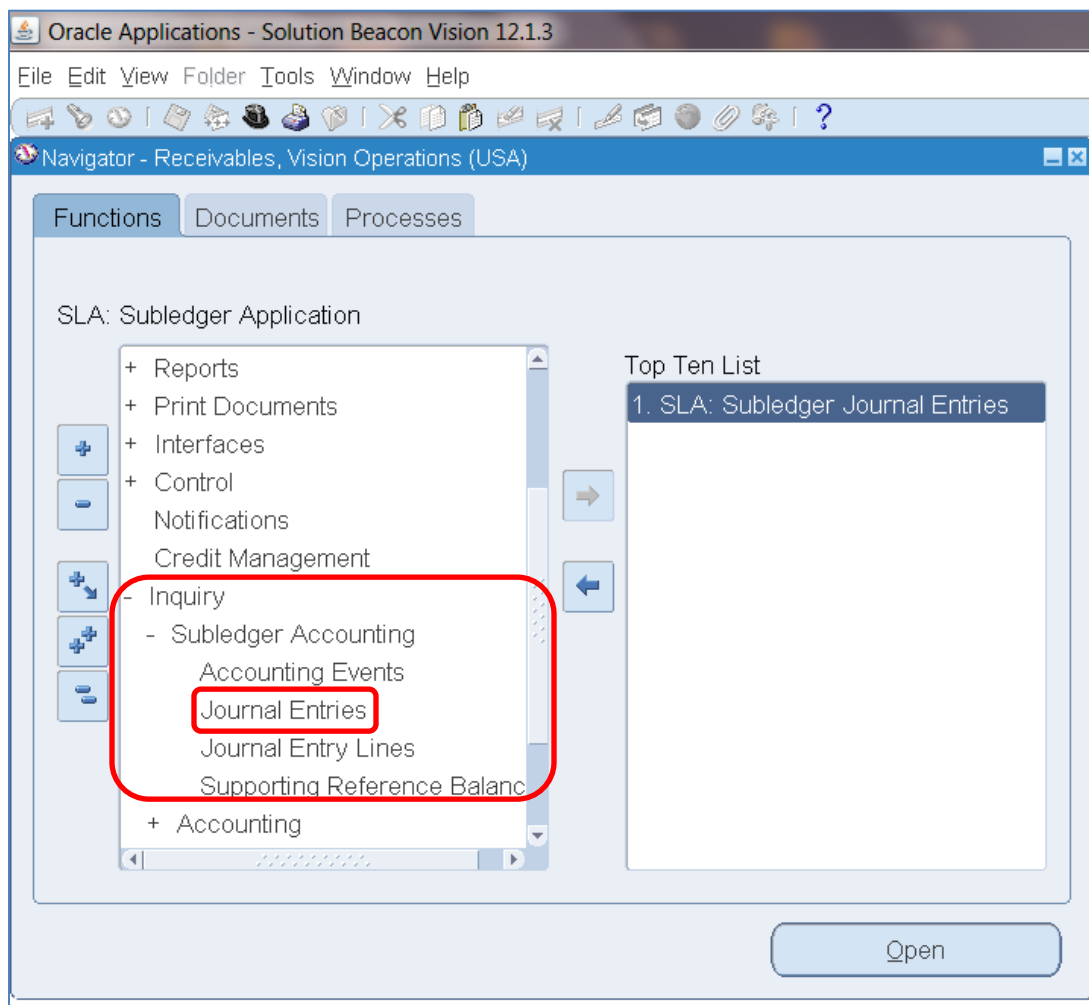


The One Function that Could Undermine Your Journal Entry Controls

Background: In R12, Oracle dramatically changed their subledger architecture by introducing SLA – Sub-Ledger Accounting Architecture. This change helps to standardize the way accounting is stored and transferred to the General Ledger and also allow multiple accounting methods for subledger activity. In the SLA architecture and design of function security, Oracle introduced some significant flaws.

The critical function in question has a User Function Name of: SLA: Create Subledger Journal Entry. The Function Name is: XLA_MJE_CREATE.

