



The Sarbanes-Oxley Act of 2002

... Corporate Impact and Compliance ...

Outline

- Corporate Impact of Sarbanes-Oxley
- Enabling Compliance with Sarbanes-Oxley

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Understanding the Key Requirements

Section 302

Requires the CEO and CFO to certify quarterly and annually that they:

- Are **responsible** for disclosure controls and procedures
- Have **designed controls to ensure** that material information is known to them
- Have **evaluated** the effectiveness of disclosure controls
- Have **presented** their conclusions in the filing
- Have **disclosed** to the audit committee and auditors significant control deficiencies and acts of fraud
- Have **indicated** in the filing significant changes to internal control

Introduces the concept of disclosure controls and procedures (“disclosure controls”)

- Broadens the current emphasis of integrity and completeness of controls relating to financial reporting
- Examples of non-financial disclosures include the signing of a significant contract, termination of a strategic relationship, and legal proceedings

Section 404

Requires management to annually:

- Make **Written Assertion** stating their **responsibility** for establishing and maintaining an adequate internal control structure and procedures for financial reporting
- Conduct an **assessment of the effectiveness** of the company’s internal controls and procedures for financial reporting

Requires the independent auditor to:

- **Attest to management’s assertion** (requires a framework such as COSO)

The Importance of COSO

Monitoring:

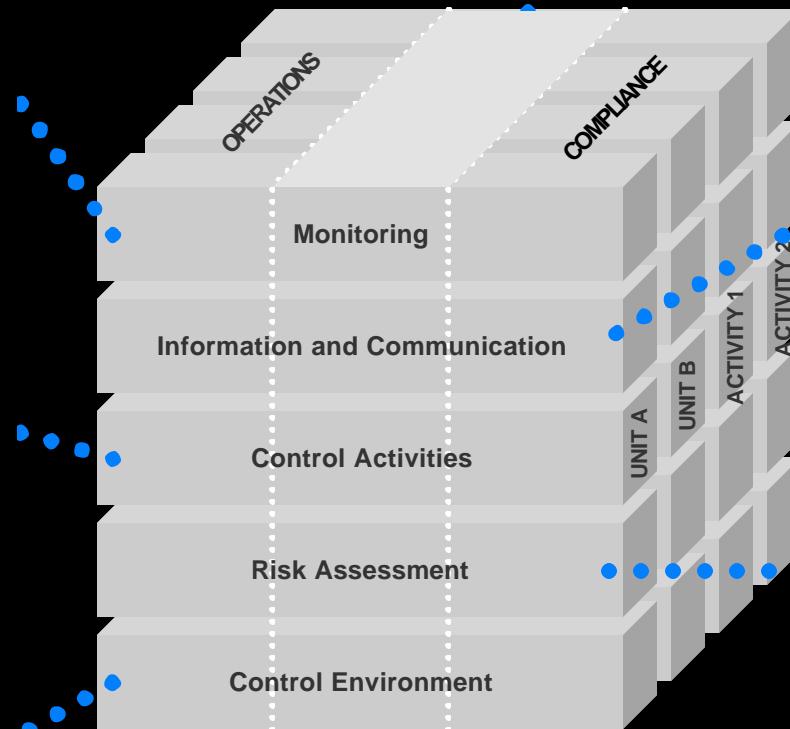
The process to determine whether internal control is adequately designed, executed effective and adaptive

Control Activities:

The policies and procedures that help ensure that actions are identified to manage risk are executed and timely

Control Environment:

The control conscience of an organization. The “tone at the top”



Financial Reporting:

Sarbanes-Oxley applies primarily to the Financial reporting elements of COSO.

