

Sarbanes-Oxley

A review of opportunities

Sarbanes Oxley Act (Sox) – What is it about?

- Ensuring appropriate standards of corporate governance
- Ensuring public accounting firms can do truly independent audits
- Ensuring directors and officers are held accountable for corporate fraud

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Approach:

1. Obtain an overall understanding of Sarbanes-Oxley,
2. Look at various individual Sarbanes-Oxley provisions with a view to identifying any potential opportunities to provide a service,
3. Examine in detail the Sox requirements that could have such a potential,
4. Review the nature of the extra work these provisions will generate for US corporations,
5. Consider what current Sox 'solution providers' are offering in the market,
6. Think about what we could offer.

What is corporate governance about?

- Corporate governance is about responsibility, accountability, fairness and transparency of operations as corporations run their businesses.
- A nebulous term – capable of interpretation, but boils down to ensuring that corporations are run according to high professional and ethical standards, and company officers meet their responsibilities to the shareholders and other stakeholders.
- Statutory requirements also provide guidance on what corporations are expected to do.

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The OECD lays down five principles of corporate governance.

1. THE RIGHTS OF SHAREHOLDERS

Corporate governance should protect shareholders' rights. The OECD refers to basic shareholders' rights, such as register ownership, transfer stock, obtain timely information, participate and vote in running the company's affairs, elect members of the board, share in the profits of the company, be informed of any disproportionate voting rights and the efficient operation of the market for corporate controls.

2. EQUITABLE TREATMENT OF SHAREHOLDERS

Good corporate governance should ensure equitable treatment of all shareholders, including minority and foreign shareholders. Shareholders should have the opportunity to obtain redress for violation of their rights, all shareholders of the same class should be treated equally, they should be able to vote using nominees. Insider trading and abusive self-dealing should be prohibited and officers and directors should disclose all material interests in transactions.

3. RIGHTS OF STAKEHOLDERS

Corporate governance should recognize the legal rights of stakeholders and encourage active cooperation between the corporation and its stakeholders in creating wealth, jobs and financially sound and sustainable enterprises.

4. DISCLOSURE AND TRANSPARENCY

Timely and accurate disclosure should be made on all material matters regarding the corporation, including its financial situation, performance, ownership and governance. All material information should be disclosed appropriately, including managerial remuneration and governance structures and policies, and annual audits should be conducted by independent auditors.

5. RESPONSIBILITIES OF THE BOARD

The board should provide strategic guidance to the company and effectively monitor its management, and itself be accountable to the company and its shareholders.

Who is affected by Sox?

- Covers ‘issuers’ as defined in the Securities Exchange Act 1934. Essentially, all companies with any form of listed securities are covered.
- Only issuers of securities on the national securities exchanges are included.
- Foreign issuers (e.g. issuers of ADRs on US exchanges) subject to the same rules as US issuers.
- Does not cover entities that have issued securities in the private or the OTC market.

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With some exceptions (e.g. issuers of 100% asset based securities), practically all issuers of any kind of securities listed on any of the US national securities exchanges are subject to the requirements of Sarbanes-Oxley. This includes foreign issuers, no matter where incorporated.

The term ‘National Securities Exchanges’ refers to the following exchanges:

1. American Stock Exchange,
2. Boston Stock Exchange,
3. Chicago Board Options Exchange,
4. Chicago Stock Exchange,
5. Cincinnati Stock Exchange,
6. International Stock Exchange,
7. New York Stock Exchange,
8. Philadelphia Stock Exchange,
9. Pacific Exchange, Inc
10. Nasdaq Stock Market (registered securities association)

Overview of SOX requirements

Sections	Relates to	Potential for external service providers
Sections 101-209	Better oversight of accounting firms by the 'board'	None
Sections 301-308	Higher standards of corporate responsibility	Sections 301, 302
Sections 401-409	Enhanced requirements for financial disclosures	Section 404
Section 501	Preventing analyst conflicts of interests	None
Sections 601-604	SEC budgets & authority, mostly irrelevant	None
Sections 701-705	Studies to be carried out by SEC	None
Sections 801-906	Increase in penalties & criminalization of white collar fraud	None
Section 1001	Corporate tax returns to be signed by CEO	None
Sections 1101-1107	Accountability & penalties for fraud	None

