

IT Consulting and Assurance Services for Sarbanes-Oxley Compliance

May 2007

Infonetica

COMPANY OVERVIEW

Boutique Bay Area consulting firm specialized in Infosec

Seven years of successful operation

Proven capabilities

Heritage from large Indian software houses

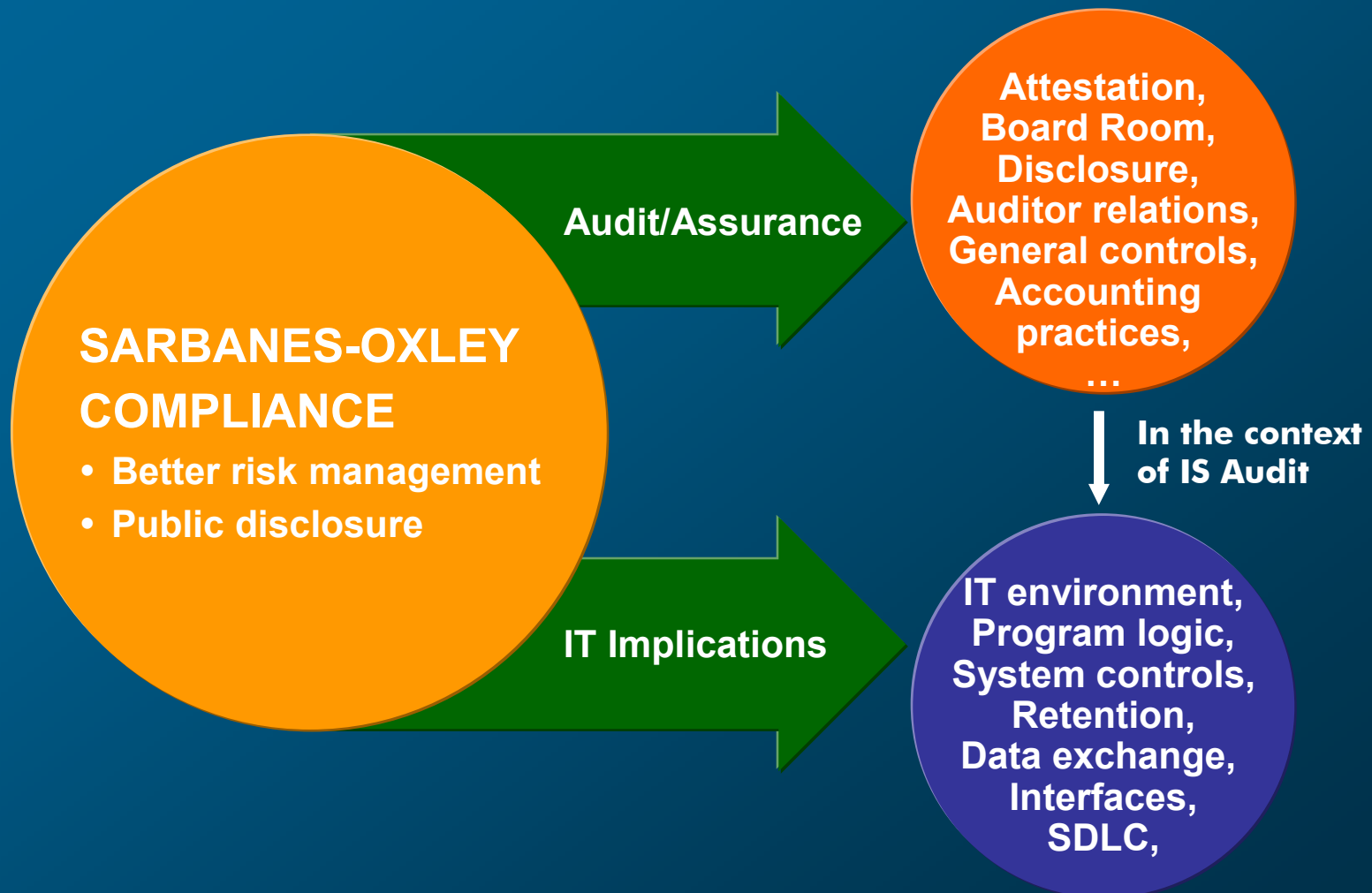
- ◆ **High-end consulting and management experience**
- ◆ **Fresh perspectives; no attitude; cost-effectiveness**