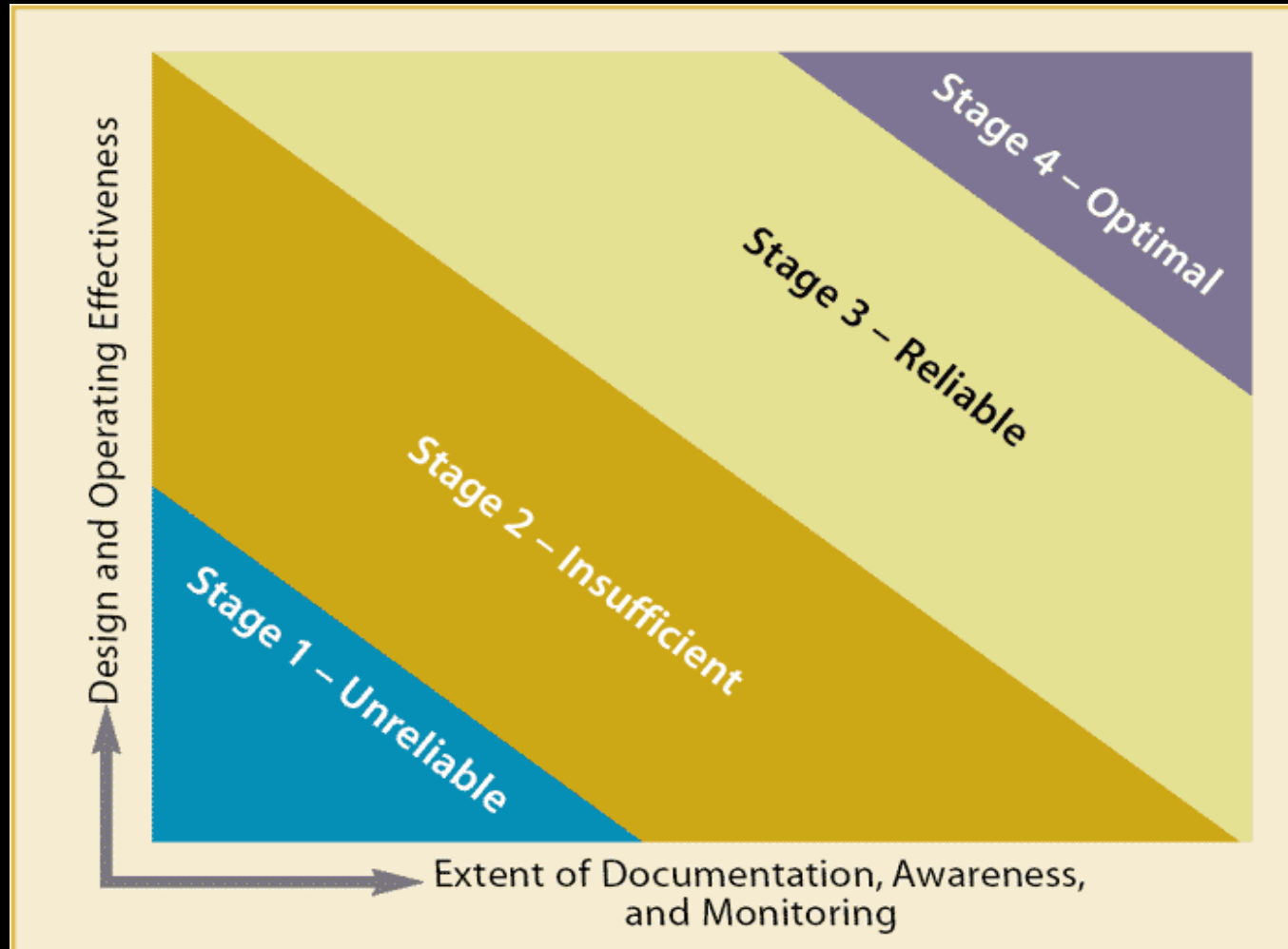
Information and Communication:

The process which ensures that relevant information is identified & communicated in a timely manner.

Risk Assessment:

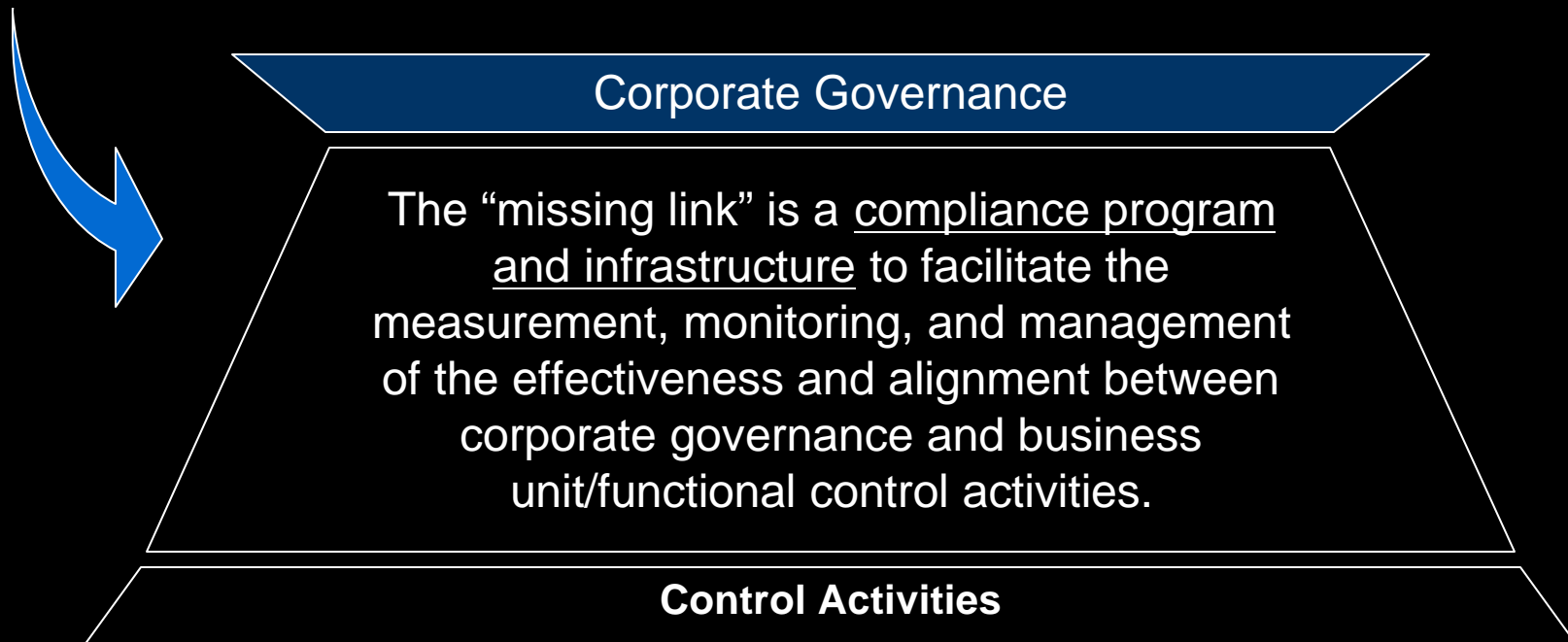
The evaluation of internal and external factors that impact an organization's performance

Internal Control Reliability Model



The “Missing Link”

The effective management of corporate internal control structures are frequently hindered because there is inadequate linkage between governance and control activity, documentation of the control framework, and visibility into the effectiveness of control activities.



Establishing an Internal Controls Program

Deloitte has developed a 5 step and 5 phase approach to develop an internal controls program and infrastructure.