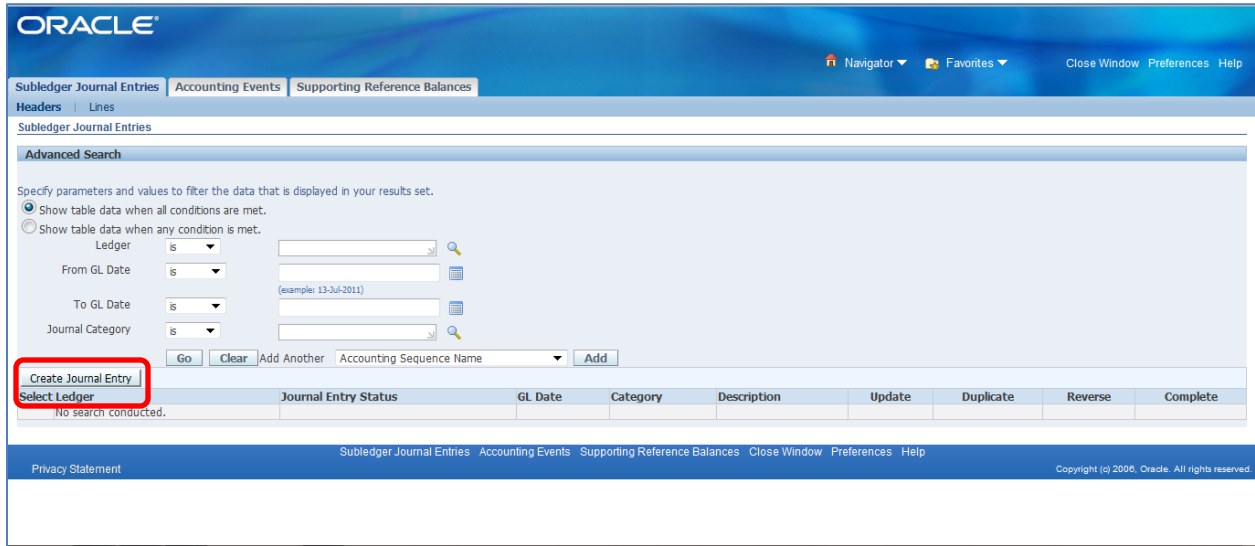
Let me demonstrate how to enter a manual journal entry at the subledger level. First, notice that I am accessing this function through an Inquiry menu. Yes... Oracle designed the seeded security to be able to create a manual Journal Entry line via an Inquiry menu...



Note: The top ten list (on the right half of the screen shots) shows the “User Function Name”. The user function name mentioned in the paragraph above is not the same as shown in the illustration. The fact that you can create the journal entry is the result of the function existing anywhere, possibly with no prompt in the responsibility menu. It causes this form to display the Create Journal Entry button as shown below.

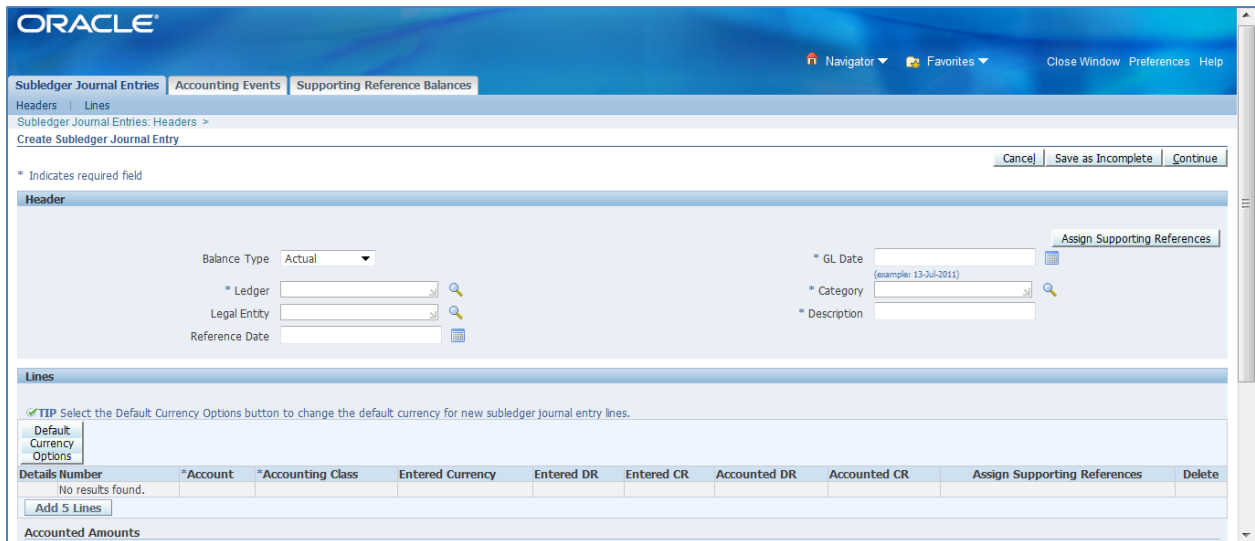
The One Function that Could Undermine Your Journal Entry Controls