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The Sarbanes-Oxley Act brings sweeping changes to the expectations from corporate management and auditors and significantly enhances the statutory standards for corporate governance. Broadly, its various sections deal with different things as above. Only a few of these represent opportunities for external service providers to expand their service offering to corporations – and these are discussed in detail in the pages that follow. The above is a complete listing with a view to ensuring that any potential revenue generating opportunities are not missed.

Sections 101-209 are directed at audit firms, the objective being to avoid another Andersen. Public accounting firms will now be overseen by a newly established PCAOB (Public Company Accounting Oversight Board). These regulations also require firm registration, audit partner rotation and sets out rules to prevent conflicts of interest in audit firms.

Other provisions are briefly summarized below:

- Company officers not allowed to influence audits by accounting firms [303],
- CEO/CFO bonuses and profits to be forfeited if a restatement of reported results occurs due to misconduct [304],
- Rules that earlier required 'substantial unfitness' for disqualifying directors

and officers now only require ‘unfitness’ [305]

- Insider trading prohibited during pension fund blackout periods, i.e., directors cannot profit when employees are prohibited [306]
- Attorneys required to report violations of securities laws to the company, or Board/Audit committee [307]
- Disgorgement funds to include civil penalties [308]
- All material correcting adjustments to financial reports identified by the company’s accounting firm to be reflected in financial reporting [401]
- All material off-balance sheet transactions and relationships with unconsolidated entities to be reported [401]
- Pro-forma numbers not be materially misleading and need to be reconciled with GAAP [401]
- Other than loans by financial companies in the regular course of business, companies cannot extend loans or credit to directors or executive officers [402]
- Companies required to adopt formal ‘code of ethics’ for CFOs and other financial officers [406]
- At least one member of audit committee to be a financial expert (e.g. CPA) [407]
- Increased review by the SEC of corporate filings e.g. 10-Ks [408]
- Prevention of conflicts of interest for security analysts, protection of analysts from retaliation as a result of unfavorable research reports etc [501]
- Bar on issue of penny stock by certain disqualified persons [603]
- Various studies to be undertaken by the SEC (eg study of investment banks, credit rating companies, violators of securities laws etc) [701-705]
- Increased penalties for destruction of records in investigations, obstruction of justice, protection against retaliation in fraud cases, and criminal penalties for securities fraud and various increases in penalties for white collar fraud. Audit papers to be maintained for 5 years [802-807]

Revenue generating possibilities from Sox – a summary

Sarbanes-Oxley Section →	301	302	404	404	409
Criteria ↓	Whistleblower provisions	CEO/CFO certifications of financial reporting & controls	Mgmt assessment of internal controls INITIAL	Mgmt assessment of internal controls Qtrly & subsequent years	Real-time disclosure of events
<i>Repeatability</i>	<i>High</i>	<i>High</i>	<i>Low</i>	<i>High</i>	<i>No</i>
<i>Rule based</i>	<i>Yes</i>	<i>No</i>	<i>No</i>	<i>No</i>	<i>No</i>
<i>Intellectual content/skill level</i>	<i>Low</i>	<i>High</i>	<i>High</i>	<i>High</i>	<i>High</i>
<i>Transaction processing required</i>	<i>Yes</i>	<i>No</i>	<i>No</i>	<i>No</i>	<i>No</i>
<i>IT/Programming/coding required</i>	<i>Yes</i>	<i>No</i>	<i>No</i>	<i>No</i>	<i>No</i>
<i>Face-to-face dealings required</i>	<i>No</i>	<i>Yes</i>	<i>Yes</i>	<i>Yes</i>	<i>Yes</i>
Consulting potential	Once-off	High	High	High	Medium
Outsourcability?	High	Low	Medium	Medium	Low
Offshorability?	High	Low	Low	Low	Low
Consequences if badly done	Delisting	Penalties for company & directors	Qualified audit report	Qualified audit report	Penalties

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Of the various Sarbanes Oxley provisions, only a few lend themselves to creating opportunities for consultants and BPO firms.