5 Steps: Provide the foundation for long term success and compliance

START WITH
THE END IN
MIND

COMMIT AND
ORGANIZE

ADOPT COSO

EMPOWER THE
DISCLOSURE
COMMITTEE

ESTABLISH
INTERNAL
CTRL PRGM

SCOPE & PLAN
THE PROJECT

ASSESS &
DEFINE

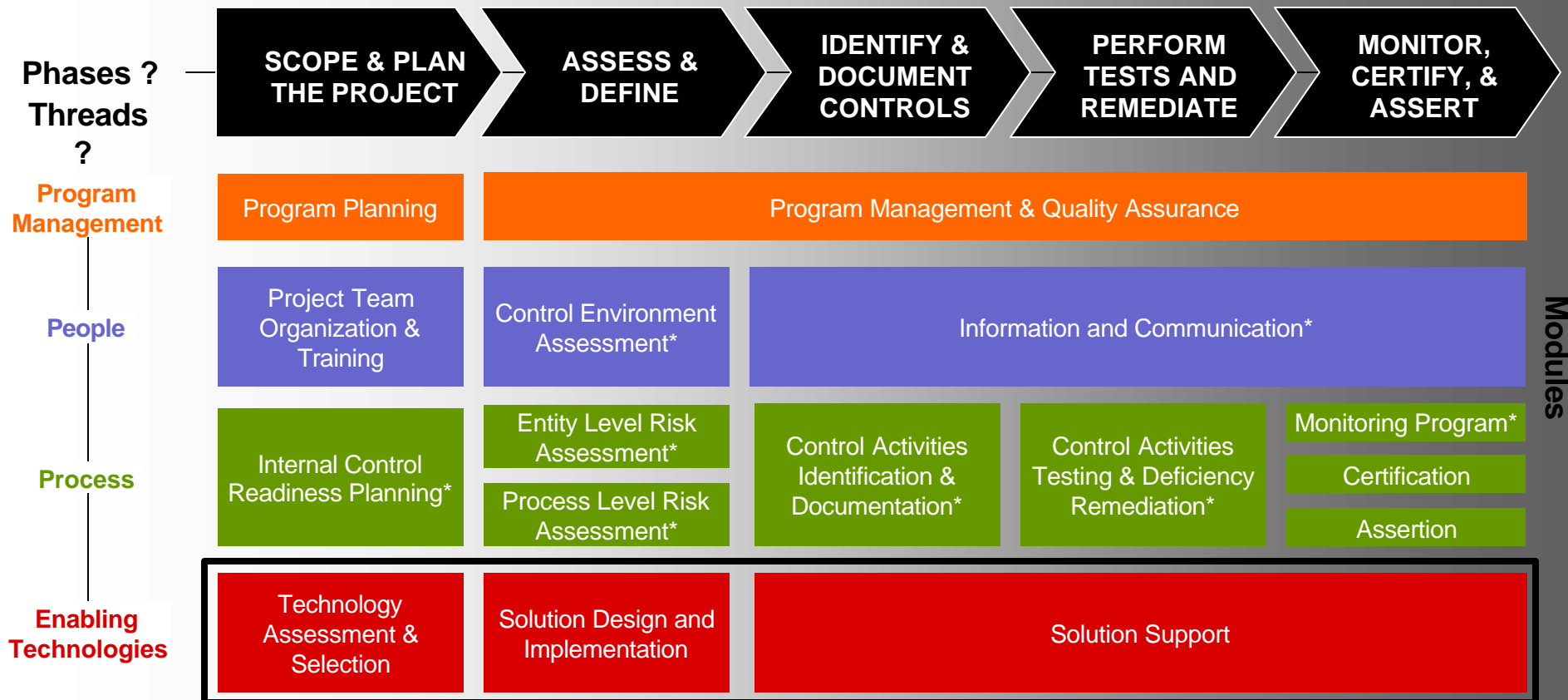
IDENTIFY &
DOCUMENT
CONTROLS

PERFORM
TESTS AND
REMEDiate

MONITOR,
CERTIFY, &
ASSERT

5 Phases: Establish a dynamic, on-going Internal Control Program

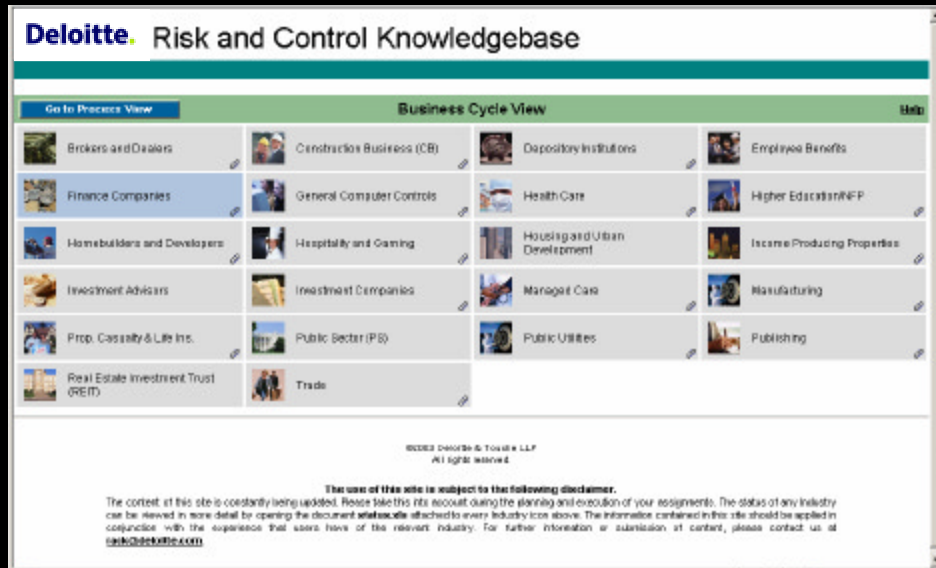
Establishing an Internal Controls Program



* Includes use of COSO elements

Establishing an Internal Controls Program

- Deloitte's Risk and Control Knowledgebase (RACK) is a central repository of industry-specific risk and control information, structured according to business cycle and process
- It is used by Deloitte to quickly tailor process and control information



Key Attributes

- Structured to satisfy elements of the COSO internal control framework
- RACK Sarbanes Print includes internal controls and procedures for financial reporting
- Tailored controls will be downloaded into customized End-User Tools
- This technology supports internal control readiness planning, process level risk assessment, and control activities identification
- Technology specific controls identified including controls specific to Oracle

Implementing Oracle ICM

Phased Project Approach

Establish CG PMO

- I** Establish PMO to support both projects and conduct overall project scoping and planning session.