Choose Journal Entries and you will receive this screen:



The screenshot shows the Oracle Subledger Journal Entries search interface. At the top, there are tabs for 'Subledger Journal Entries', 'Accounting Events', and 'Supporting Reference Balances'. Below the tabs, there are sections for 'Advanced Search' and a table of search results. The 'Advanced Search' section includes radio buttons for 'Show table data when all conditions are met.' and 'Show table data when any condition is met.', along with dropdown menus for 'Ledger', 'From GL Date', 'To GL Date', and 'Journal Category'. A red box highlights the 'Create Journal Entry' button. Below the search criteria, there is a table with columns: 'Select Ledger', 'Journal Entry Status', 'GL Date', 'Category', 'Description', 'Update', 'Duplicate', 'Reverse', and 'Complete'. The table currently shows 'No search conducted.'

Press the Create Journal Entry button and you will receive this screen:



The screenshot shows the Oracle Subledger Journal Entry creation interface. At the top, there are tabs for 'Subledger Journal Entries', 'Accounting Events', and 'Supporting Reference Balances'. Below the tabs, there are sections for 'Header' and 'Lines'. The 'Header' section includes fields for 'Balance Type', 'Ledger', 'Legal Entity', 'Reference Date', 'GL Date', 'Category', and 'Description'. The 'Lines' section includes a table with columns: 'Details Number', '*Account', '*Accounting Class', 'Entered Currency', 'Entered DR', 'Entered CR', 'Accounted DR', 'Accounted CR', 'Assign Supporting References', and 'Delete'. The table currently shows 'No results found.' and an 'Add 5 Lines' button.

The One Function that Could Undermine Your Journal Entry Controls

You can create a Journal Entry here as follows:

Reference Date

Lines

TIP Select the Default Currency Options button to change the default currency for new subledger journal entry lines.

Default Currency Options

Details	Number	Operations Accounting Flex	*Accounting Class	Entered Currency	Entered DR	Entered CR	Accounted DR (USD)	Accounted CR (USD)	Assign Supporting References	Delete
Show	1	01-000-1110-0000-000 Company-Department-Account-Sub-Account-Product		USD	0.01		0.01			
Show	2	01-000-1110-0000-000 Company-Department-Account-Sub-Account-Product		USD		0.01		0.01		
Show	3	Company-Department-Account-Sub-Account-Product		USD						
Show	4	Company-Department-Account-Sub-Account-Product		USD						
Show	5	Company-Department-Account-Sub-Account-Product		USD						

[Add 5 Lines](#)

Accounted Amounts

Select the Calculate Totals to calculate the accounted amounts for all subledger journal entry lines.

Total Accounted Debit (USD) **0.00** Total Accounted Credit (USD) **0.00**

[Calculate Totals](#)

TIP Select Save as Incomplete only if you want to save the journal entry as Incomplete and return to the Subledger Journal Entries page. Otherwise, select Continue.

[Cancel](#) [Save as Incomplete](#) [Continue](#)

Press Continue and you will receive this screen:

ORACLE

Subledger Journal Entries | Accounting Events | Supporting Reference Balances

Subledger Journal Entries: Headers > Create Subledger Journal Entry >

Review Subledger Journal Entry

[Cancel](#) | [Back](#) | Complete | Final | [Finish](#)

Header

Balance Type: Actual
Ledger: Vision Operations (USA)
Legal Entity:
Reference Date:

GL Date: 13-Jul-2011
Category: Other
Description: JTH Test

[Supporting References](#)

Lines

Details	Number	Account	Accounting Class	Entered Currency	Entered DR	Entered CR	Accounted DR (USD)	Accounted CR (USD)	Supporting References
Show	1	01-000-1110-0000-000		USD	0.01		0.01		
Show	2	01-000-1110-0000-000		USD		0.01		0.01	

