

The Impact of Compliance Mandates on IT Infrastructures

Agenda

Introduction

- **Greg Scalley – Unisys Corporation**

Overview of Corporate Compliance & Sarbanes-Oxley

- **Bob Gordon – G Force Global Technologies**

Case Studies and Licensing Compliance

- **Rodney Chew – G Force Global Technologies**

Compliance – SOX and Asset Management

- **Dan Griffith (Rodney Chew) – Freescale Semiconductor**

Break

Audit & Controls – The Keys to Compliance

- **Ken Meyers – Verifichi**

E-Mail, Instant Messaging & Data Archiving

- **Rodney Chew**

The Next Step

Impact of Compliance Mandates on IT Infrastructures

Bob Gordon

Executive Director

G Force Global Technologies, Inc.

“The era of false profits and low standards is over.”

E. Bumiller, New York Times

What led to The Sarbanes Oxley Act? Some of the Top Reasons/Offenders

Ebbers gets 25 years

July 13, 2005: 5:30 PM EDT

By Krysten Crawford, CNN/Money staff writer

NEW YORK (CNN/Money) - Ex-WorldCom chief executive Bernard Ebbers was sentenced to 25 years in prison for his role in orchestrating the biggest corporate fraud in the nation's history.



Former WorldCom chief, 63 years-old, could spend the rest of his life in prison.



John Rigas faced the music: **15 years in prison** for bilking **Adelphia Communications** (otc: [ADELQ](#) - [news - people](#)), and lying about its books. Greg Levine, 06.20.05, 5:29 PM ET

The state claimed the Rigas family used complicated cash-management systems to diffuse company funds to various family-owned entities, and stole some \$100 million for themselves...Prosecutors also said he ordered up 17 company cars and had the company buy 3,600 acres of timberland at a cost of \$26 million to preserve the view outside his Coudersport, Pa. home.

Litigation Releases

The list below provides links to litigation releases concerning civil lawsuits brought by the Commission in federal court.

<i>Release No.</i>	<i>Date</i>	<i>Action</i>
LR-19301	Jul. 13, 2005	Bernard J. Ebbers Other Release No.: AAER-2277 See also: Complaint in this matter
LR-19300	Jul. 11, 2005	Mark Cocchiola, et al. Other Release No.: AAER-2276 See also: Complaint in this matter
LR-19299	Jul. 11, 2005	Suheil M. Judeh
LR-19298	Jul. 11, 2005	Carl R. Rose, Lawrence A. Clasby, et al.
LR-19297	Jul. 11, 2005	Andrew J. Zahn, Philip J. Sexauer, and Cynthia K. Berryman Other Release No.: AAER-2275

They are off to jail...and have to pay huge fines....

UNITED STATES OF AMERICA
Before the
SECURITIES AND EXCHANGE COMMISSION
July 13, 2005

ADMINISTRATIVE PROCEEDING
File No. 3-11981

**100's of these
Have been filed
This year alone!**

In the Matter of

Spectrum Brands Corp.,

Respondent.

**ORDER INSTITUTING
ADMINISTRATIVE PROCEEDINGS AND
NOTICE OF HEARING PURSUANT TO
SECTION 12(j) OF THE SECURITIES
EXCHANGE ACT OF 1934**

After an investigation, the Division of Enforcement alleges that:

A. RESPONDENT

1. Spectrum Brands Corp. ("Spectrum Brands") is a Florida corporation with a class of securities registered with the Commission under Section 12 of the Exchange Act. Spectrum Brands is delinquent in its periodic filings, having last filed a periodic report for the period ending September 30, 2001. On December 11, 2001, the Commission filed a civil action against Spectrum Brands, among others, alleging violations of Section 17(a) of the Securities Act of 1933, and Section 10(b) of the Exchange Act and Rule 10b-5 thereunder. Spectrum Brands common stock is quoted on the Pink Sheets and, with rare exception, trades with little or no volume at fractions of a penny per share.

B. DELINQUENT PERIODIC FILINGS

2. This case concerns Spectrum Brands, a company with a class of securities registered with the Commission that is delinquent in its periodic reports filed with the Commission. Spectrum Brands has been delinquent in its periodic filing obligations with the Commission for over three years. Spectrum Brands has no known current operations and appears to be an inactive, publicly traded shell company.

*“Bad boys, bad boys, what you gonna do,
what you gonna do when they (SEC) come for you?”*

This is real, this is now!

Now is the time to commit and execute!

