



Sarbanes-Oxley Governance & Compliance Framework

The Legislated Challenge for Publicly Held Companies

In July 2002, Congress passed the Sarbanes-Oxley Act which was designed to require that over 8,000 corporations publicly traded on U.S. financial markets certify financial results as well as the effectiveness of internal financial controls and related processes. This new legislation has dramatically increased pressure on management teams to ensure transparent and reliable processes aimed at improving trust and investor confidence.

Issues Central has developed a performance support system to facilitate compliance - known as the "Sarbanes-Oxley Governance & Compliance Framework" (the Framework). The Framework incorporates financial governance and compliance expertise, and best practices, turning processes and policies into actionable steps. The Framework has been accepted by "Big Four" Audit firms.

Customer Feedback on our Framework

"With strong management commitment and flexible tools such as the Issues Central Sarbanes-Oxley Governance & Compliance Framework, we were able to lay a solid foundation at Penn Virginia for effective and efficient internal controls environment and be prepared to meet any changes to the legislation"—John Dugas, Audit Manager, Penn Virginia Corporation

Our Award Winning COSO based "Playbook Approach" to Compliance

The Framework allows management and project teams of publicly-traded companies to move along the path to Sarbanes-Oxley Compliance as follows:

- ⇒ *Understanding the legislative compliance requirements*
- ⇒ *Detecting and eliminating fraud in financial processes.*
- ⇒ *Evaluating risks associated with financial and business "environment" factors*
- ⇒ *Determining areas of risks and exposure using a COSO framework*
- ⇒ *Creating an infrastructure to review and repair areas in need*
- ⇒ *Reporting and monitoring of results in-progress through to completion*
- ⇒ *Providing easy reporting access—"Three Clicks to Compliance" for answers to audit committee questions*

Web Based Navigation of Sarbanes-Oxley Compliance Framework: Dynamic Online Access to Statutes

The Act Navigator keeps up-to-date with the Sarbanes-Oxley legislation, related rules such as NYSE/NASDAQ.

Attachments	Type	Form Number	Input Method	Retention	Storage	Responsibility
Full Annual Report for 2002 by SEC	Study		Internet	1 Year		
Website for Revised Federal Sentencing Guidelines for Sarbanes-Oxley Jan 2003	Copy of Statute		Internet	7 Years		
SEC Website for Statute Review and New Rulings	Website		Internet	5 Years		
Senate Website - New Legislation Search	Website		Internet	5 Years		

- Sarbanes Oxley Legislation - Navigator
- 100: Purpose of the Overview
 - 200: Why should we get started now?
 - 300: Required Actions for Publicly Traded Companies
 - 10: Title II - Auditor Independence
 - 20: Title III - Corporate Responsibility
 - 30: Title IV - Enhanced Financial Disclosures
 - 40: Title VIII - Corporate and Criminal Fraud Accountability
 - 50: Title IX - White-Collar Crime Penalty Enhancements
 - 60: Title X - Corporate Returns
 - 70: Title XI - Corporate Accountability
 - 400: Other Reference Sections

SEC Implements Internal Control Provisions of Sarbanes-Oxley Act; Adopts Investment Company R&D Safe Harbor

FOR IMMEDIATE RELEASE
2003-66

Washington, D.C., May 27, 2003 — The Securities and Exchange Commission today voted to adopt rules concerning management's report on internal control over financial reporting and certification of disclosures in Exchange Act periodic reports. The Commission also voted to adopt new Rule 3a-8 under the Investment Company Act to provide a nonexclusive safe harbor from the definition of investment company for certain research and development companies.