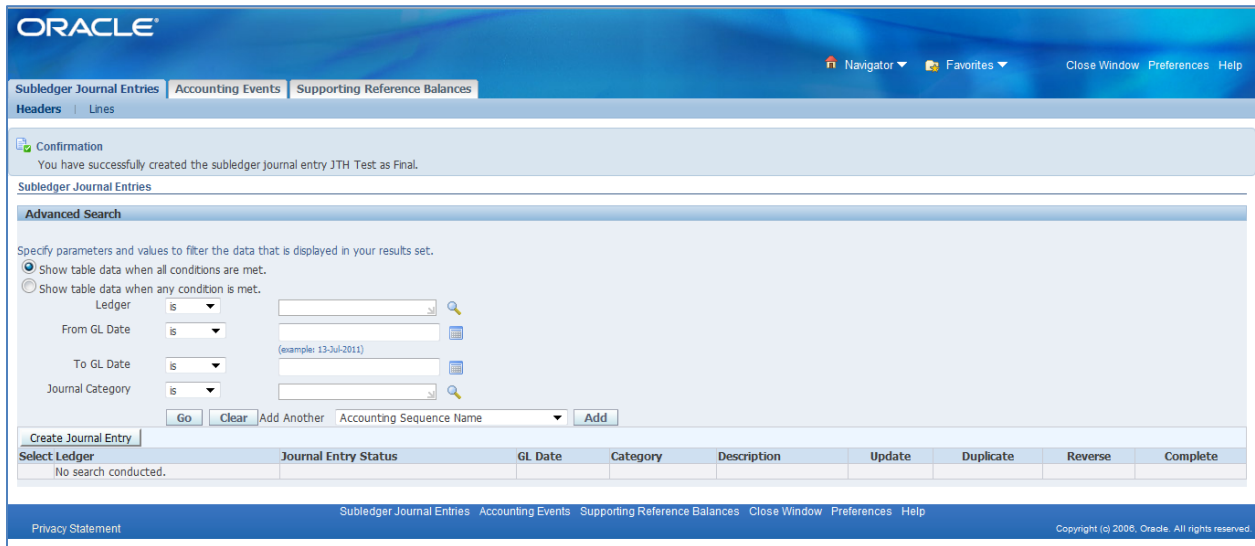
Accounted Amounts

Total Accounted Debit (USD) **0.01** Total Accounted Credit (USD) **0.01**

[Cancel](#) | [Back](#) | Complete | Final | [Finish](#)

The One Function that Could Undermine Your Journal Entry Controls

Press the Finish button and you will receive this message:



The screenshot shows the Oracle Subledger Journal Entries interface. At the top, there is a confirmation message: "Confirmation: You have successfully created the subledger journal entry JTH Test as Final." Below this, the "Subledger Journal Entries" section is visible, featuring an "Advanced Search" form. The search form includes radio buttons for "Show table data when all conditions are met" (selected) and "Show table data when any condition is met." It also has dropdown menus for "Ledger", "From GL Date", "To GL Date", and "Journal Category", each with a search icon. There are "Go", "Clear", and "Add Another" buttons, along with a dropdown for "Accounting Sequence Name" and an "Add" button. Below the search form is a table with columns: "Select Ledger", "Journal Entry Status", "GL Date", "Category", "Description", "Update", "Duplicate", "Reverse", and "Complete". The table currently shows "No search conducted." The Oracle logo and navigation links are visible at the top and bottom of the interface.

How could this undermine your entire Journal Entry controls...? Typically, organizations have journal entry controls that require a **manual** journal entry to be approved, but the journal entries transferred from the various subledgers aren't reviewed. Journal entries that are transferred from subledgers are typically not reviewed in the same way as manual journal entries because there are hundreds, thousands, or more transactions that make up the subledger activity. There is no way a user could properly review and approved a JE coming from the sales ledger (Receivables module) or the payables ledger (Payables module). Therefore, these JEs are typically 'accepted as is' when they are transferred from the various subledgers.

In the scenario above, a manual JE could be entered via the SLA module which essentially amends JEs being transferred from the subledger. If a user enters a line or modifies a line in the SLA module, that activity SHOULD be subject to the manual JE review once it hits the GL. However, an accountant reviewing the subledger JEs once it hits the GL would have no idea that the JE was modified through the SLA module.

