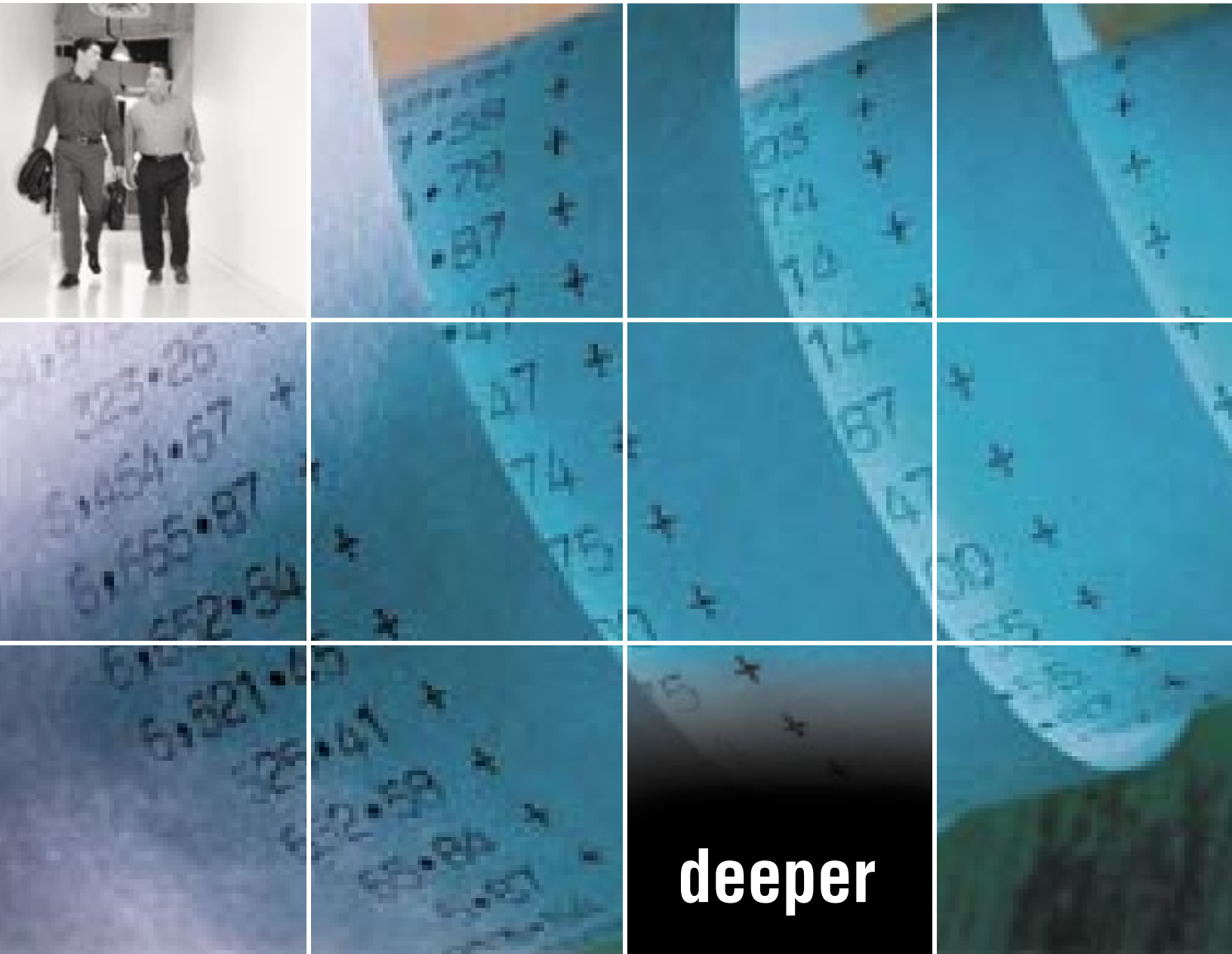


Working with IBM to leverage Sarbanes-Oxley initiatives for improved business performance