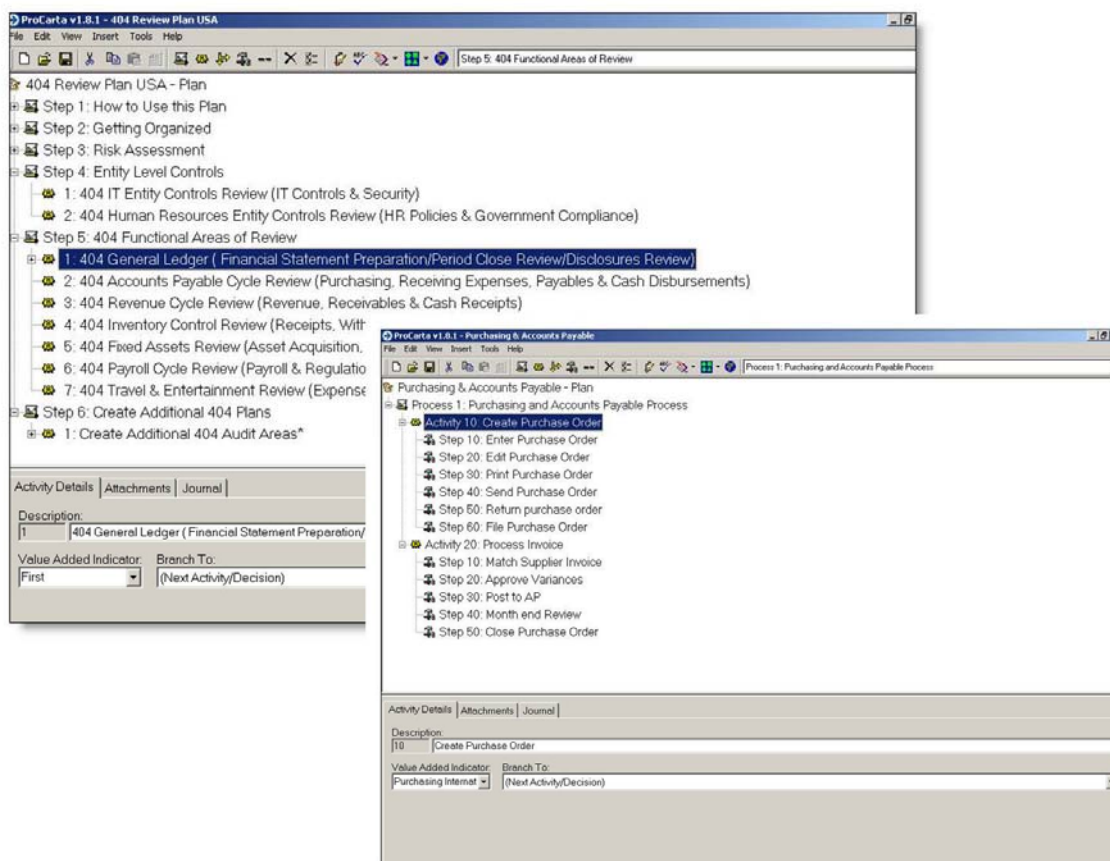
Management's report on internal control over financial reporting and certification of disclosure in Exchange Act periodic reports

The Commission voted to adopt rule and form amendments to implement requirements of Section 404 of the Sarbanes-Oxley Act of 2002.

Support from Best Practices Sample Process Models

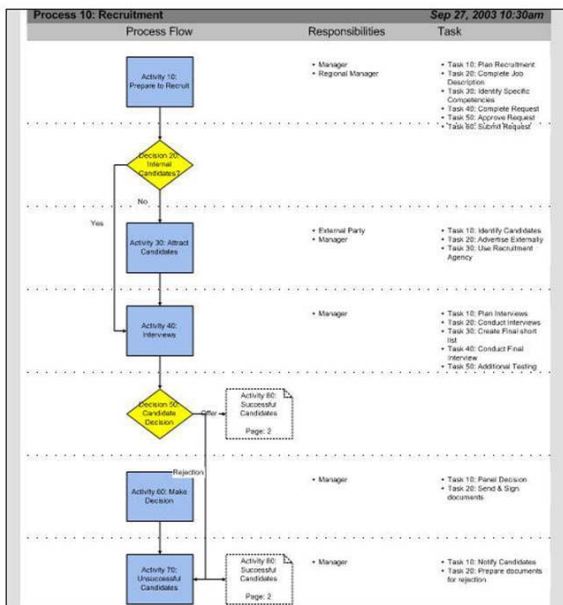
The Framework provides sample process models associated with the various financial processes and internal control requirements associated with the Sarbanes-Oxley legislation. These best practices are provided in both a graphical format (using flowcharts and swim lane diagrams) and a text format. The best practice models can then be modified to the customer's specific attributes and then deployed as the basis for process management and compliance activities. Building on the concept that it is easier to critique than it is to create, customers using the Framework report improved speed-to-results/implementation through the use of the reference models that provide a significant head start in their implementation efforts.