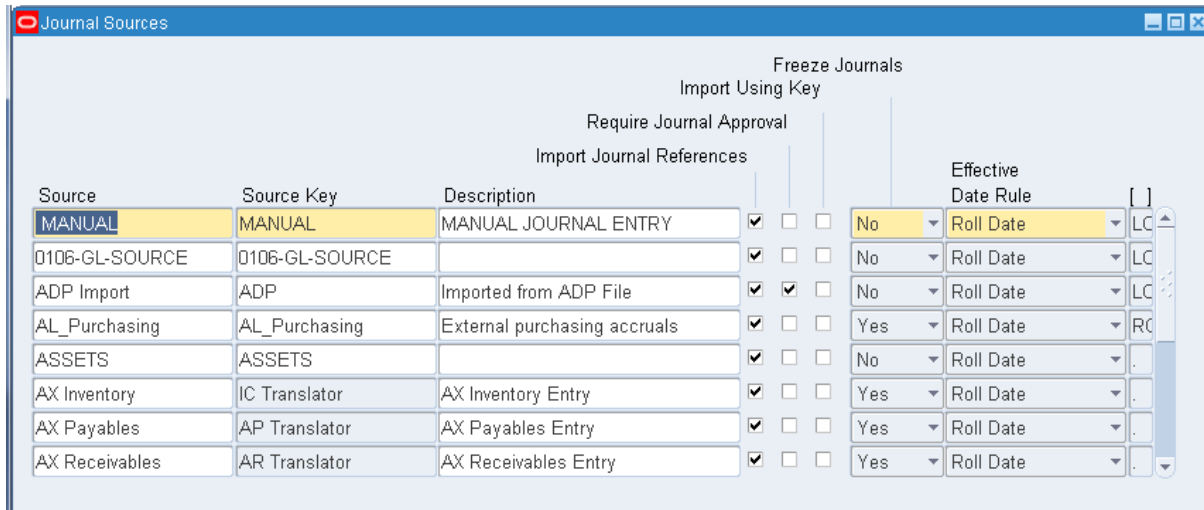
Therefore, putting my auditor hat on... if I see one or more users that have the ability to enter a JE through the SLA module, I have to ask the question – have they done so. If there is a possibility of this, then my expectation as an auditor is that the JE, when transferred to the GL, would be reviewed by someone. The question is HOW could they possibly review the JE when the manual lines were 'buried' in the JE somewhere – i.e. the manual modification isn't identifiable. The logical conclusion by an auditor would be to require substantive testing of the subledger JEs which would dramatically increase the amount of testing that would need to be done related to such JEs.

Would using the Journal Approval workflow make a difference?

The simple answer is no. However, let's take a look at the Journal Sources form to identify the different configuration options that could be used.

The One Function that Could Undermine Your Journal Entry Controls

Journal Sources Configuration



Source	Source Key	Description	Require Journal Approval	Import Journal References	Import Using Key	Freeze Journals	Effective Date Rule
MANUAL	MANUAL	MANUAL JOURNAL ENTRY	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	No	Roll Date
0106-GL-SOURCE	0106-GL-SOURCE		<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	No	Roll Date
ADP Import	ADP	Imported from ADP File	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	No	Roll Date
AL_Purchasing	AL_Purchasing	External purchasing accruals	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Yes	Roll Date
ASSETS	ASSETS		<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	No	Roll Date
AX Inventory	IC Translator	AX Inventory Entry	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Yes	Roll Date
AX Payables	AP Translator	AX Payables Entry	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Yes	Roll Date
AX Receivables	AR Translator	AX Receivables Entry	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Yes	Roll Date

Normally, only the Sources that are subject to the JE approval workflow that are ‘manual’ such as the MANUAL Source and the SPREADSHEET Source (not shown above). The subledger sources such as Receivables, Payables, and Assets are typically NOT subject to the journal approval workflow. Even if they were set to “Require Journal Approval” the question an auditor should ask is how they’d get comfortable approving such JEs since there are hundreds, thousands, or more transactions that make up each of the JEs.

Auditors looking to identify which Responsibilities and Users have this ability can run the query in Appendix A.

Just as an FYI, see Appendix B for screen shots of various seeded Responsibilities which have this Function built into the seeded Menu. Therefore, if the Menu or one of the Sub-menus that contains this Function is used in the development of a custom Responsibility the Function would be accessible unless a Function Exclusion was entered at the Responsibility definition screen.