The above matrix considers the main Sox provisions which have some potential for generating work that is not internal to corporations.

Each of the provisions mentioned in the summary analysis above is examined in detail in the pages that follow.

Section 301 – Whistleblower provisions

Audit committees are required to establish procedures for—

(A) the receipt, retention, and treatment of complaints received by the issuer regarding accounting, internal accounting controls, or auditing matters; and

(B) the confidential, anonymous submission by employees of the issuer of concerns regarding questionable accounting or auditing matters.

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This clearly means a lot of work – specially the provisions relating to confidential and anonymous submission of complaints by the employees of the company.

The SEC has specifically declined to mandate specific procedures, which means vendors have been offering all kinds of submission methods – voice, email, web, mail, and for companies with global operations, local toll free numbers in different countries. The SEC, on its part, has left it to the Audit Committee to develop appropriate procedures in light of a company's individual circumstances.

Clearly, for a small company it is entirely possible that not a single whistle may be blown for years, and a large infrastructure would be inconceivable for them to sustain.

Deadlines for compliance

- Earlier of
 - First annual shareholders meeting after January 15, 2004, or
 - October 31, 2004.
- Foreign private issuers and small businesses must be in compliance with the new listing rules by July 31, 2005.

Which employees are covered by 301?

A reading of the Sox provision for whistle blowers might lead one to believe that these provisions apply only to those employees whose work relates to accounting and auditing matters. However, in the 'final rule' issued by the SEC, it has been clarified that little falls outside the overall rubric of accounting, auditing, and internal accounting controls – and therefore these provisions apply to the entire corporation.

Employees with any concerns in these broad areas obtain widespread protection. SOX Section 806 provides job security and monetary damages if retaliation occurs against an employee that reports anything that the employee reasonably believes may be a violation of any securities law, any rule of the SEC, or any other federal law. Section 1107 further complicates the issue by providing criminal and monetary penalties against individuals or companies that provide such retaliation, on top of the civil remedies the employee has through Section 806.

How will companies meet the whistleblower provisions of 301?

Process for	Large companies	Small companies
Voice access using hotlines	Yes	Unlikely
Web based complaint submissions	Yes	Unlikely
Email submissions to audit committee	Yes	Yes
Mail submissions	Yes	Yes
Procedures for complaint resolution & disposal	Yes	Yes
Retention of audit trail of complaints & resolution	Yes	Yes
Procedures for ensuring confidentiality & preventing retaliation	Yes	Yes

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The SEC has not specified any specific procedures to be adopted, leaving it to the audit committee to do the reasonable thing. Clearly, it is not the intent of either the law or the SEC to burden American businesses with lots of regulatory requirements. They are keen on ensuring good corporate behavior and so long as a company can demonstrate that this objective is being achieved, in my view it should be sufficient compliance.

Vendors, as can be expected, are going overboard with global hotlines, encrypted communications over phone lines, (to ensure ‘confidentiality and anonymity’), ‘scrubbing’ of emails received etc. These features might be suitable for large corporations, but are most definitely an overkill for the small company.

However, there is here certainly a business opportunity here to offer a managed service to medium and large enterprises.

Business opportunities from 301

- Opportunity to offer a ‘whistleblower’ management service
- Service provider’s geography is irrelevant, so long as good processes, technology and controls in place
- Essentially not different from current call center businesses.

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Many companies are already in this marketplace – in fact many call center businesses (such as firms that run the “1-800-How’s my driving” hotlines) are already offering this service.

There are a number of companies offering such a service – some examples include:

1. <http://www.ethicspoint.com/en/default.asp>
2. <http://www.shareholder.com/home/Solutions/Whistleblower.cfm>
3. http://www.fulcruminquiry.com/whistleblower_services.htm
4. <http://www.mysafeworkplace.com/>
5. http://www.tnwinc.com/hotlines_overview.asp

Compliance with Section 302

- Principal Executive Officer and the Principal Financial Officer to certify each annual and quarterly report filed with the SEC.
- Part of the certification attests to the ability of the internal controls to ensure accurate reporting, and this certification requires an evaluation of the controls.