A Library of Templates for Critical Functions with Sample Processes for edit and review



Highlight Areas of Potential Fraud in Operational Processes.

Process Flowcharts, Swim lane Flowcharts highlight problem areas and Procedure Documentation provides detail for Process Tasks and Controls



Process Control Plan

Sarbanes-Oxley 404 Payroll HR

September 27, 2003 10:24:06AM

How To Use this Plan

Purpose: Overview:

This plan provides a solid starting point for your team to effectively and efficiently assess processes and functions your organization as it relates to the Sarbanes-Oxley Act of 2002.

- This plan is for review of a specific cycle in your organization that must be reviewed for the effectiveness of internal controls for financial reporting.
- The plan may be used for multiple entities that are at a Corporate/Enterprise level plus all operating/BU locations that roll up into the SEC filings.
- This allows you to perform a detailed analysis and testing to prove that internal controls are adequate and can be included in the overall corporate attestation of reasonable internal controls per Sarbanes-Oxley Act of 2002 section 404.

This plan is broken into the following major categories:

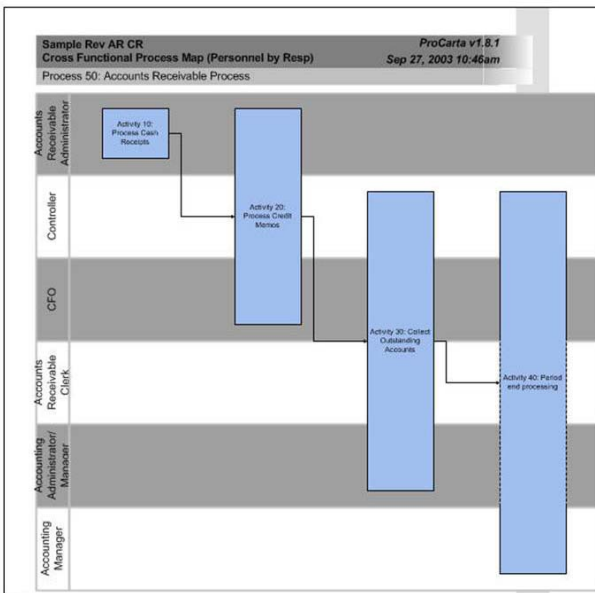
Stage 1: How to use this plan
 Stage 2: Getting Organized
 Stage 3: Best Practices
 Stage 4: COSO Evaluation by Function

Disclaimer:
 The text and views in this plan reflect the author's opinions and data available at the time of publication. The data and opinions should not be construed as offering legal advice and are not considered to be an authority on any legal proposition. These opinions are offered as commentary and guidelines only and are intended to provide a workbench for companies to develop and improve their internal processes as they relate to Sarbanes-Oxley. Advice from your legal counsel should always be sought before finalizing any policies, procedures or certifications.