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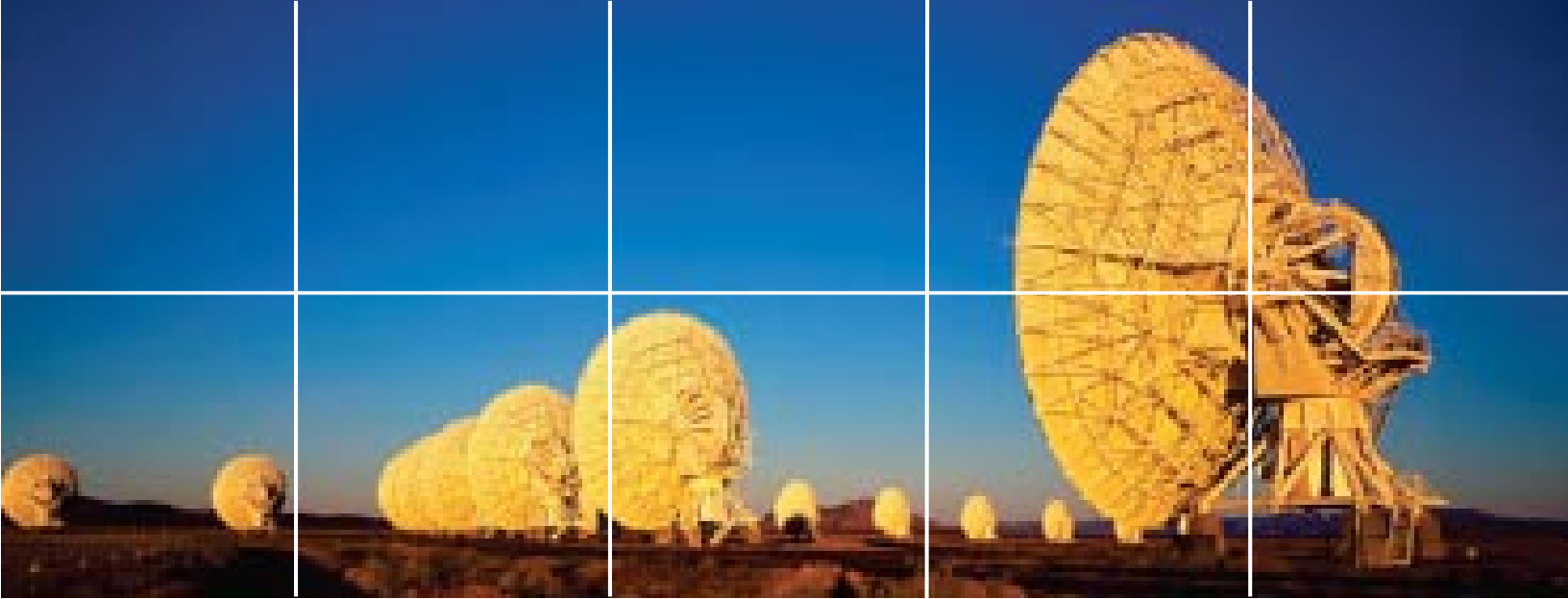
"I believe the key benefit of Sarbanes-Oxley is a reawakening of thought regarding corporate processes that were once taken for granted. This should result in consistent, high-quality reporting and better business practices across the board."

- IBM Sarbanes-Oxley Survey, 2003

At first glance, the challenges presented by the Sarbanes-Oxley Act of 2002 appear obvious: Businesses must re-evaluate their accounting and reporting procedures while acknowledging that there will likely be substantial costs involved in implementing any new processes. In essence, they must implement change without threatening profits.

But for savvy CFOs, Sarbanes-Oxley is about more than meeting new legal obligations on a budget. It is an opportunity to push business processes to the next level and improve business performance and profitability. The real question is not: How do we comply? It is: How do we leverage the investments required to achieve compliance to improve our business capabilities?

IBM Financial Management Services can help you not only operationalize and streamline your Sarbanes-Oxley project compliance processes, but also optimize your organizational, process-oriented and technological compliance initiative. As you move beyond promoting your Sarbanes-Oxley project processes into ongoing operations and addressing inefficiencies caused by introducing quick "gap fixes" in order to meet the compliance timelines, IBM can show you how to transform your business with integrated, end-to-end financial management solutions and technology designed to enhance overall performance.



The message of Sarbanes-Oxley

In the wake of the bull market conditions that prevailed in the late 1990s, investors were confronted with news of unethical corporate behavior. Indeed, the meteoric growth they had witnessed was fueled in some instances by dubious accounting practices or even outright fraud. Corporate scandals dominated headlines, compounding worry over a shaky economy and an increasingly unstable geopolitical environment. As a result, investor confidence eroded dramatically. On July 30, 2002, the Sarbanes-Oxley Act was signed into law to help alleviate investors' concerns and provide a more effective regulatory framework for business operations.

“The biggest challenge Sarbanes-Oxley has presented for us is finding a way to get the most we can out of the compliance process. Since we’re expending so much effort to adapt to the new rules, we want to be sure we’re maximizing value everywhere we can.”

- IBM Sarbanes-Oxley Survey, 2003

Some of the particulars of Sarbanes-Oxley are still evolving, but the message is clear: Codifying business ethics to help improve overall corporate accountability is now a top priority for corporate executives. Companies and individuals who fail to adhere to the ethical standards embodied within Sarbanes-Oxley will be penalized severely.

Addressing key Sarbanes-Oxley challenges: Where does your company stand?

The scope of the Sarbanes-Oxley Act is formidable. Developed in response to several well-known accounting and ethical failures, it encompasses issues of investor reporting as well as executive accountability and integrity.

