Sarbanes-Oxley:

The Role of Microsoft Business Solutions Technology In Supporting Compliance

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This paper is not intended as legal, financial or audit advice. Speak to your compliance experts (including lawyers and auditors) about how Sarbanes-Oxley affects your business and what steps you need to take to comply.

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Executive Summary

The Sarbanes-Oxley Act of 2002 kicks off a new era of improved corporate governance. The Act will impact a wide range of businesses, both public and private and operating inside and outside the USA. In the USA Sarbanes-Oxley has federal and state-level implications and the penalties for non-compliance could impact both executive and middle-management due to the trickle-down effect of sub-certification.

From a technology perspective, three key sections in the Act are sections 302, 404 and 409.

- Section 302 - requires officers to certify annual or quarterly reports submitted to the SEC (or be subject to penalties defined in section 906)
- Section 404 - requires the production of a new kind of report validating the internal controls over the financial reporting process
- Section 409 - requires improved notification of material events to the marketplace that may impact the financial results of the business

Section 302 compliance is already in force. However, avoiding section 906 penalties is likely to depend on implementing the kinds of activities recommended to ensure compliance with sections 404 and 409. So even though there is still time to comply with 404 and 409, it makes sense to get to grips with their implications earlier rather than later.

Delivering compliance with Sarbanes-Oxley demands the attention of executive, finance and IT managers and is as much about process as technology. But technology, especially business management applications, has a major role to play in providing a foundation for compliance experts, such as accounting firms, who are supporting or delivering compliance with sections 404 and 409.

Microsoft Business Solutions for Analytics and for Financial Management can help provide a solid foundation for compliance experts to advise companies on compliance with Sarbanes-Oxley. The business management applications provided by Microsoft Business Solutions, individually and in combination, support the kinds of process controls demanded by section 404 and can uncover the types of material events covered by section 409.

However Microsoft Business Solutions alone can't deliver Sarbanes-Oxley compliance. Other Microsoft tools, including the Microsoft® Office Solution Accelerator for Sarbanes-Oxley can help organizations facilitate compliance initiatives related to sections 302 and 404 of the Sarbanes-Oxley Act. And Microsoft partners can help by providing add-on or custom software and to provide or assist compliance specialists. Compliance with Sarbanes-Oxley is a challenge, but Microsoft Business Solutions is committed to work with both its customers and business partners to play its part in supporting a new era of business integrity.

PART 1: Sarbanes Oxley Backgrounder

Introduction

Business just got a wake-up call. The Sarbanes-Oxley Act of 2002 ("Sarbanes-Oxley", "the Act") has called a halt to corporate mismanagement and fraud. The Act will impact many businesses - whether if they are public or private, or based in the USA or outside the USA. And it will put additional responsibilities onto many middle managers, not just those at the top.

Sarbanes-Oxley, officially the US Public Company Accounting Reform and Investor Protection Act of 2002, became law in July 2002. Triggered by the Enron, WorldCom and other accounting scandals, the Act is focused on restoring investor trust and confidence in the integrity of US capital markets by enforcing higher standards of corporate governance.

In fact Sarbanes-Oxley is only one of a number of initiatives taking place globally to improve corporate governance. The Basel II initiative, due for implementation in 2006, will impose a new operational risk management framework on G10 nation banks and financial services companies. And the International Accounting Standards (IAS) body is also working on a number of new and revised standards to ensure better financial reporting in an international context.

Sarbanes-Oxley, Basel II, IAS and other initiatives all have a part to play in the improvement of corporate governance. But these new regulatory controls place a burden on organizations worldwide. And all of these organizations will expect their existing and future technology investments to help shoulder this burden. Microsoft Business Solutions can provide a range of applications, tools and services to support small to medium sized businesses (SMBs) in their compliance with Sarbanes-Oxley.

The objective of this paper is to clarify the scope and key requirements of the Sarbanes-Oxley Act from a business applications perspective, to relate these to Microsoft Business Solutions and to suggest how your business can better prepare for compliance with the Act. The content will be of interest to executive and operational managers, especially managers in IT and finance.

In particular, the paper focuses on how a range of Microsoft Business Solutions applications will help your compliance experts advise you on what your business must do to comply with sections 404 and 409 of the Act to deliver improved corporate governance for the benefit of both your internal and external business stakeholders.