Strategic partnerships

PRACTICE AREAS

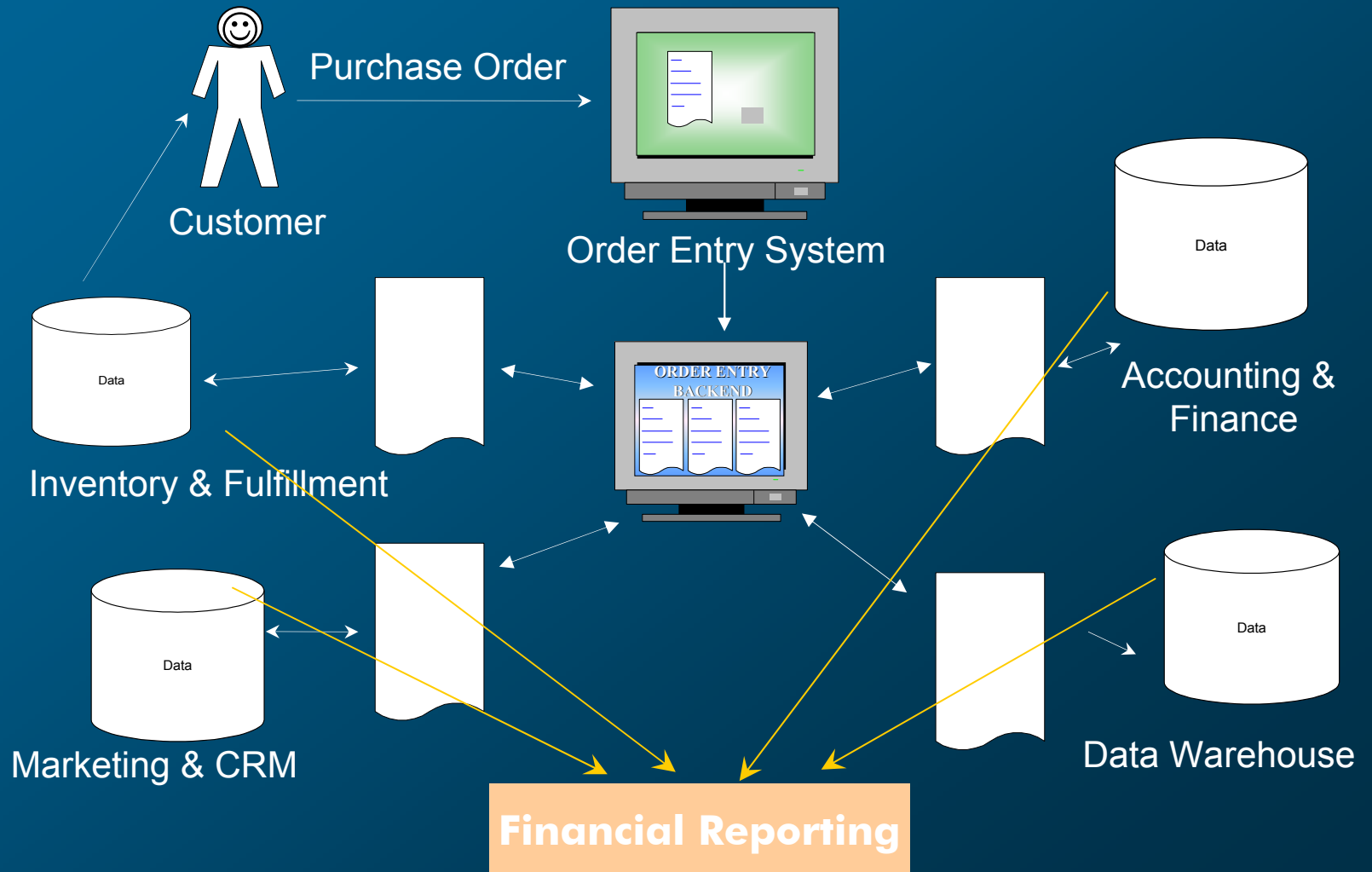
Business & IT Consulting Services

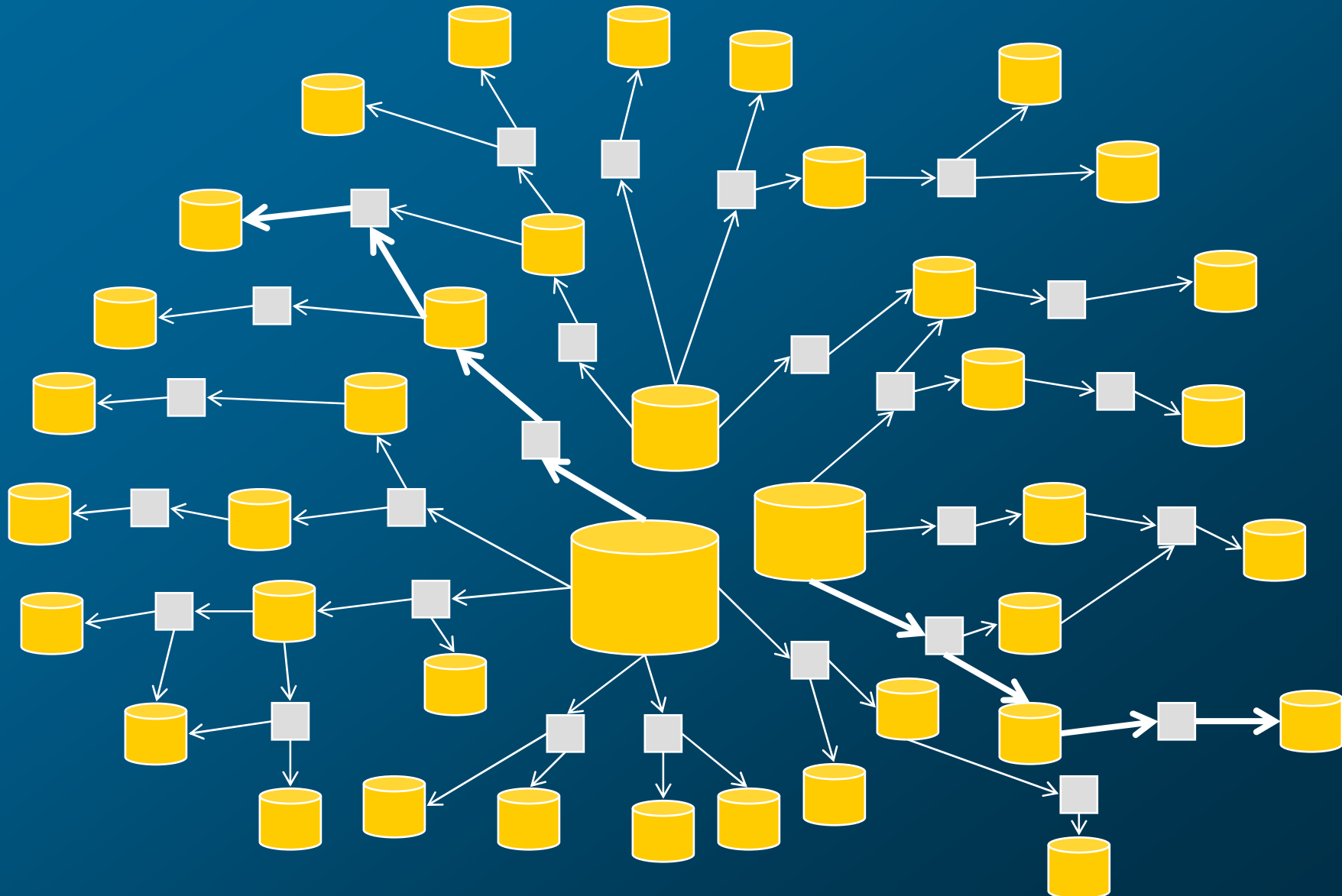
- ◆ **Infrastructure**
- ◆ **Information Security**
- ◆ **Business Intelligence**
- ◆ **Process Design**
- ◆ **Quality Assurance and Testing**
- ◆ **IT Service Management**