Scope:

Team and Definition:
 Plan This is the term used by

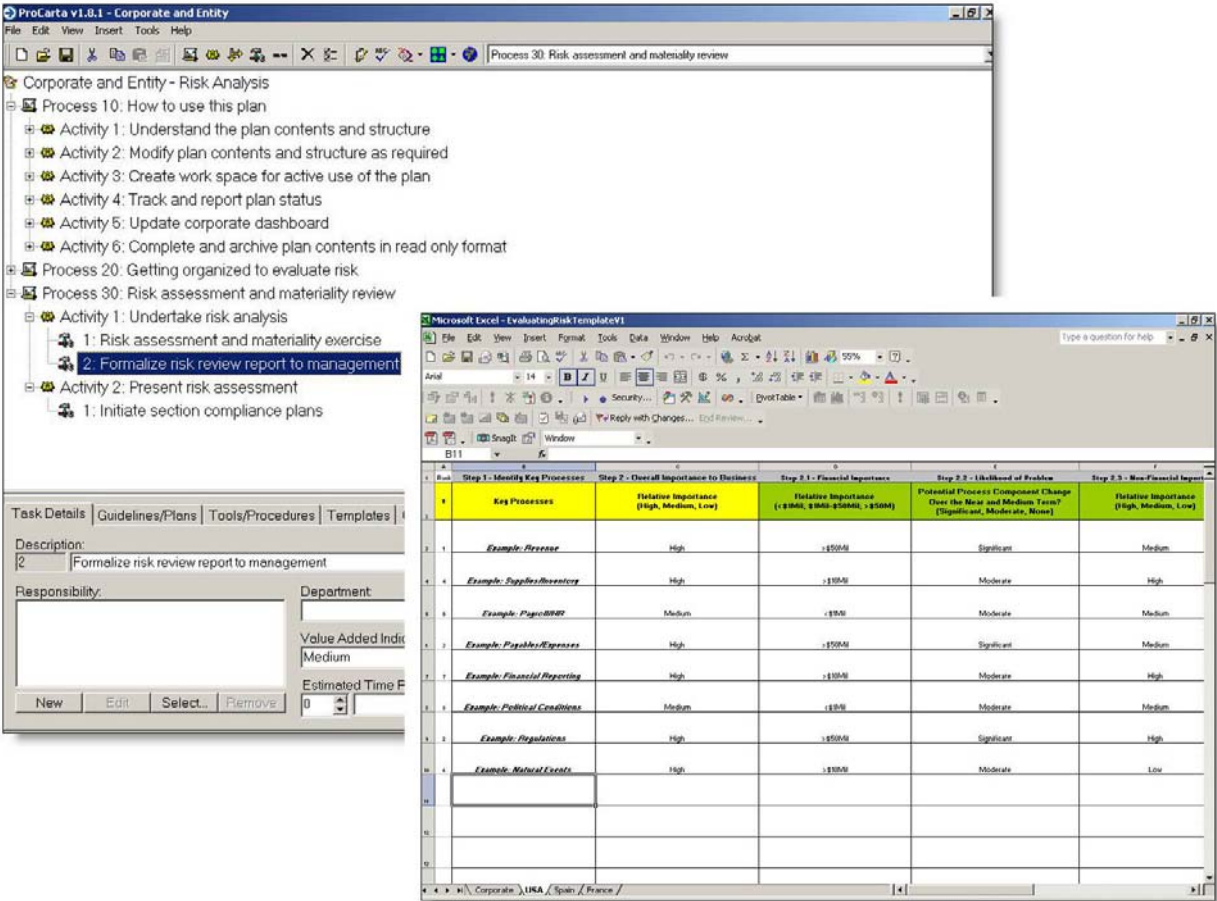
Team and Definition:
 Plan This is the term used by



Framework Establishes or Aids in Establishing Goals

The Framework’s risk analysis templates are integral to the prioritization of compliance activities. As most customers have never been through a compliance activity as significant in scope as the Sarbanes-Oxley Act requirements, it is critical that the Framework provide directional targets that can then be modified by the user. In addition, the Framework also includes project management templates and suggested activities to help guide the team’s focus on milestones and monitoring. These templates are all accessed easily from within the Framework.