Sarbanes-Oxley Act: Scope and Stakeholders

The primary focus of the Sarbanes-Oxley Act is US public companies, meaning corporate issuers of securities registered under the Securities Exchange Act. And much of the burden of responsibility for compliance is placed on company officers. But the scope of the Act and the range of stakeholders involved are much wider.

Public Companies – US and Non-US

There are thousands of US public companies registered with the Securities and Exchange Commission (SEC). But included within the scope of the Act are a number of non-US companies operating in the United States. In December 2002, 1319 non-US companies from 59 countries were registered with the SEC, including 451 that were listed on the NYSE and 262 listed on the NASDAQ [1]. The scope of the Act also extends to the subsidiaries of these US and non-US public companies, which is likely to encompass many thousands more businesses worldwide.

Private Companies – US and Non-US

The Act also has implications for US and non-US private companies that may go public in the future by listing on a US stock exchange and for any private company, anywhere that has a significant business partner relationship with US-listed public companies. These businesses must either prepare for compliance in the future or consider how the Act impacts their relationships with current or future business partners who are mandated to comply.

The US State-Level “Trickle-Down” Effect

There is also a strong likelihood that many US states will attempt to enact their own versions of the kind of corporate governance mandated by Sarbanes-Oxley. This could impact any company that does business in that state. The Pennsylvania House of Representatives released its proposed Pension and Investor Protection Package shortly after Sarbanes-Oxley was enacted And the State of California has already modified some state codes that govern accounting and auditing to reflect the spirit and intent of the Act. This “trickle-down” effect of Sarbanes-Oxley is certain to mean that a significantly larger number of businesses beyond US public companies will need to consider their compliance obligations because of new state-level legislation.

Sub-Certification: Extending the Reach of the Act

Section 302 of the Act requires executive and finance officers to personally certify the validity of specific company reports and section 906 imposes criminal penalties for false declarations relating to these certifications. And there is no doubt that the Act has teeth. Only a year after the Act became law, some 250 investigations have resulted in 25 CEO convictions.

But it’s not just CEOs and CFOs who may be liable to penalties, because section 302 recommends the use of “sub-certification” as an integral part of the certification process. In fact, a June 2003 survey by the Association for Financial Professionals (AFP) indicated that "roughly one-third of financial professionals who provide information used in their companies reports to the SEC are asked to "sub certify" the documents by signing an affidavit." Sub-certification means that middle managers could also get caught in the certification-penalty net if those higher up in the business are penalized.

The Stakeholders Include IT

Delivering Sarbanes-Oxley compliance is a company-wide responsibility. But the certification process mandated by section 302 is intended to ensure that the tone will be set from the top. Undoubtedly much of the actual compliance burden will fall on the finance department but shouldering this burden will depend heavily on support from IT. This is because IT is typically a co-owner of the management systems that support many of the business processes on which compliance depends. Consequently IT management is another key stakeholder in the overall compliance effort.

Sarbanes-Oxley affects both public and private companies, in the USA and elsewhere. For any businesses operating in the USA, the Act may have both federal and state-level implications. The Act can penalize individual corporate officers directly but the increasing use of sub-certification means that middle managers could also suffer from non-compliance. And any compliance effort is certain to involve executive management, finance and IT stakeholders.

Sarbanes-Oxley Act: The Key Sections

The Sarbanes-Oxley Act has over a thousand sections. Some of these sections remain at the proposal stage and the exact implementation rules pertaining to many is not yet fully clear. But here we are concerned only with those sections that are the most likely to require the help of business solutions technology to deliver compliance. So our focus is on sections 302, 404 and 409 from a compliance perspective.

Section 302

This section requires "that the principal executive officer or officers and the principal financial officer or officers, or persons performing similar functions, *certify in each annual or quarterly report filed or submitted...*" that they have reviewed the report and have satisfied themselves as to a number of specific aspects of the report's content and the integrity of its production process.

In terms of the three sections outlined here, section 302 can be viewed as the tip of the iceberg. In order for the report certification demanded by 302 to either be possible or valid, section 302 depends on the kinds of process controls and event monitoring that characterize compliance with sections 404 and 409 of the Act.

Section 404

Requires "an internal control report, which shall

1) State the responsibility of management for establishing and maintaining an adequate *internal control structure and procedures for financial reporting*; and
2) Contain an assessment, as of the end of the most recent fiscal year of the issuer, of the effectiveness of the internal control structure and procedures of the issuer for financial reporting."