CONTROL SELF-ASSESSMENT FOR SARBANES-OXLEY

SARBANES-OXLEY – IT IMPLICATIONS

- ❑ Companies must have written policies, consistently applied**
- ❑ Corporate records must meet data integrity guidelines**
- ❑ Intensified focus on independent audit process**
 - Management assertion and Auditor attestation of internal controls**
 - ✓ Management and Independent Controls**
 - ✓ General Controls**
 - ✓ Application Controls**
- ❑ Published Code of Conduct and “whistle-blower” protection**

“BUSINESS” VIEW OF PROCESSING

REALITY OF COMPUTERIZED PROCESSING

WHERE TO BEGIN?

The most likely “big picture” for Control Self-Assessment:

Step 1: Understand the definition of Internal Control

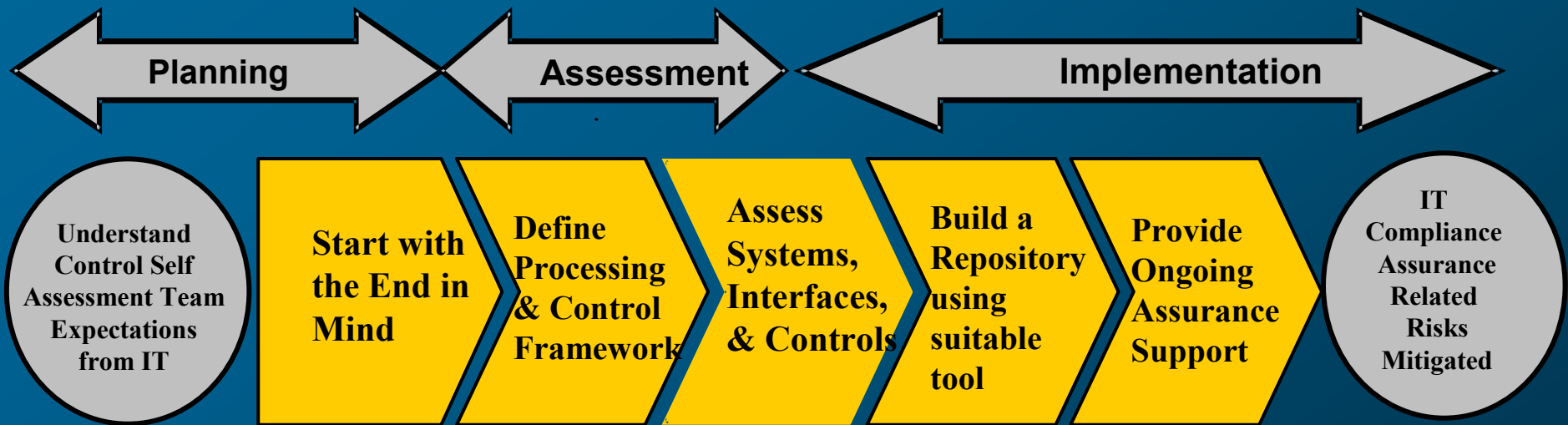
Step 2: Organize a Project team to Conduct Self-Assessment
Typically a large team with representatives from finance, operations, technology, audit, legal, human relations and business line representatives

Step 3: Evaluate Internal Control at the Entity level

Step 4: Understand and Evaluate Internal Controls at the Process, Transaction and Application Level.

Focus
area
for IT

Step 5: Evaluate overall effectiveness, Identify matters for improvement, and Establish monitoring systems.