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This requirement has already been effect for a long time now, and CEOs and CFOs have been certifying as to the correctness of their financial reporting for a while now. Most of the work required under this section is internal to the company – except that some consulting firms have sought to help management in obtaining the assurance relating to internal controls.

[Section 302 lays down responsibility for financial reports:

CEO/CFO to certify that periodic reports files with the SEC have been:

- a. Reviewed by such certifying officer, and certified to be correct and fairly representing the financial condition and results of operations
- b. The signing officers accept responsibility for the internal controls of the corporation, that such internal controls ensure that material information comes to the knowledge of the officers responsible, and that such internal controls have been evaluated within the previous 90 days
- c. The CEO/CFO have disclosed all material deficiencies in internal controls, and any fraud involving management or employees with a role in internal controls, to the auditor and the audit committee,

Any changes or material events affecting the internal controls happening after their evaluation are to be reported.]

Business opportunities from 302

- Relate mainly to providing comfort to corporate executives regarding the adequacy of their internal controls – similar to the requirements of 404 discussed next

There is no external work generated from 302 except that companies need some mechanism to get assurance on the adequacy of their internal controls.

This is not too different from the internal control requirements for section 404 discussed next.

Section 404 – Management Assessment of Internal Controls

- Probably the most onerous section
- Requires:
 - Annual report to state the responsibility of the management for internal control
 - Annual report to contain an assessment of the effectiveness of internal control for financial reporting
- Auditor to report on the assessment made by the management

Management Assessment Of Internal Controls –sec 404

Annual Report To Contain Internal Control Report

Each annual report shall contain an internal control report, which shall—

(1) state the responsibility of management for establishing and maintaining an adequate internal control structure and procedures for financial reporting; and

(2) contain an assessment, as of the end of the most recent fiscal year of the company, of the effectiveness of the internal control structure and procedures of the company for financial reporting.

Auditor To Comment On Management’s Internal Control Evaluation

With respect to the internal control assessment required above, the public accounting firm that prepares or issues the audit report for the company shall attest to, and report on, the assessment made by the management of the company. Any such attestation shall not be the subject of a separate engagement.

Deadlines for 404 compliance

- Large companies (i.e. companies with more than \$75m of outstanding securities): June 15, 2004
- Small businesses: April 15, 2005

Essentially, all 'accelerated filers', i.e. large companies with listed securities will need to meet the requirements of 404 by June 15 this year. Small businesses have till April 2005 to comply.

[According to the Securities Exchange Act of 1934, the term "accelerated filer" means an issuer after it first meets the following conditions as of the end of its fiscal year:

- i. The aggregate market value of the voting and non-voting common equity held by non-affiliates of the issuer is \$ 75 million or more;
- ii. The issuer has been subject to the requirements of Section 13(a) or 15(d) of the Act for a period of at least twelve calendar months;
- iii. The issuer has filed at least one annual report pursuant to Section 13(a) or 15(d) of the Act; and
- iv. The issuer is not eligible to use Forms 10-KSB and 10-QSB for its annual and quarterly reports]

What is internal control?

- Defined variously in different places
- For the purposes of 404 compliance, internal control over financial reporting means the processes that ensure reliability of financial reporting.

Various overlapping, but not identical, definitions of internal control can be found in the FCPA (Foreign Corrupt Practices Act), the report issued by the Treadway Commission (the COSO framework), and Audit Standard 319 issued by the AICPA.