Section 404 focuses specific attention on the controls and procedures for managing the financial reporting process. A recent survey of more than 880 chief financial officers and senior information technology executives - co-sponsored by *Business Finance* magazine and Meta Group - found that 71 percent of respondents believe that Section 404 is the most critical part of the Sarbanes-Oxley Act.

Section 409

Requires that "Each issuer…shall disclose to the public on a rapid and current basis such additional information concerning *material changes in the financial condition or operations of the issuer*, in plain English, which may include trend and qualitative information and graphic representations, as…is necessary or useful for the protection of investors and in the public interest." Section 409 requires businesses to pay more attention to the recognition, analysis and communication of material business events.

Clearly business management applications have a key role to play in delivering section 404 and 409 compliance. Part 2 of this paper focuses on how Microsoft Business Solutions' applications can help support this compliance.

PART 2: Sarbanes-Oxley and Microsoft Business Solutions

Introduction

In this section we will look at Sarbanes-Oxley compliance from a technology and process perspective to understand how Microsoft Business Solutions can help your accountants and other advisors comply with sections 404 and 409 of the Act. The focus is on sections 404 and 409 because it is the compliance effort mandated by these sections that helps to deliver the confidence needed for the reports and certifications required by section 302.

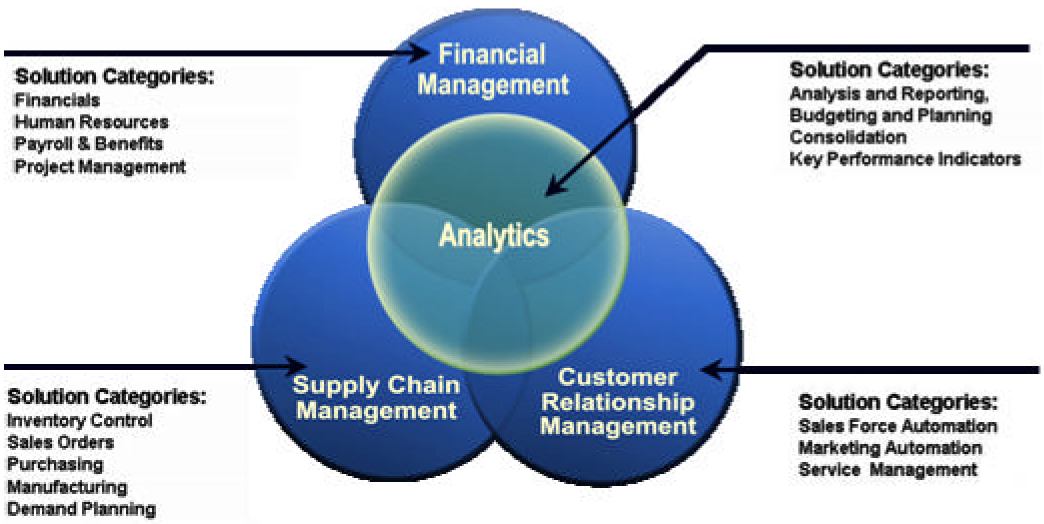
It is important to understand that section 404 and 409 compliance depends primarily on the quality of existing and future business processes, particularly financial reporting processes. Section 404 mandates the production of a new kind of compliance report concerned with process quality and section 409 mandates communication of material events to the marketplace in a timely manner.

Microsoft Business Solutions applications won't create the section 404 report or communicate section 409 material events to the marketplace. However other Microsoft products, such as the Microsoft Office Solution Accelerator for Sarbanes-Oxley and Microsoft SQL Server™ Notification Services can help with this. But Microsoft Business Solutions can provide a technology foundation for compliance that will help those businesses impacted by the Act to reduce the time, cost and effort involved in compliance.