The One Function that Could Undermine Your Journal Entry Controls

About ERP Risk Advisors

ERP Risk Advisors is a leading provider of Risk Advisory services for organizations using Oracle Applications. We provide consulting and training services related to compliance, security, risk management, and controls. We also assist organizations in implementing GRC-related software from industry-leading companies such as Oracle, CaoSys, Smart ERP Solutions, and MentiSoftware.

About Jeffrey T. Hare, CPA CISA CIA

Jeffrey Hare, CPA CIA CISA is the founder and CEO of ERP Risk Advisors. His extensive background includes public accounting (including Big 4 experience), industry, and Oracle Applications consulting experience. Jeffrey has been working in the Oracle Applications space since 1998 with implementation, upgrade, and support experience. Jeffrey is a Certified Public Accountant (CPA), a Certified Information Systems Auditor (CISA), and a Certified Internal Auditor (CIA). Jeffrey has worked in various countries including Austria, Australia, Brazil, Canada, Germany, Ireland, Mexico, Panama, Saudi Arabia, United Arab Emirates, and United Kingdom. Jeffrey is a graduate of Arizona State University and lives in northern Colorado with his wife and three daughters. You can reach him at jhare@erpra.net or (970) 324-1450.

Jeffrey's first solo book project "Oracle E-Business Suite Controls: Application Security Best Practices" was released in 2009. His second book project "Auditing Oracle E-Business Suite: Common Issues" was released in 2015. Jeffrey has written various white papers and other articles, some of which have been published by organizations such as ISACA, the ACFE, and the OAUG. Request these white papers here. Jeffrey is a contributing author for the book "Best Practices in Financial Risk Management" published in 2009.

LinkedIn: [linkedin.com/in/jeffreythare](https://www.linkedin.com/in/jeffreythare)

Twitter: twitter.com/jeffreythare

Blog: jeffreythare.blogspot.com

Appendix A: Query to identify which Users and Responsibilities have access to enter a manual JE through the SLA module

Query 12: High Risk Single Functions SQL Query

Purpose: This query identifies the users and responsibilities that can access high risk single functions. The limitation of this query is that it does not take into account menu or function exclusions that may be applied at the Responsibility level. This information has to be reviewed along with the information in Query 1 which provides the definition of Responsibilities and Menu and Function exclusions applied.

```
select distinct fu.user_name user_name, fu.description user_description, fr.responsibility_name
resp_name, fff.function_name, fff.user_function_name, fff.description, ff.form_name, ff.user_form_name
from applsys.fnd_user fu,
apps.fnd_user_resp_groups furg,
apps.fnd_responsibility_vl fr,
applsys.fnd_compiled_menu_functions fcmf,
apps.fnd_form_functions_vl fff,
apps.fnd_form_vl ff
where fff.form_id=ff.form_id
and furg.responsibility_id = fr.responsibility_id
and furg.responsibility_application_id = fr.application_id
and fr.menu_id = fcmf.menu_id
and fcmf.grant_flag = 'Y'
and fcmf.function_id = fff.function_id
and furg.user_id = fu.user_id
and sysdate between fu.start_date and nvl(fu.end_date, sysdate+1)
and sysdate between fr.start_date and nvl(fr.end_date, sysdate+1)
and fff.function_name in (
select fun.function_name
from apps.fnd_form_functions_vl fun, apps.fnd_form_vl form
where fff.function_name in (
'XLA_MJE_CREATE'
)
and fun.form_id=form.form_id
)
order by 1,2
```

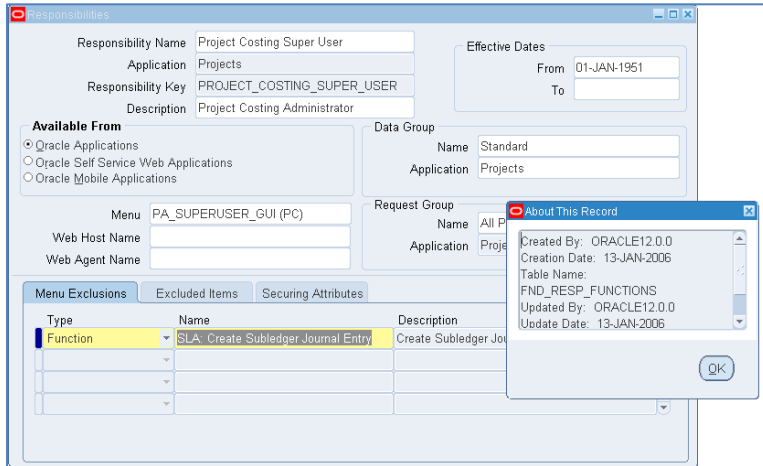
The One Function that Could Undermine Your Journal Entry Controls