ROADMAP FOR IT**Required Assessment / Evaluation of Internal Controls:**

For assurance on Internal controls over financial reporting, process, transaction or application level control documentation is required for all “significant accounts” and the related processes and transactions that could contain errors of importance

To minimize risk, evaluate:

- ✓ Process Documentation
- ✓ Systems & Controls
- ✓ Document retention / destruction policies

Application Controls in ERP: Are they turned on?

IDENTIFY KEY BUSINESS PROCESSES

Processes that have:

- ✓ Material financial statement line item or large dollar spend
- ✓ Critical to achievement of major goals and objectives of the business
- ✓ Relates specifically to compliance or disclosure under GAAP, SEC, or laws
- ✓ Critical to achievement of financial control assertions

Business Processes

	Quote to Cash	Procure to Pay	Mfg	Prod Life Cycle	Finance	Employee Services
<i>Master Data</i>						
Item	●	●	●	●	●	
Customer	●				●	
Price List	●			●	●	
Supplier		●	●	●	●	
Employee	●	●	●	●	●	●
<i>Transactional Data</i>						
Sales Order	●		●		●	●
AR Invoices	●		●		●	●
						Etc.

● = Creates Data
● = Uses Data

IDENTIFY SYSTEMS AND INTERFACES

Process	System	GL	AP	FA	BG	TR
Maintain base accounting foundation		C	U	U	U	U
Enter, approve and post journals		C	U	U		U
Reconcile and consolidate accounting information		C	U	U		U
Report on financial performance		C				
Maintain base vendor information			C			U
Enter, approve, and pay invoice vouchers			C			
Integrate costing information to project costing & fixes assets			C	U		
Depreciate assets		U		C		
Maintain budget information					C	
Reconcile corporate bank accounts		U				C

GENERATE DOCUMENTATION

Documentation must include complete Transactional flow including application controls of financial systems

Build repository of System Documentation for identified systems and interfaces, including:

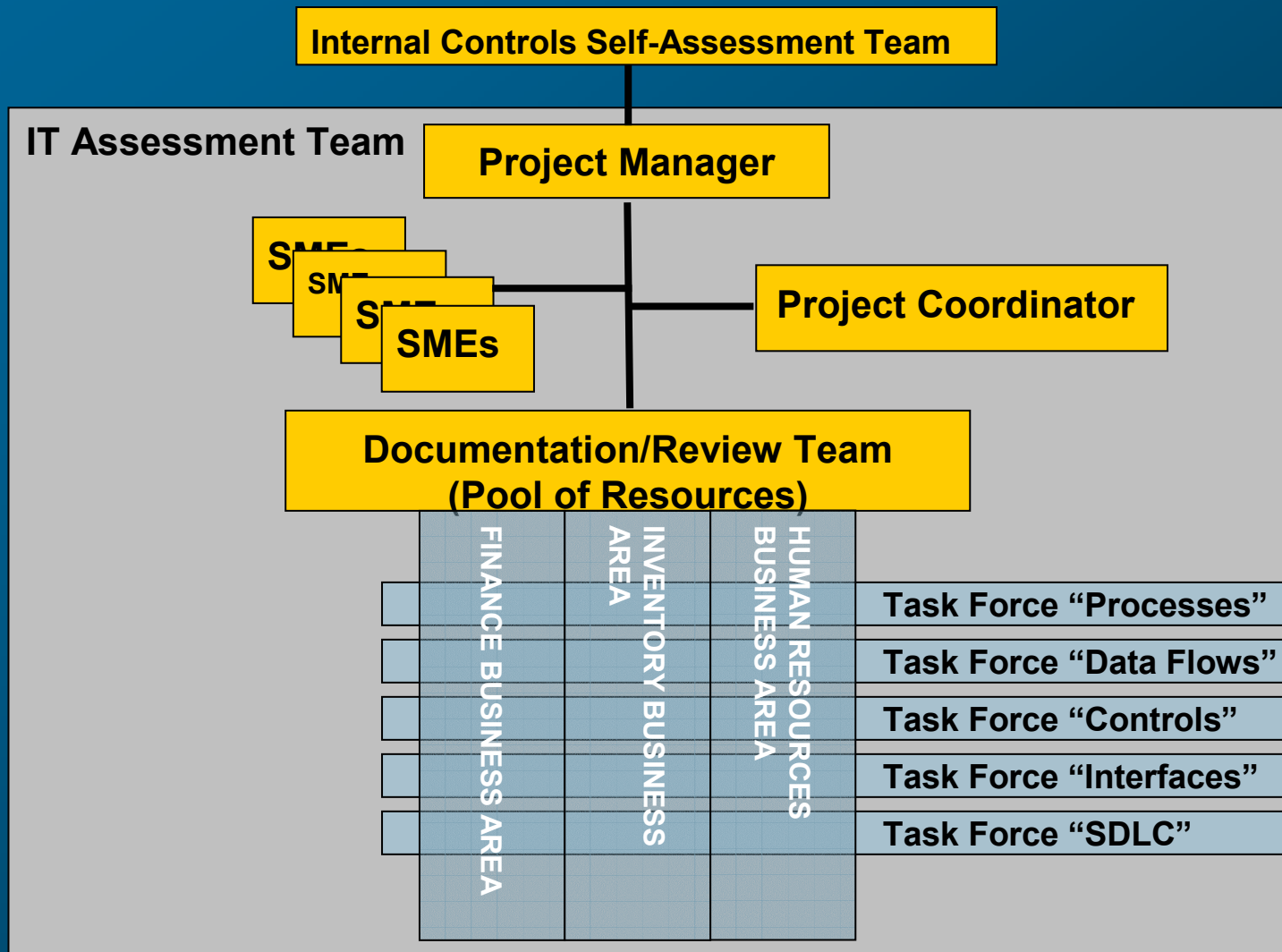
- ◆ **Process Documentation (Flow charts, Swimlane diagrams, Process descriptions in COSO or other Audit formats)**
- ◆ **Data flows linked to business processes**
- ◆ **Component Inventory**
- ◆ **Access Controls**
- ◆ **Application Controls (preventive, detective, corrective)**
- ◆ **Reporting documentation**
- ◆ **Critical processing documentation**
 - ◆ **Revenue recognition**
 - ◆ **Currency conversion, etc.**
- ◆ **Interface documentation**

GRANULARITY OF DOCUMENTATION

The objective is to assure the Control Self-Assessment Team that appropriate processing and controls are in place. For instance, can the documentation satisfactorily answer questions on sensitive areas, say, deferred revenue, such as:

- ✓ *What determines and controls the correct valuation of deferred revenue?*
- ✓ *How does deferred revenue become properly allocated?*
- ✓ *When does deferred revenue get checked against revenue recognition guidelines?*
- ✓ *What mechanism ensures deferred revenue is reported in the proper period?*
- ✓ *How is deferred revenue identified as being separate from other types of revenue?*
- ✓ *What controls are in place to separate billed and unbilled revenue?*
- ✓ *How are various deferred and un-deferred revenue sources consolidated?*
- ✓ *What audit trails are available to review changes in deferred revenue?*
- ✓ *What can guard against manual calculation or data handling errors?*
- ✓ *How are changes to deferred revenue schedules handled?*

TEAM ORGANIZATION





Your extended IT team

PROJECT SCHEDULE

Weeks from Target Date

24 23 22 21 20 19 18 17 16 15 14 13 12 11 10 9 8 7 6 5 4 3 2 1 0

Planning



Establish Framework



Document Processes & Data Flows



Document Controls



Document Reports



Document Critical Processing



Document Interfaces



Document SDLC



Remediation



WHY US?

Client focus

Experienced and talented consulting team

Demonstrated ability to work as a team

Cost-effective services

Flexible business arrangements

Management commitment to build long-term relationship

Thank you for considering Infonetica.

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