Overview of Microsoft Business Solutions

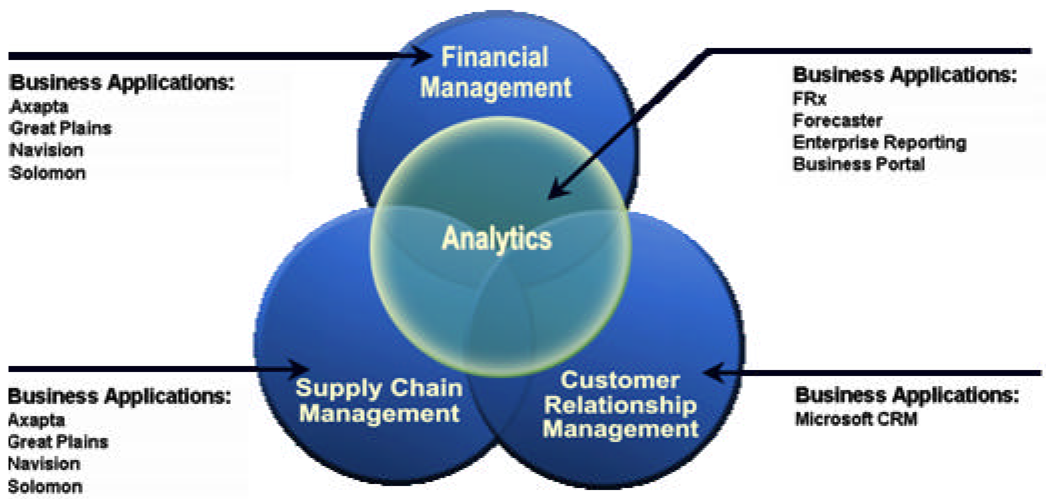
Microsoft Business Solutions delivers a range of business management solutions across four main domains - analytics, customer relationship management (CRM), financial management and supply chain management (SCM) - as shown in figure 1 below. For reference in this paper, we will combine the domains of financial management, supply chain management and analytics into a broad category of applications referred to as enterprise resource planning (ERP).

Figure 1: Microsoft Business Solutions Domains



The solution categories in each domain are supported by one or more applications as shown in figure 2 below. Significant integration is provided across domains and between various combinations of applications. All of the financial management and supply chain management applications are fully integrated and include built-in analytics and/or integration with Microsoft Business Solutions for Analytics applications.

Figure 2: Microsoft Business Solutions Applications



Sarbanes-Oxley: Process and Technology

Industry analysts point out that Sarbanes-Oxley will have significant impact and is about both process and technology.

John Hagerty of AMR Research stated, "The Sarbanes-Oxley Act ... has the potential to be bigger than Y2K in how it affects companies in every industry of every size." A recent AMR Research survey of more than sixty Fortune 1000 companies found that "eighty-five percent of companies predict that Sarbanes-Oxley will require changes in IT and application infrastructures that support the business," according to the AMR Research Alert, May 5, 2003 [4].

According to Robert D Kugel of Ventana Research [5], "Process, not software, is the first issue that public companies must address in becoming Sarbanes-Oxley compliant". And Kugel goes on to say that "The core issue CFO organizations must address in Sarbanes-Oxley compliance is quality in financial processes."

These views demonstrate that Sarbanes-Oxley is fundamentally about quality of process and technology. And in most organizations today many business processes, including the financial reporting process, are largely or wholly managed within and across a range of business management software application domains.

This is supported by the *Business Finance*/Meta Group survey mentioned above. The survey found that of the companies polled, 40% believe they will need to upgrade their current financial processes by means of version upgrades, system replacement and new automation initiatives. And John Hagerty of AMR Research[6] also noted that: "A broad-based review of business practices – especially in decentralized firms – could reach back into the bowels of business operations, eventually requiring wholesale systematic change to some operational business processes and the systems that support them," according to The AMR Research Alert, April 2, 2003.

In fact many of the business processes on which Sarbanes-Oxley compliance depends, rely on the use of high-quality software applications from across all the domains currently supported by Microsoft Business Solutions. And the responsibility for putting the processes and controls in place for Sarbanes-Oxley, and for managing and monitoring them is largely in the hands of the application owners, Finance and IT: Finance as the business process owner and IT as the process enabler through technology support.

Sarbanes Oxley: Technology Issues Impacting Compliance

Although business management applications are essential to provide support for Sarbanes-Oxley compliance, there are a number of technology issues which can complicate and frustrate compliance efforts, including the use of:

- Multiple, non-integrated CRM/ERP/MRP/SCM/Project Accounting systems within a single organization.

- Disconnected spreadsheets to reformat and "massage" information extracted from the transaction processing systems.

- Non-integrated Business Intelligence solutions that enable many different views of the data to be presented from different versions of source data.

