

Compliance Brief: Sarbanes-Oxley Act



Enhance Financial Reporting Accountability

The Sarbanes-Oxley Act of 2002 is a federal law passed in response to a number of major corporate and accounting scandals that tarnished public trust in business accounting and reporting practices. Also known as the Public Company Accounting Reform and Investor Protection Act of 2002, SOX and Sarbox, it was designed to combat accounting fraud, improve financial disclosures and increase corporate responsibility.

Applicability

This wide-reaching legislation applies to all U.S. publicly traded companies, or approximately 17,000 businesses, according to the U.S. Chamber of Commerce. SOX regulates the activities of executives and management as well as the accounting and auditing firms that provide services to these companies.

Public Company Impact

Under the SOX law, corporations must exercise tight control over financial reports and significant transactions. Management is responsible for establishing and maintaining internal document controls. Accounting departments are required to show how reports were created and be able to identify where errors or fraud could occur. Finally, executives must sign off on financial reports. Penalties for submitting false information can range from \$1 million to \$5 million in fines and prison terms of up to 20 years. Compliance officers focus on:

- Information security for reliable internal controls.
- System monitoring and tracking to strengthen accountability.
- Reporting and disclosure methods for compliant practices.

By 2008, companies will have cumulatively spent \$32.3 billion on SOX, according to AMR Research surveys. In the latest study, 42% of respondents reported that, despite the expense, the primary benefit of good governance, risk management and compliance practices is streamlining business processes.

ECM Enables Sarbanes-Oxley Compliance

Public companies invest in Digitech Systems' Enterprise Content Management (ECM) solutions because paper documents make it difficult to demonstrate control over the use and access of information. Chief information officers, compliance officers and records managers can reduce compliance costs while enabling operational efficiency using either PaperVision® Enterprise, the on-premise ECM system, or ImageSilo®, the on-demand ECM service. With extensive security settings, disclosure tracking and system auditing capabilities, corporations use these tools to build confidence in their SOX compliance strategy.

The following PaperVision Enterprise and ImageSilo capabilities can enhance SOX compliance, while saving corporations both money and time.

Information Security for Reliable Internal Controls

Companies must certify that they have accepted the responsibility for establishing, evaluating and correcting an information security strategy. Plus, they must demonstrate the scope, adequacy and effectiveness of their policies and procedures. Both ImageSilo and PaperVision Enterprise provide comprehensive system settings that facilitate and enforce strict security policies and procedures right down to the document level.

- Security rights limit access to different files and functionality, including the ability to read, modify, delete or share documents, enabling companies to customize access for each individual user.
- Check-in and check-out functions track different document versions for each change or addition to a financial report and enhance personal and team accountability.
- Workflow enables companies to design, enforce and verify standard reporting procedures for controlled and effective results.

Audit Trails as Proof of Compliance

Each system that contributes to financial reports and disclosures must be monitored and tracked with audit trails. Companies are asked to assess both the design and operating effectiveness of internal controls and collect sufficient information about the flow of transactions. Firms find that Digitech Systems' enhanced audit technology eases the burden of manually monitoring systems and provides simple reports to evaluate procedures.

- Searchable document access reports provide detailed records of all items accessed by a user and boost system integrity by logging what the user did with financial statements.
- Query reports reveal all system operations performed, so all activity is recorded and can be traced to its source.
- Workflow history reports document the process flow of financial reports and spell out responsibility by stating who completed each individual step.

Simple Processes for Report Disclosures

SOX Section 404 states that annual disclosures and quarterly updates must be provided to shareholders and the U.S. Security Exchange Commission. PaperVision Enterprise and ImageSilo simplify report disclosures and enhance efficiency for reporting processes.

- Distribution capabilities offer unlimited document distribution for sharing financial reports with stockholders.
- Document grants allow external auditors or users limited access to specific documents for secure, yet convenient online access to information.
- Enhanced auditing capabilities maintain a record of all disclosures, so companies can validate who received information, when and why.

For more information, please visit www.digitechsystems.com or call toll free at 888.374.3569.

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