The final rules issued by the SEC under Sarbanes-Oxley define "internal control over financial reporting" (for the purposes of Sox Section 404) as:

A process designed by, or under the supervision of, the registrant's principal executive and principal financial officers, or persons performing similar functions, and effected by the registrant's board of directors, management and other personnel, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles and includes those policies and procedures that:

- (1) Pertain to the maintenance of records that in reasonable detail accurately and fairly reflect the transactions and dispositions of the assets of the registrant;
- (2) Provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the registrant are being made only in accordance with authorizations of management and directors of the registrant; and
- (3) Provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the registrant's assets that could have a material effect on the financial statements

How does management evaluate internal control

- Management is expected to base its evaluation of internal control over financial reporting on a recognized control framework.
- No particular framework is specified, but the COSO framework is explicitly mentioned as being acceptable and meeting SEC's criteria – discussed next in this document

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Management must base its evaluation of the effectiveness of the company's internal control over financial reporting on a suitable, recognized control framework that is established by a body or group that has followed due-process procedures, including the broad distribution of the framework for public comment – and the COSO framework meets this criteria.

The assessment of a company's internal control over financial reporting must be based on procedures sufficient both to evaluate its design and to test its operating effectiveness – which means that mere inquiry of the controls will not serve the purpose and has to be complemented with actual testing of the controls. The nature of a company's testing activities will largely depend on the circumstances of the company and the significance of the control.

Controls subject to such assessment include, but are not limited to:

- controls over initiating, recording, processing and reconciling account balances,
- controls over disclosure and related assertions included in the financial statements;
- controls related to the initiation and processing of non-routine and non-systematic transactions;
- controls related to the selection and application of appropriate accounting policies; and
- controls related to the prevention, identification, and detection of fraud.

What is the COSO framework?

COSO framework comprises five ‘components’, briefly explained below:

Component	Relates to	Examples
Control environment	Management's philosophy and operating style, integrity, ethical values and competence of the company's people etc	Formal code of conduct, anonymous ethics hotline, director independence etc
Risk assessment	Risk identification & analysis in the context of the need to achieve objectives (in this case - correct financial reporting)	Risks related to key employee retention, risks from financial obligations, operational risks etc
Control activities	Policies and procedures adopted	Documentation of policies and procedures, review of controls etc
Information & communication	Communication processes so people in the organization can do their jobs	Process to prevent financial accounting errors from repeating, information collection from external sources etc
Monitoring	Management and supervisory activities to ensure management's mandate is followed	Existence of Internal Audit dept, appropriate staffing, organizational status etc

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The COSO Framework went on to say that internal control consists of five interrelated components as follows:

1. Control environment. Sometimes referred to as the “tone at the top” of the organization, meaning the integrity, ethical values and competence of the entity’s people, management’s philosophy and operating style, the way management assigns authority and responsibility, organizes and develops its people, and the attention and direction provided by the board of directors. It is the foundation for all other components of internal control, providing discipline and structure.

2. Risk assessment. The identification and analysis of relevant risks to achieve the objectives which form the basis to determine how risks should be managed. This component should address the risks, both internal and external, that must be assessed. Before conducting a risk assessment, objectives must be set and linked at different levels.

3. Control activities. Policies and procedures that help ensure that management directives are carried out. Control activities occur throughout the

organization at all levels in all functions. These include activities like approvals, authorizations, verifications, reconciliations, reviews of operating performance, security of assets and segregation of duties.

4. Information and communication. Addresses the need in the organization to identify, capture and communicate information to the right people to enable them to carry out their responsibilities. Information systems within the organization are key to this element of internal control. Internal information, as well as external events, activities and conditions must be communicated to enable management to make informed business decisions and for external reporting purposes.

5. Monitoring. The internal control system must be monitored by management and others in the organization. This is the framework element that is associated with the internal audit function in the company, as well as other means of monitoring such as general management activities and supervisory activities. It is important that internal control deficiencies be reported upstream, and that serious deficiencies be reported to top management and the board of directors.

How often is this evaluation required?

- At least once annually
- No extensive evaluations required for quarterly reporting, only any changes in the internal controls over the previous quarter need to be evaluated

The management of each company should perform evaluations of the design and operation of the company's entire system of internal control over financial reporting to determine whether the controls over financial reporting are effective.