- Custom-built add-ons, especially for use with ERP systems, that read or write data directly to the application database tables.

This kind of technology profile can make compliance more difficult because it introduces:

- The possibility of errors as data is transferred between non-integrated systems or into disconnected spreadsheets.

- The likelihood that some transactions will not be logged within the system audit trails built-in to ERP and other systems.

- A difficulty in tracing transaction sources as automatic drilling across non-integrated system boundaries is often not practical to do.

- A tendency to maintain multiple local sources for the same data so that views of the data through analytic tools are inconsistent.

- Bypassing of secure posting routines that are designed to prevent inconsistencies in the data or postings that circumvent system security permissions and user roles.

There is no doubt that compliance with Sarbanes-Oxley will be easier if an integrated set of business management systems is used, disconnected spreadsheets are avoided for analyzing data offline, business intelligence systems work off a single, shared data source and all customizations work through, not around, existing system positing routines and security permissions.

Complying with Section 404 Using Microsoft Business Solutions

Section 404 of the Act places the spotlight on the quality of the financial reporting process and on certifiable confidence in the veracity of its output. For most US "accelerated filers" (US businesses with a public equity float exceeding $75 million) the final 404 rule is effective for fiscal years ending on or after November 15, 2004. For all other issuers the rule is effective for fiscal years ending on or after July 15, 2005.

Section 404 compliance rules are largely based on the definition of internal control developed in 1992 by the Committee of Sponsoring Organizations of the Treadway Commission (COSO), as they apply to financial reporting only. The SEC also accepts the validity of other frameworks for use in both US and non-US companies, including the Turnbull Report published by the Institute of Chartered Accountants of England and Wales (ICAEW) in the United Kingdom.

COSO defined internal control as "a process, effected by an entity's board of directors, management and other personnel, designed to provide reasonable assurance regarding the achievement of objectives in [three] categories", summarised as:

- Effectiveness and efficiency of operations
- Reliability of financial reporting
- Compliance with applicable laws and regulations

In order to achieve this, COSO offers an internal control framework - endorsed by the SEC - consisting of five inter-related components:

1. A control environment to set the tone and provide a foundation.
2. Risk assessment to enable a risk management policy to be developed.
3. Control activities that encompass the policies and procedures of control.
4. Information and communication about relevant internal and external events.
5. Monitoring to assess quality through ongoing activities and evaluations.

From a technology perspective, the software application business processes that are likely to be particularly relevant to section 404 compliance include:

- Data submission, financial consolidation and financial statement generation
- Purchase requisition to vendor payment
- Sales order to customer remittance
- Asset acquisition to disposal/write-off
- Project initiation to revenue recognition
- Inter-company transaction processing
- Currency translation in financial reports

In terms of each of these processes, control issues revolve around:

- The source of the data for information that is presented in reports.

- Who entered, changed or approved the data on its way to a report instance.
- The "version" or "validity" status of information presented in reports.
- How the information presented was originally classified.
- What process the information has gone through to reach the report.
- What roles and authority people have in this process.
- How exceptions are highlighted in report information.
- How secure the process is to prevent tampering.

To understand the financial reporting process, management and compliance experts need a way to review the design and workflows of the process itself. Microsoft Office System desktop applications such as Microsoft Visio®, Microsoft Word and Microsoft PowerPoint® can help users with both the visualization and documentation of the process design. Microsoft Office also offers the Microsoft Office Solution Accelerator for Sarbanes-Oxley to help with creating and maintaining compliance documentation. However, from a Microsoft Business Solutions perspective, the tables below highlight how specific applications can help support section 404 compliance.

Table 1 summarizes how the following Microsoft Business Solutions for Analytics applications can help support section 404 compliance:

- Microsoft® Business Solutions for Analytics – Enterprise Reporting
- Microsoft® Business Solutions for Analytics – FRx®
- Microsoft® Business Solutions for Analytics – Forecaster
- Microsoft® Business Solutions – Business Portal

Table 2 summarizes how the following Microsoft Business Solutions for Financial Management applications can help support section 404 compliance:

- Microsoft® Business Solutions–Axapta®
- Microsoft® Business Solutions–Great Plains®
- Microsoft® Business Solutions–Navision®
- Microsoft® Business Solutions–Solomon

Properly using Microsoft Business Solutions applications as part of your financial reporting process can help you determine that:

- It is not easy to add new transactions, change transactions or delete transactions without these events being logged by audit trail reports.

