded structures and technologies, the client is better positioned to add new services, rate structures and billing options based on changing customer expectations.

In terms of security and controls, the client is better prepared to adapt and comply with evolving changes in a dynamic energy market.



We enabled the organization to reap more benefits from their investment in SAP, taking advantage of the opportunity to transform the control landscape even as the business was transforming its systems and processes.

—Jonathan Levitt

Director, KPMG Advisory, GRCTechnology

# Focusing on compliance as part of a broader transformation

## Vision and validation

### Seeking a better model for security and controls

With another contractor assigned to manage the planning, process development and technical implementation of the project as a whole, the KPMG Risk team focused on identifying existing risks in application security and SOX controls, defining how these risks should be remedied, and testing new approaches and technology in advance. Key steps included:

- Identifying security, controls and GRC requirements needed to enhance the SAP S/4HANA system and its industry-specific solution for utilities, IS-U
- Defining a leading-practice target operating model (TOM) for SAP-based security that allows users to perform their day-to-day responsibilities while helping ensure sustainability and eliminating unnecessary risk
- Designing and documenting a control environment that takes full advantage of the inherent automated control capabilities of SAP and complies with regulatory requirements
- Developing a compliant, leading-practice security model free from inherent Separation of Duties (SOD) violations
- Integrating the SAP Access Control solution for the management of access and enforcement of SOD

## Construction and delivery

### New structures and technologies deliver real results

After the design and validation phases of the project, our risk team began building a new security structure aimed at rationalizing and consolidating financial reporting risks in order to eliminate redundancies and create a more clearly defined risk landscape. Achieving this required:

- Developing security and controls test scripts to support the effectiveness of identified control points
- Executing SOD analysis on the configured security model
- Introducing a solution to restrict access to personal information and comply with data privacy regulations
- Revising any defects where necessary in the security and controls design
- Supporting the training of control owners, security administrators and SAP Access Control users
- Validating the effectiveness of data conversion tools and functions
- Providing governance over security, and controls during deployment

The new SAP-based system was successfully rolled out in early 2021, winning fast acceptance from consumers and employees, and establishing the client as an industry leader in customer support. Key security and compliance outcomes included:

- With a SOX framework that had not been refreshed since initial implementation nearly 20 years ago, reported SOX risks fell from 92 to 16 as a result of risk rationalization activities
- The share of automated controls rose from 11 percent to 77 percent, minimizing the amount of time and effort needed for control operation
- Achieved compliance with data privacy regulations, protecting the personal data of more than 3.5 million customers
- Established a scalable and sustainable security architecture that was free of SOD conflicts at a role level

Taken together, these measures not only made the client's risk and compliance structure more accurate, efficient, and adaptable but also advanced trust among management, employees, customers, and regulators.

### **Evolution** **Monitoring today and planning for tomorrow**

Post-rollout, KPMG continued to provide support and stabilization services to the client through the end of 2021. We also established continuous tracking and monitoring functions for security, controls and GRC.

To summarize how the new system had performed to date, our risk team also deployed data analytics in the form of process mining to show the client how processes had already been improved and where further efficiencies might be gained in the future.



## Spotlight

### SAP solutions for utilities

SAP's S/4HANA ERP platform and its industry solution for utilities (IS-U) helps digital transformation deliver real benefits by increasing efficiency, simplifying processes, and enabling delivery of new services. But implementing SAP's solutions also means highly regulated utilities must adopt more robust risk, security, and compliance strategies. Learn more: <https://advisory.kpmg.us/articles/2021/energizing-risk-compliance.html>

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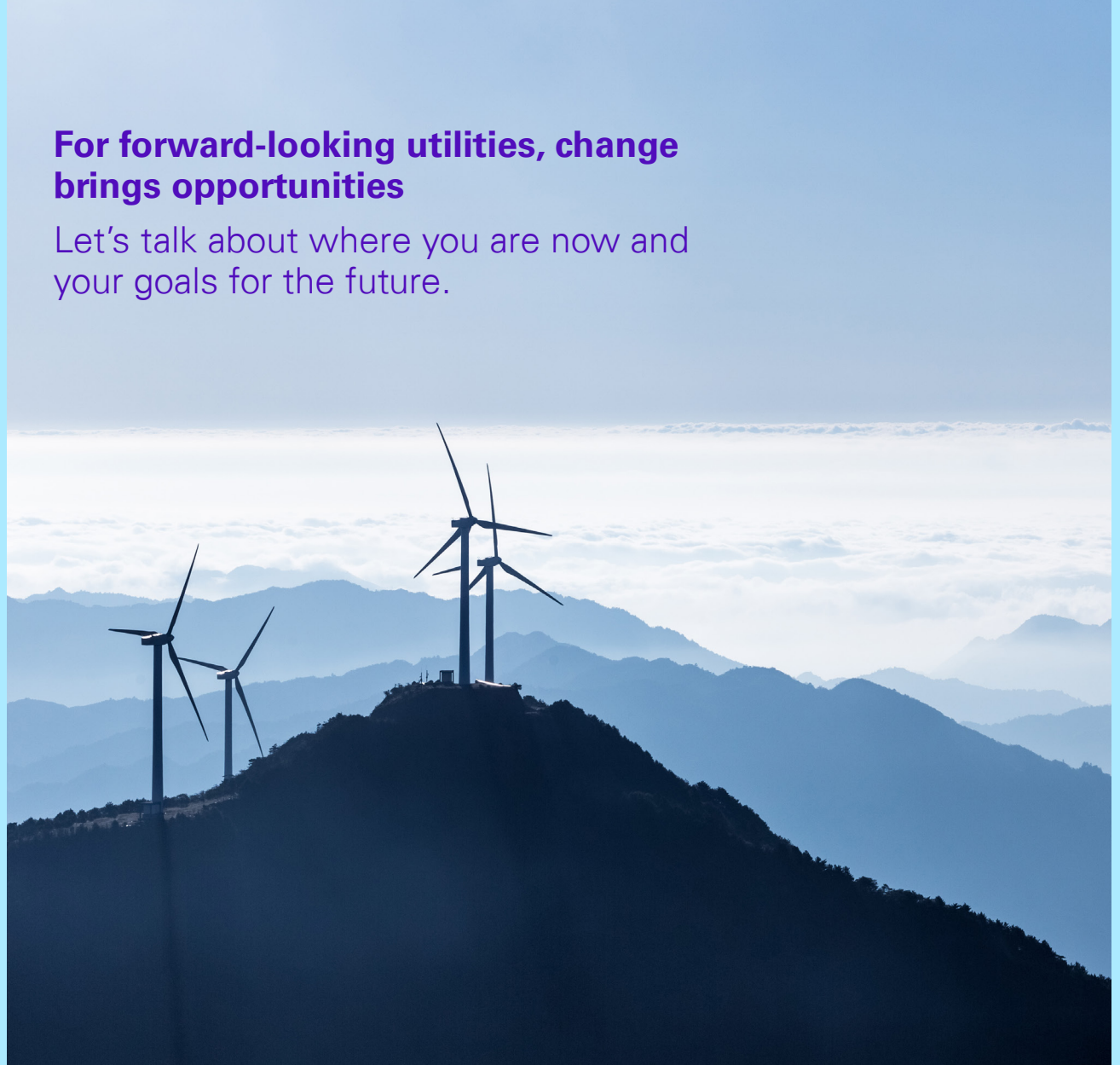
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## For forward-looking utilities, change brings opportunities

Let's talk about where you are now and your goals for the future.



## Start a conversation

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