A company's management, with the participation of the principal executive and financial officers, is required to evaluate any change in the company's internal control over financial reporting that occurred during a fiscal quarter that has materially affected, or is reasonably likely to materially affect, the company's internal control over financial reporting.

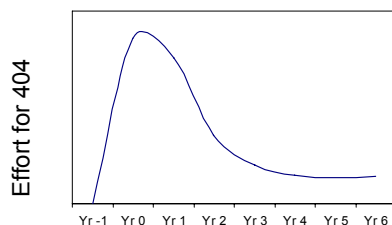
Foreign private issuers are subject to the same rules, but since they do not file quarterly reports, the evaluation is required only once a year.

Ensuring 404 compliance

- Largely a customized exercise for every firm
- Will require checklists to be filled in, process documentation to be prepared, controls to be formally identified as such, and determination of new controls where 'significant weaknesses' exist.

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Even though 404 compliance will require ongoing effort, the initial effort in documenting processes, the controls surrounding those, and the assessment of their effectiveness will be quite large. In subsequent years, much of the same work will be reused, and the learnings gained from the previous work can be expected to reduce significantly the ongoing work required. An initial hump can therefore be expected, representing the work involved in documenting processes for the first time, and filling in any control weaknesses identified as part of the initial assessment.



Consulting vendors are offering proprietary frameworks and consulting assistance in helping companies achieve 404 compliance. A typical 404 compliance effort by a

corporation can be expected to be a large project with various stages:

- Project initiation/Program office establishment -Agreeing on a framework, common templates, terminology
- Initial risk assessment, agreeing which locations more important
- Documentation of the 'as-is' processes
- Evaluation of 'as-is' processes against control framework
- Addressing any material deficiencies and implementing new controls
- Generating working papers and other evidentiary matter to satisfy auditors, and if required, the SEC.

In subsequent years, much of the work done for the first time can be reused, with a focus only on the process and control changes since the last time.

Who does 404 create work for?

- Internal audit department
- People in the CFO's office
- External consultants – Big-4 (anyone other than the current auditor)
- Niche consulting services who put their people to work as companies race to fill in the questionnaires and other documentation
 - **Nearly of this work will require onsite presence**

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The nature of the work involved is such that it will require consultants to be face to face with the people carrying out processes, so they can look at the process in action and document it. It also involves significant substantive testing – i.e. detailed tests of transactions to ensure that the controls have indeed been complied with. Substantive testing requires access to original documents, systems and people, something that requires onsite presence. Both the initial documentation of processes and controls and the testing aspect are characterized by:

- Limited process repeatability
- A high degree of required professional judgment
- Interaction with the client
- Limited possibility for building a set of business rules to do this work

In my opinion, this work is about as much offshorable as is internal audit, in other words, the potential to offshore is limited.

Business opportunities from 404?

- Section 302/404 – Outsourcing the process & control documentation work
- There is a considerable amount of Sox work going on – mostly consulting.
- There are two aspects to the 404 work – the initial assessment, and subsequent compliance reviews
- Initial documentation and assessment creates good potential for consultants, subsequent annual/quarterly reviews do not hold the same promise.

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The initial assessment is likely to be a lot of work.

A company would need to examine and document all routine (e.g. payroll, payables, cash receipts etc) data processes and non-routine data processes (e.g. management estimates for year end accruals, asset lives etc) and identify the controls around them. It will then need to document how these controls help in achieving the control objectives, which is accurate financial reporting, which results from ensuring all transactions are real, correctly recorded, valued, on a timely basis, classified, summarized, posted and reported.

In subsequent years, the burden will be much less. Most of the work done in the first year can be reused – and only changes to processes and controls need to be documented and existing working papers updated. An evaluation of the controls, meaning an audit, would still be required to ensure that the controls are operating as intended. But the work in the subsequent years does not lend itself to outsourcing or consulting opportunities as much as the initial hump does.

Section 409 – Real time reporting

- Section 409 requires material changes in financial condition or operations of the company to be reported on a real-time basis.
- Some ERP software vendors are touting the “real-time” capabilities of their software that would allow companies to meet this requirement
- No outsourcing possibilities here.