Appendix B - Examples of seeded menus / responsibilities with this flaw

Note inconsistency within Oracle in how these are handled

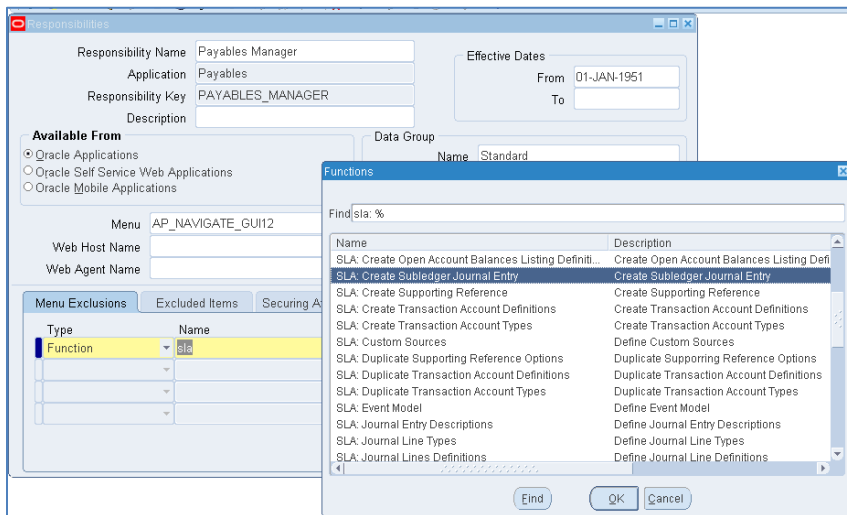
Project Costing Super User

with Function Exclusion



Payables Manager

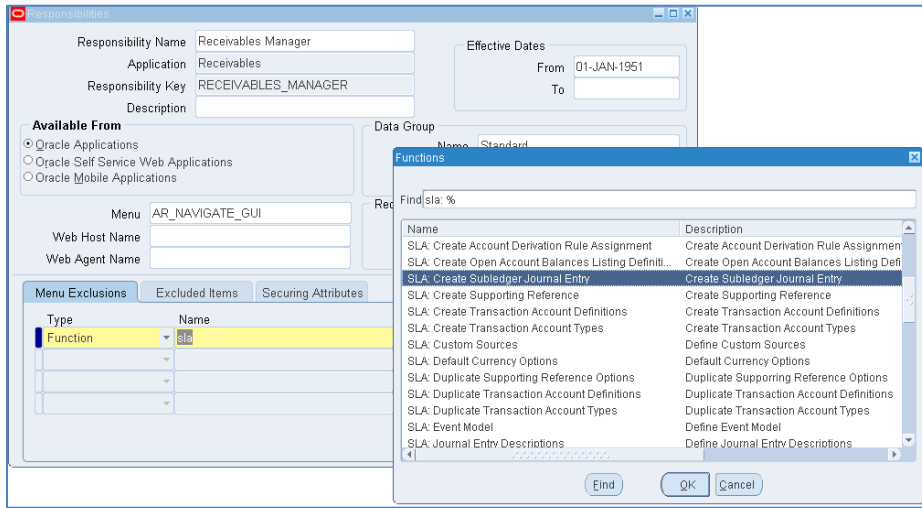
w/o function exclusion, but with the function



The One Function that Could Undermine Your Journal Entry Controls

Receivables Manager:

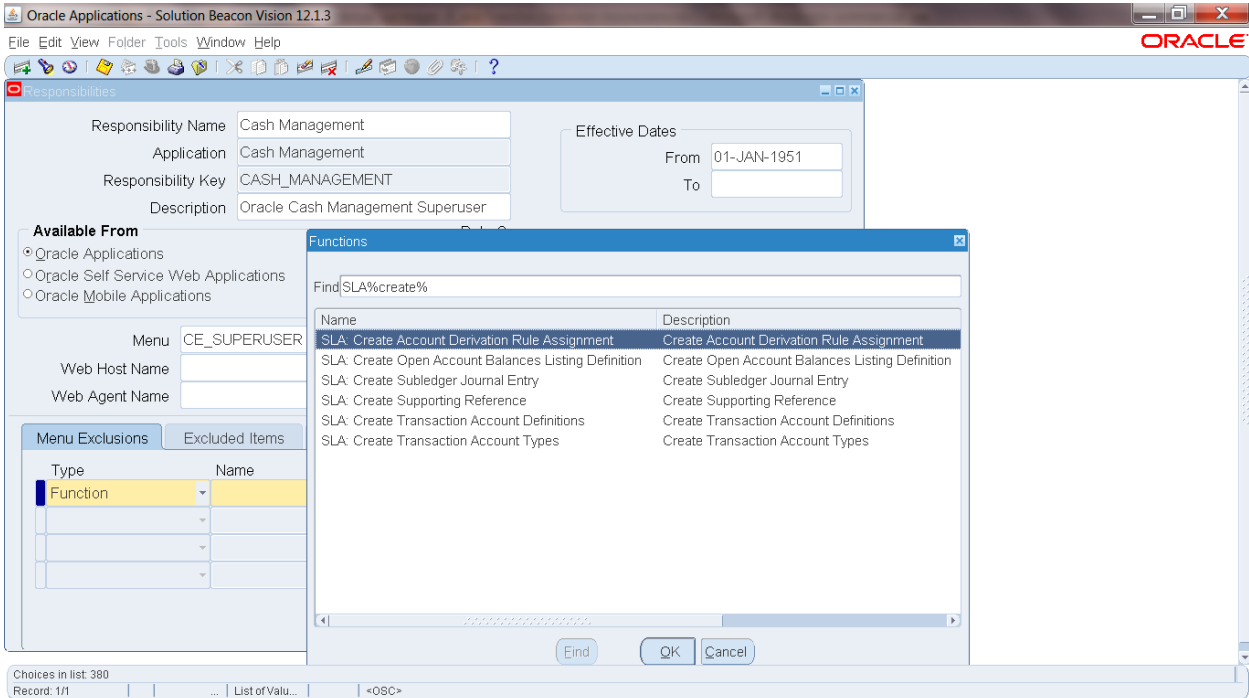
w/o function exclusion, but with the function



The screenshot shows the 'Responsibilities' window for 'Receivables Manager'. The 'Functions' dialog is open, displaying a list of functions. The search criteria is 'Find:sla: %'. The following table represents the data shown in the dialog:

Name	Description
SLA: Create Account Derivation Rule Assignment	Create Account Derivation Rule Assignment
SLA: Create Open Account Balances Listing Defini...	Create Open Account Balances Listing Defi
SLA: Create Subledger Journal Entry	Create Subledger Journal Entry
SLA: Create Supporting Reference	Create Supporting Reference
SLA: Create Transaction Account Definitions	Create Transaction Account Definitions
SLA: Create Transaction Account Types	Create Transaction Account Types
SLA: Custom Sources	Define Custom Sources
SLA: Default Currency Options	Default Currency Options
SLA: Duplicate Supporting Reference Options	Duplicate Supporting Reference Options
SLA: Duplicate Transaction Account Definitions	Duplicate Transaction Account Definitions
SLA: Duplicate Transaction Account Types	Duplicate Transaction Account Types
SLA: Event Model	Define Event Model
SLA: Journal Entry Descriptions	Define Journal Entry Descriptions

Cash Management:



The screenshot shows the 'Responsibilities' window for 'Cash Management'. The 'Functions' dialog is open, displaying a list of functions. The search criteria is 'Find:SLA%create%'. The following table represents the data shown in the dialog:

Name	Description
SLA: Create Account Derivation Rule Assignment	Create Account Derivation Rule Assignment
SLA: Create Open Account Balances Listing Definition	Create Open Account Balances Listing Definition
SLA: Create Subledger Journal Entry	Create Subledger Journal Entry
SLA: Create Supporting Reference	Create Supporting Reference
SLA: Create Transaction Account Definitions	Create Transaction Account Definitions
SLA: Create Transaction Account Types	Create Transaction Account Types

At the bottom of the window, the status bar indicates: 'Choices in list: 380', 'Record: 1/1', and '<OSC>'.