Templates support risk analysis review for prioritization of projects











Step by Step “Playbook” to Assure Compliance

The Framework is built on the foundation features of ProCarta software as a process definition and work instruction deployment platform. This has allowed the Framework to be presented as a set of “Playbooks” that focus on the sequencing of work to achieve compliance and all the associated support materials in-line with the process. The sequencing of compliance activities (Risk Analysis, Audit Evaluation, Corrective Action, etc) can be accessed via Web output, or in the procedural designer

Using the Five Step COSO Approach, Users are guided through Compliance Activities with templates and complete instructions and templates for rapid and error free compliance project.

Sarbanes - Oxley
Workbench
ProCarta

<p>Sarbanes-Oxley404Accts Payable - Plan</p> <ul style="list-style-type: none"> 1: How to Use this Plan 2: Getting Organized 3: Best Practices and Process/Procedure Development <li style="background-color: #e0e0e0;">4: COSO Evaluation by Function Activity 1: COSO Component: Control Environment Activity 2: COSO Component: Risk Assessment Definition and Framework Activity 3: COSO Component: Control Activities Review Activity 4: COSO Component: Information & Communication Activity 5: COSO Component: Monitoring 	<div style="border: 1px solid black; padding: 5px; margin-bottom: 10px;">  4: COSO Evaluation by Function <p style="font-size: small; margin-top: 5px;">Last Modified: 05/28/2003</p> </div> <div style="border: 1px solid black; padding: 5px; margin-bottom: 10px;">  Activity 1: COSO Component: Control Environment <ul style="list-style-type: none">  Task 1: Complete Internal Control System Survey <p style="font-size: small; margin-top: 5px;">Flow To: Activity 2: COSO Component: Risk Assessment Definition and Framework</p> <p style="font-size: x-small; margin-top: 5px;">Last Modified: 05/29/2003</p> </div> <div style="border: 1px solid black; padding: 5px;">  Activity 2: COSO Component: Risk Assessment Definition and Framework <ul style="list-style-type: none">  Task 1: Run workshop to begin review  Task 2: Identify Business Objectives and Control Activities  Task 3: Identify Risks to Achieving Objectives  Task 4: Identifying Control Assessment Tasks </div>
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Templates for Review and Testing of Critical Cycles are provided with the Framework

The "Playbook" approach of the Framework allows for the user to immediately begin using the product to accelerate compliance efforts. The use of flowcharts and embedded links allows for the user to easily navigate the sequence of activities. The user can then also easily make changes to the materials, without the need for IT assistance, to make it even easier for the materials to be suited to that company's broader compliance audience as well as for out side auditors. A key design was to provide standard business objectives, control activities, inherent risks and testing questions built into the framework. This content is fully editable by a non-technical user and provides a basis for the compliance project to begin rapidly.

Step by Step Best Practices Templates for all critical financial processes/cycles guide the user through compliance activities in an consistent manner and accelerates compliance and certification of internal controls.

The screenshot displays a Microsoft Excel spreadsheet titled "DisbursementsCycleRiskIDControlsReview". The spreadsheet is organized into several sections:

- Document Information:** Rows 1-3 containing Document Name/Number, Purpose of Document, and Date Revised/Author.
- General Information:** Rows 6-11 detailing Business Cycle, Process, Sub-Process, Strategic Importance, and General Ledger Accounts.
- Summary of Internal Control Rankings:** Rows 15-19, a table summarizing control performance.
- Risk ID Table:** Rows 16-21, a detailed table listing risks to achieving objectives, control numbers, and risk ratings.