The Sarbanes Oxley Act (SOX): Intent & Scope

SOX Intent

- *To fairly & accurately report the financial condition of the company.*

SOX Scope

- *This phase of Compliance Adaptation will last for the next five years.*
- *Characterized by a growing demand for compliance & adherence.*
- *Process will be driven through the IT services organization.*
- *Billions will be spent, to meet Compliance requirements.*
- *The majority of those expenditures going to IT Infrastructure Assets.*

IT's Role & Responsibilities

- General IT Processes
 - Provides integrity to the processing and the data.
 - Includes:
 - Security Administration
 - Application Change Controls...assures all changes are authorized, tested, and approved before they are implemented
 - Data management and back-up/recovery
 - Data center operations and problem management
 - Asset Management

The Sarbanes-Oxley Act

The Plain English Summary

- Select Priority Elements
 - Select Disclosures considered significant to reporting.
- Document Processes
 - Document transaction flows that impact financial reporting.
- Source Risks
 - What are the risks? What can go wrong within the process?
- Document the Controls
 - What are the controls and who owns them?
 - Document Controls at the source (**preventative measures**)
 - and in the Process itself (**detection and correction**).

The Sarbanes-Oxley Act

The Plain English Summary

- Assess Design
 - Assess effectiveness of Controls.
 - and Remediate Design Deficiencies.
- Validate Operation
 - How are the Controls Performing?
- Report
 - Conclude, Disclose & Report

Who are the stakeholders?

- CEO & CFO
- Disclosure Board
- Compliance Officer
- Independent Accountant
 - Who is attesting to the controls span, effectiveness, and implementation
- Application & Data Owners
- External Auditors
- Internal Auditors
- Project Teams
 - Process Flows
 - Transactions Flows & Documentation

What is being certified to?

- The CEO & CFO have reviewed the report.
- The report does not contain any untrue statements or omit any that make it misleading.
- The report fairly represents the financial condition of the company.
- Acknowledge that they are responsible

What Can Go Wrong?

What are the Key Risk Factors?

- Nature and types of errors and omissions.
- Ability to predict results reliably.
- Detect errors through monitoring or analytical activities.
- Value and size of individual transactions in a given account.
- Complexity of the collection process.
- Susceptibility to Error, Omission, Manipulation or Loss

Disclosure

- Report weaknesses, deficiencies and fraud

Compliance, how does it affect your organization?

- Compliance is not just an issue for Public Companies.
- Public Corporations, Private Companies and Public Sector Organizations **ALL** face issues.
- Data Integrity, E-mail/IM Archiving, Licensing Compliance, Security, Disaster Recovery & Segregation of Duties are issues that affect all organizations.
- Sample Case Studies
- Licensing Compliance
- E-mail/IM Archiving
- Audit and Compliance – Tools and Processes

Case Studies & Licensing Compliance

Rodney Chew

Director of Services & Special Projects

G Force Global Technologies, Inc.

Case Studies

Brokerage & Publishing Company

- Asset Management – Servers & Licenses
- Email & IM
- Data Security
- Disaster Recovery

Case Studies

Steel Manufacturer

- Initial SOX Audit Completed:

22 Deficiencies within IT

- Segregation of Duties
- Security (Access, Data, Backups)
- Disaster Recovery (Unproven)

Case Studies

National Food Producer

- Initial SOX Audit Completed:

Deficiencies within IT

- Security (Access, Data, Backups)
- Asset Management (License compliance)

Case Studies

Office Furniture Manufacturer

- Migrated from Proprietary to Open:
 - Data Retention/Recovery Requirements
 - Data Recovery Process (Legacy to New)
 - Data Security – Compliance Officer

Licensing Compliance

Asset Management

- Control and Auditing
- License Management

Sarbanes-Oxley and Software Asset Management

Dan Griffith - Manager CSAM

Comprehensive Software Asset Management

Freescale Semiconductor

The Next Step

- *Evaluate your current environment.*
- *Assess you organization's risk.*
- *Do you have Audit and Controls in place?*
- *Do you have the tools to monitor change within your IT environment?*
- *Are you in compliance with your SW Licenses?*
- *Are you overlooking key components such as Email, IM, Data Security and Archiving?*

Keeping Things in Perspective

How much is a gallon of.....?

- *Lipton Iced Tea* \$9.52
- *Diet Snapple* \$10.32
- *Evian Water* \$21.19
- *Pepto Bismol* \$123.20
- *Vanilla Extract* \$127.84
- *Vick's Nyquil* \$178.13
- *Whiteout* \$254.17
- *Cover Girl Nail Polish* \$892.80
- *Chanel No. 5* \$25,600.00
- *Gasoline* \$2.89