- The numbers included in financial statements reflect the latest posting and can be thoroughly investigated using drilldown capabilities.

- Process controls include the use of formal approvals and passwords to control access to functions, data and financial reports.

- Financial reports can be produced either on request or automatically and communicated quickly to all report stakeholders to prevent information bottlenecks and ensure that no information stakeholder is left out of the loop.

Table 1: Microsoft Business Solutions for Analytics and Section 404 Compliance

Compliance Help	***Functional Support***	***Application***
Process Visualization	Visualization of business unit data submission into a financial consolidation process to show which units have yet to submit, are submitting or have completed their submission.	**Microsoft Enterprise Reporting**
	Visibility into company-wide planning processes, to show the status of multiple budget versions in terms of whether they have been approved or not for further input.	**Microsoft Forecaster**
Data Integrity	Generation of financial statements and consolidations from a single database that may include source data from many different ERP systems.	**Microsoft Enterprise Reporting**
	Generation of budgets, plans and forecasts from a single database that may include source data from many different ERP systems.	**Microsoft Forecaster**
Data Security	Lockdown of financial statement or budget numbers to prevent unauthorized changes subject to security permissions based on user roles.	**Microsoft Enterprise Reporting**
	Lockdown of budget numbers (as above) and pre-defined approval hierarchies that limit who can participate in and have final approval of company budgets and plans.	**Microsoft Forecaster**
	Password protected report access and delivery of a role-based and personalized view of financial data, reports and their supporting documents via the Web.	**Microsoft Business Portal**
Data Transparency	Drilldown from report summary numbers to account balances and general ledger transaction level detail to verify the source of the report numbers.	**Microsoft Enterprise Reporting** **Microsoft FRx** **Microsoft Business Portal**
	Drilldown and drillaround from reports to supporting documents that may originate in a wide range of source sub-systems.	**Microsoft Business Portal** **Microsoft Axapta Enterprise Portal**

Information Availability	Scheduling of financial reports for automatic production and distribution by email or via the Web to ensure that the latest financial information is always available for viewing. Ability to refresh financial reports on request via a role-based Web portal to trigger production of the latest report version.	**Microsoft Enterprise Reporting** **Microsoft FRx** **Microsoft Solomon Application Server** **Microsoft Enterprise Reporting** **Microsoft FRx** **Microsoft Business Portal**

Table 2: Microsoft Business Solutions for Financial Management and Section 404 Compliance

Compliance Help	***Functional Support***	***Application***
Process Visualization	Audit trail reports - based on automatic combinations of time, date and user ID stamping captured each time a transaction is added, edited or deleted - to verify who has done what and when.	**Microsoft Axapta Microsoft Great Plains Microsoft Navision Microsoft Solomon**
	Real-time posting of information (e.g. from sub-ledgers into general ledger) to prevent dependency on “hidden” batch processes.	**Microsoft Axapta Microsoft Great Plains Microsoft Navision Microsoft Solomon**
Data Integrity	Transaction posting routines that prevent the entry of unbalanced or incomplete transactions and include audit logging as above.	**Microsoft Axapta Microsoft Great Plains Microsoft Navision Microsoft Solomon**
	Reports of voided transactions such as payments, reversing journals and credit/debit notes	**Microsoft Axapta Microsoft Great Plains Microsoft Navision Microsoft Solomon**
Data Security	Role-based security permissions to limit what a user can see or do throughout the system including generating and viewing financial reports.	**Microsoft Axapta Microsoft Great Plains Microsoft Navision Microsoft Solomon**
	Password-protected transaction edits and delete functions to prevent unauthorized changing of sensitive data.	**Microsoft Axapta Microsoft Great Plains Microsoft Solomon**
Data Transparency	Drilldown from reports and higher level transactions to lower level transaction detail and original supporting documents that may have been scanned into the system.	**Microsoft Axapta Microsoft Great Plains Microsoft Navision Microsoft Solomon**
Information Availability	Automatic delivery of information via email or to Web-based portals to ensure timely and widespread communication of information	**Microsoft Axapta Microsoft Great Plains Microsoft Navision Microsoft Solomon**

Complying with Section 409 Using Microsoft Business Solutions

Section 409 of the Act has attracted less attention than section 404 but is no less demanding in terms of the process and technology that is required to support compliance. Although the final rules for Section 409 are not fully stabilized, this section of the Act is primarily concerned with the recognition and communication of "material events".