Summary of Internal Control Rankings			
Description	# Well Controlled	# Adequately Controlled	# Inadequate
Participant Control Ranking	10	6	
Internal Control Ranking	8	9	
Final Control Ranking	10	8	

Risk ID	Risks to Achieving Objectives	Control #	Objective Risk Rating - Unmitigated	Risk Source
A	A description of risk(s) to the achievement of the business objective	1,3, etc		
A-1	Missing documents or information	1,4		
A-2	Inaccurate input of data	1,4		
A-3	Invalid accounts payable fraudulently created for unauthorized or nonexistent purchases	4,8		
A-4	Missing or untimely receipt of documents	2		
A-5	Missing documents or information	1,3,4		
A-6	Unauthorized input for nonexistent returns	3,8		
A-7	Unauthorized additions to accounts payable as on vendor master list	7,8,13		
A-8	Unauthorized access to accounts payable records and stored data	7,13		
A-9	Procedures may be implemented that circumvent existing internal control techniques. The potential for theft and error is substantially increased.	1,3,7,8		

“3 Clicks to Compliance” Reporting to the Audit Committee for Project Monitoring and Certification Reporting

The Framework provides a simple, but elegant approach that allows for comprehensive support of detailed compliance activity review, while also providing for executive reporting via a “3 Clicks to Compliance” for reporting to the Audit Committee. The Framework is also self-contained, while letting authorized users dynamically change the content to further to tailor it to reflect ongoing changes in the applicable legislation. Last but not least, the Framework accommodates multi-entity organizations with the ability to run locally and globally and always “roll up” reporting.

Pertinent Control Ranking Reports, Progress Reports and Process Flow Diagrams are linked to the Corporate Dashboard providing no more than “3 Clicks” to provide any answer about compliance to management or Audit committee members

Sarbanes - Oxley Workbench ProCarta

Sarbanes-Oxley Corporate - Dashboard

- 1: Status by Section
- 2: Status by Geography

1: Status by Section
Purpose:

Sections of Act	In Process	Corrective Actions	Urgent Action
200 - Auditor Independence	SEC Website		
300 - Corporate Responsibility		View	
400 - Enhanc. Fin. Disclosures	View	View Flowchart	Action
800 - Corp. & Criminal Fraud			
900 - White Collar Crime Penalties			
1000 - Corporate Tax Returns			
1100 - Corporate Fraud & Account.			

Document Name/Number	Purpose of Document	Date Revised/Author
Risk & Controls Survey	Evaluation of Risks and Controls for:	Date
SOX 404	(Purchasing/Accounts Payable Cycle)	

General Information			
Business Cycle	Purchasing/Disbursements	Process ID	
Process	Accounts Payable	Groups Represented	Corporate & IA
Sub-Process		Audit Team	Internal
Strategic Importance	Manage purchases/cash	Date Prepared	non, 2003
Fin. Statement Captures	Accounts Payable	Ey System	AP
General Ledger Accounts	XXXXXXXX		
Narrative Summary	Overall we found controls to be adequately controlled and in compliance with 404		

Description	Summary of Internal Control Rankings			# Needs Improvement
	# Well Controlled	# Adequately Controlled	# Inadequately Controlled	
Participant Control Ranking	10	6	2	1
Internal Control Ranking	5	9	0	1
Final Control Ranking	10	5		

Results Achieved using the Framework

The Framework has allowed companies to reduce three major compliance elements to-date:

- ⇒ **Reduced external cost to undertake compliance efforts by up to 80% compared to other financial compliance alternatives**
- ⇒ **Reduced time to undertake documentation and testing of internal controls and related processes by up to 40%**
- ⇒ **Reduced requirements external training resource time by 60%.**

These statistics are based on performance achieved by organizations in the oil and gas, pharmaceutical, and technology sectors.

The Issues Central Governance & Compliance Framework is powered by ProCarta Software. ProCarta allows companies to turn policy into action. Learn more about ProCarta at www.procarta.com.



To find out more about the award winning framework and how it can accelerate your Sarbanes-Oxley Compliance project contact us at:

Issues Central, Inc.
Catherine Connally, President
cathyconnally@issuescentral.com
(416) 977-1496
(571) 243-8199
www.issuescentral.com

IssuesCentral