

# The Impact of Compliance Mandates on IT Infrastructures

“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>
<a href="#">LR-19301</a>	Jul. 13, 2005	Bernard J. Ebbers Other Release No.: AAER-2277 <b>See also:</b> <a href="#">Complaint in this matter</a>
<a href="#">LR-19300</a>	Jul. 11, 2005	Mark Cocchiola, et al. Other Release No.: AAER-2276 <b>See also:</b> <a href="#">Complaint in this matter</a>
<a href="#">LR-19299</a>	Jul. 11, 2005	Suheil M. Judeh
<a href="#">LR-19298</a>	Jul. 11, 2005	Carl R. Rose, Lawrence A. Clasby, et al.
<a href="#">LR-19297</a>	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

- *Steel Company*
- *Television Shopping Site*
- *Semi-conductor Manufacturer*
- *Frozen Food Company*
- *Retail Pizza Organization*
- *Stock Brokerage House*
- *Office Furniture Company*

# 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