A material event may be an event that occurs inside or outside the business. Coping with external material events requires some kind of business environment "scanning" system that helps to identify and bring these events to management attention – this kind of scanning system is usually thought of as an element of corporate knowledge management and is outside the scope of this paper. However, many internal material events occur within the context of a business management application. The kind of material event the Act is concerned with could include:

- Exceptional financial variances
- Acquisition or disposal of major assets and material asset impairments
- Winning or losing of major projects/orders
- Initiation or termination of major agreements
- Initiation or termination of significant customer relationships
- R&D events (e.g. new or lapsed patents)
- Changes in the HR profile (e.g. recruitment, retention) of the organization
- Changes in organizational structure due to merger and acquisition activity
- Changes in organizational structure due to opening or closing of business units
- New investments and funding or termination of same
- Large deferred expense or revenue items
- Significant changes in compensation packages
- Revenue recognition events

Not all of these kinds of events occur solely or exclusively within a business management application context. But where they do, material event recognition depends on at least three kinds of capability:

- The availability of a plan to compare expectations against actualities and drive variance reporting.

- The use of business rules to define how to recognize an event instance and what response is required when the event is recognized

- A means to communicate material events quickly and efficiently to an appropriate audience (the right information to the right people at the right time).

The table below outlines how Microsoft Business Solutions for Analytics and Microsoft Business Solutions for Financial Management can help with section 409 compliance.

Table 3: Microsoft Business Solutions and Section 409 Compliance

Compliance Help	*Functional Support*	*Application*
Budgeting, Planning and Variance Reporting	Sophisticated, multi-level and multi-dimensional budgets and plans with variance reporting on a budget-to-budget and budget-to-actual basis.	**Microsoft Enterprise Reporting** **Microsoft Forecaster**
	Single-level, limited-dimension budgets and plans with variance reporting.	**Microsoft Axapta** **Microsoft FRx** **Microsoft Great Plains** **Microsoft Navision** **Microsoft Solomon**
	Project costing plans, and variance reports based on commitment and actual data.	**Microsoft Solomon**
Event Recognition	Business rules can be defined in the Great Plains Business Alerts and Solomon Communicator functions to drive the recognition of certain kinds of material event. Both functions generate an email alert to communicate an event notification message to the event stakeholders.	**Microsoft Great Plains** **Microsoft Solomon**
	Business rules can be defined at the report cell level so that exceptions in individual report numbers can be highlighted using both a visual cue and popup message when the report is viewed.	**Microsoft Enterprise Reporting**
Event Communication	Data views, reports, documents and key performance indicators (KPIs) sourced from data in Microsoft Business Solutions and other Microsoft applications can be aggregated and communicated via a personalized Web portal.	**Microsoft Business Portal** **Microsoft Great Plains** **Microsoft Solomon**
	Data views, reports, documents and KPIs (Axapta only) sourced from within the ERP or SCM applications can be aggregated and communicated via a personalized Web portal included in the ERP system.	**Microsoft Axapta** **Microsoft Navision**

PART 3: Sarbanes-Oxley and the Microsoft Office Solution Accelerator

Microsoft has recently launched The Microsoft Office Solution Accelerator for Sarbanes-Oxley to help companies to manage their financial processes and controls, not just collect data. The accelerator's business benefits include the following:

- Visibility into processes, risks and controls
- Support for an easier and accelerated compliance process
- A flexible foundation for compliance solutions that adapt to customers' needs and longer-term compliance initiatives
- Support for documentation of controls based on COSO and custom control frameworks from accounting partners

Built on familiar Microsoft Office System products, the Office Solution Accelerator for Sarbanes-Oxley extends the value of companies' existing software investments. As a result, compliance solutions based on the accelerator are easier to use and administer and are fully compatible with other Microsoft products. Additional benefits include the following:

- Minimal deployment costs in terms of training, additional licenses, etc.
- Easy installation, setup and migration with built-in tools and Microsoft integration partners
- Scalable architecture, extensible and compatible with other Microsoft applications

The Microsoft Office Solution Accelerator for Sarbanes-Oxley can be a key component of platforms for future compliance processes. It provides a flexible and adaptable architecture for development of solutions to address immediate Sarbanes-Oxley needs while facilitating ongoing compliance management.