Establish an Internal Controls Program

- II.a** Develop Prototype Internal Controls Program

- III** Develop Internal Controls Program For a All Processes

- IV** Maintain Internal Controls Program For All Processes

- II.b** Develop Oracle ICM Prototype

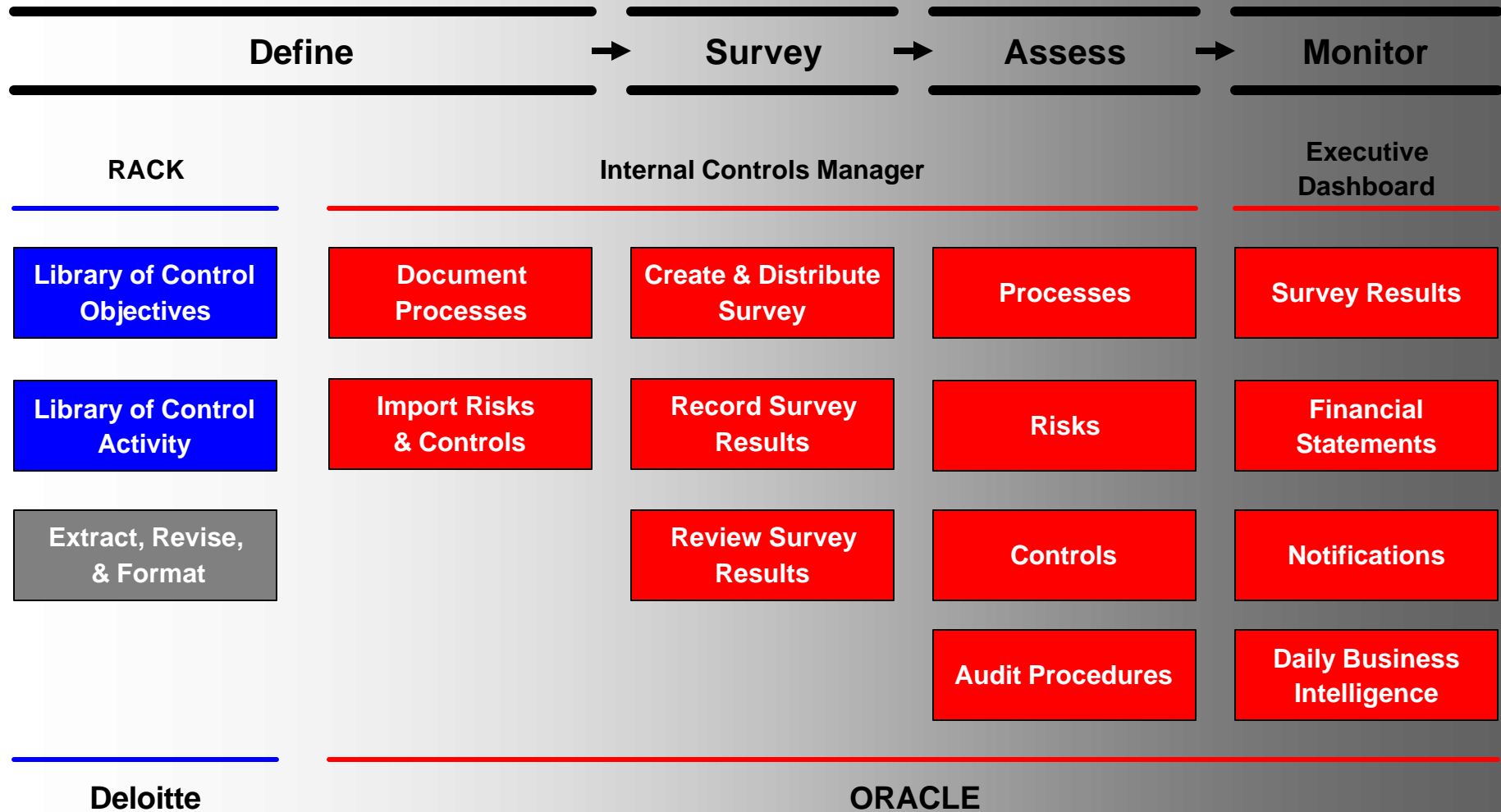
- V** Oracle ICM Post “Go Live” Support

Oracle ICM Implementation

Provide a foundation for the documentation of internal controls, internal control surveys, and assessment of internal controls in a production environment.

- Design and configure prototype environment
- Validate design and configuration
- Configure production environment
- Develop plan to populate production environment
- Support roll-out of internal controls program

Comprehensive Approach



Question for the Panel?