It is a bit funny as to how some enterprise software vendors are selling the ‘real-time’ capabilities of their software as complying with this section. However, software applications will probably be the last place where any material changes targeted by this provision will be recorded. An interesting pointer to the hype and myth around Sox that is being circulated – buyer beware, there is a lot of snake oil out there!

Who's selling what?

- Most are point-solutions, do not address the entire range of requirements, and the quality of the compliance provided may be suspect.
- The main players in the Sox compliance marketplace are the following:
 - Big 4 accounting firms & system integrators e.g. D&T, E&Y, KPMG, Accenture, IBM-GS
 - Tier-2 firms and boutiques e.g.
 - ERP vendors – e.g. Oracle, SAP
 - Technology vendors – e.g. Microsoft
 - Indian vendors – e.g. ISG Novasoft

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Big 4 and large consulting firms

Each of the big-4 is selling its own version of Sox compliance services, and so are consulting firms and system integrators such as BearingPoint, Accenture, IBM etc. A quick look at their websites reveals that they are largely offering project management skills, and tying in the technology and process aspects of the compliance related work. Nearly all the work – except templates, and methodologies etc – will have to be largely customized as a consulting solution, requiring bodies onsite. Billing on a T&M basis.

<http://www.bearingpoint.com/solutions/enterprise%5Fsolutions/sarbanes.html>

http://www.accenture.com/xd/xd.asp?it=enweb&xd=services%5Clearn%5Clearn_dealing.xml

<http://www-1.ibm.com/services/bis/sox2.html>

http://www.deloitte.com/dtt/section_node/0%2C2332%2Csid%25253D5601%2C00.html

Tier-2 firms and boutiques

There is no shortage of these either – all sorts of Sox compliance firms have

sprung up in the past year in anticipation of the work likely to materialize. Again, mostly consulting services around project management, help with documenting and implementing processes and controls are on offer.

Examples:

<http://www.navigantconsulting.com/A559B1/navigant.nsf/fCNTDspMain?OpenForm&Cat1=Galt3&Cat2=Page9&Cat3=Sub4>

http://www.rsmmcgladrey.com/Services/Categories/Sarbanes_Oxley_Services.html

<http://www.protoviticconsulting.com/>

<http://www.krollworldwide.com/ethicspoint/>

<http://www.amrresearch.com/content/resourcecenter.asp?id=429>

<http://www.openpages.com/solutions/openbooks/404.asp>

ERP vendors

As is to be expected, ERP vendors are touting their offerings to be Sarbanes-Oxley compliant, essentially claiming that the inbuilt processes, workflows and reporting capabilities of their products help a company stay compliant.

Examples:

<http://www.oracle.com/broadband/showondemand.html?2589134>

<http://www.sap.com/solutions/financials/trustedaccounting.asp>

Technology vendors

Technology vendors are offering toolkits, software solutions to model business processes, produce audit checklists and help a firm ensure compliance.

Examples:

http://www.concur.com/solutions/compliance/default.htm?source=google&kw=sarbanes-oxley_compliance

<http://movaris.com/solutions/lowercost.html>

Even Microsoft has got into the act - <http://www.microsoft.com/office/solutions/accelerators/sarbanes>

Indian vendors

Indian vendors are also essentially offering the same services – ie, consulting with some bits of technology thrown in, a toolkit, a preferred framework etc. They are not offering to do this work offshore, but onsite – clearly the advantage they have is that consultants recruited from India and placed at client site are cheaper than resource hired onshore.

Examples:

http://www.isgnovasoftware.com/sarbanes_oxley_act_compliance_overview.asp

<http://www.exlservice.com/solutions.htm>

Endgame

- Section 301's whistleblower provisions seems to offer the only significant offshoring opportunity under Sox
 - ⇒ This is best combined with an existing call-center operation as a new service line on top of the existing offering.
- Section 404 lends itself more to a consulting model as process modelers and control auditors will need to be face to face with the client.

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All other provisions of Sox seem to generate work that will largely be internal to corporations.