Future compliance offerings planned from Microsoft Corporation will take advantage of products from other Microsoft divisions — such as Microsoft Windows Server System™, Microsoft Business Solutions and Microsoft Enterprise Storage Division — to help customers extend their compliance solutions.

Microsoft Business Solutions plans to include the Microsoft Office Solution Accelerator for Sarbanes-Oxley with Microsoft Business Portal for both Microsoft Great Plains and Microsoft Solomon. By building the Microsoft Office Solution Accelerator into Microsoft Business Portal, users will have a single point of access for both Sarbanes Oxley compliance information for their company, as well as relevant financial data to support Sarbanes Oxley compliance. Microsoft Business Portal queries and reports will also be linked to the relevant processes, risks and controls with the Microsoft Office Solution Accelerator for Sarbanes-Oxley.

PART 4: What You Need to Do Now

As part 1 of the paper indicated, all US public companies and non-US companies listed in the USA, and a great many private companies both within and outside the USA are likely to fall within the scope of the Act. Many more companies may also soon be subject to Sarbanes-Oxley-like regulations due to changes in US State legislation, US-GAAP, IAS rules or other initiatives such as Basel II. So the first step is to determine whether your business is likely to be impacted.

If so, in most businesses, some kind of Sarbanes-Oxley task-force or disclosure committee should be established, as recommended by the SEC. To make sure the whole business understands the importance of this work, a communication program should be put in place to bring relevant elements of the workforce up to speed on the key issues of Sarbanes-Oxley compliance and to educate as many as possible as to what a "control environment" means. This can be a significant undertaking. According to CIO magazine [7], DuPont gave 1400 IT employees a half-day crash course in internal controls.

The first hands-on priority of your task force should be to determine the state of readiness of your business for complying with the Act. Based on your state of readiness, your task force may then wish to consider whether it's appropriate to introduce "sub-certification" into your business and what framework to use as the basis for your compliance efforts.

Having established your state of readiness, then the focus should move to the actions that the SEC expects most companies will have to undertake, including to:

- Identify and document existing controls
- Test for design and operating effectiveness of existing controls
- Identify the applicable areas of risk for the company
- Evaluate if any risk areas are not subject to controls
- Design and document new controls affecting identified risk areas not covered by existing controls or subject to inadequate existing controls
- Test for design and operating effectiveness of new controls
- Document results of all testing; and
- Discuss the procedures and results with the audit committee.

In particular, the SEC recommends that you should evaluate certain specific types of controls such as those relating to:

- Initiating, recording, processing and reconciling account balances, classes of transactions and disclosure and related assertions included in the financial statements
- The initiation and processing of non-routine and non-systematic transactions
- The selection and application of appropriate accounting policies; and
- Prevention, identification and detection of fraud.

These activities will highlight process and technology deficiencies that will help to build a gap-analysis report for review by business process owners, IT and external application suppliers. This gap-analysis can then be used to determine if, in addition to process improvements, new or upgraded technology investments are appropriate to plug some of the gaps identified.

Application specialists from your business solutions supplier, and other Microsoft partners, can also help to identify those processes or process steps that are either fixed or variable - for example three-way matching on purchase orders – so that system administrators can "lock-down" these processes or steps if possible to prevent other users from circumventing important process controls.

Microsoft Business Solutions applications have a great many features and functions that can help your compliance experts with your Sarbanes-Oxley compliance. In some cases customers are not aware of or fully leveraging these features and functions because they have not needed to in the past. By reviewing your current business management applications through a Sarbanes-Oxley "lens" you may discover that a solid foundation for compliance already exists in your business.

Conclusion

Business processes managed using Microsoft Business Solutions applications will help your compliance experts to provide you with a solid foundation for Sarbanes-Oxley compliance, especially with sections 302, 404 and 409 of the Act.

However Sarbanes-Oxley compliance won't be easy and for most businesses it will be a costly exercise. Compliance efforts will place more demands on existing resources, take time to implement and require additional funding if external expertise must be brought in to help.

But in the end compliance just makes sense – and not just to avoid new regulatory penalties. Compliance with the Act ensures that everyone involved with the business has confidence in your management, your numbers and the processes that produced them - and that's got to be good for business.

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