In assessing the ramifications of Sarbanes-Oxley, IBM has identified certain key challenges associated with the Act's major sections. How many of these issues are affecting your organization?

Section 302: certifying financial statements

Section 302, which requires CEOs and CFOs to personally certify quarterly and annual financial statements as well as take responsibility for ensuring their accuracy, was implemented in August 2002. Having lived with the tactical requirements of Section 302, you may meet the requirements. However, are you meeting them as efficiently as you could, and are you as confident about certification as you would like to be?

Some obstacles that may be impeding efficient and confident compliance with Section 302 include:

- *Reporting limitations.* Your company may be among those falling prey to the limits of spreadsheets and manual processes as you work to improve information visibility and achieve compliance.
- *Information integrity.* In responding to Sarbanes-Oxley, it is important that you be able to trust your data and avoid any inconsistencies in your reporting definitions and calculations.
- *Gaps in accountability.* Sarbanes-Oxley issues affect all layers of a company, and you will need to consider whether you have the resources in place to enable cascading accountability.
- *A slow close process.* With Sarbanes-Oxley, time is of the essence. If your systems and processes are slowing you down, external reporting may be problematic.

Section 404: reporting on internal controls

The section of Sarbanes-Oxley that may be demanding most of your attention at this time is Section 404. Scheduled to take effect at the beginning of fiscal years ending on or after November 15, 2004 for U.S. companies with a market capitalization greater than US\$75 million, Section 404 mandates that your company provide an annual report on internal controls, attested to by an external audit firm.

“Sarbanes-Oxley elevates the importance of risk management, internal controls, transparency and financial disclosure throughout every organization.”

- IBM Sarbanes-Oxley Survey, 2003

A sampling of the tactical challenges you may face in implementing Section 404 include:

- *Insufficient controls management.* Section 404 requires that you implement effective procedures related to the definition, documentation, testing, monitoring and enhancement of internal controls.
- *Unclear assignment of duties.* The new legislation introduces a host of additional responsibilities with the accompanying need to know who is responsible for what in your organization.
- *Outdated document management strategies.* Outdated document management strategies will make it difficult to efficiently execute a repeatable compliance process.
- *Loose “off-the-ledger” audit trails.* Any weak links in documentation, data consistency or other internal controls could result in unnecessary costs, frustration and errors in reporting.
- *An inefficient information technology (IT) infrastructure.* Section 404 can be efficiently supported by an IT infrastructure that is flexible and responsive enough to simplify reporting processes.
- *A resistant corporate culture.* You will need to gauge whether the culture at your company is conducive to implementing the enhanced disclosure controls. Processing change can be difficult for an organization—an important consideration for every business leader.

Section 409: realtime disclosure

The tactical requirements of Section 409 remain to be defined by the U.S. Securities and Exchange Commission (SEC); however, many companies are commencing preparations for its anticipated impact. It is believed that Section 409 will mandate that companies disclose any material changes in their financial conditions or operations on a “rapid and current basis.” Depending upon how the SEC elects to implement Section 409, this may mean “realtime” disclosure.

Because Section 409 may ultimately require immediate access to information, open lines of communication and a fast response time, assessing the capabilities of your current financial accounting and reporting infrastructure is crucial.

Some of the issues that warrant your attention include:

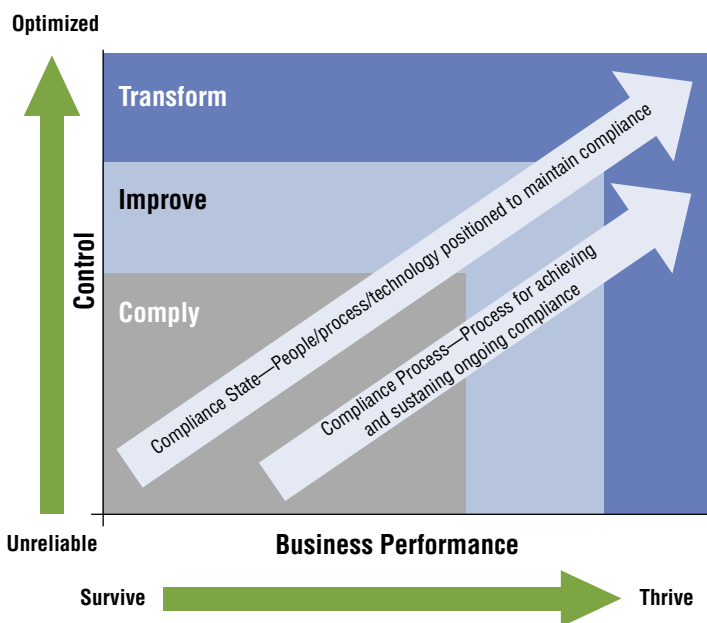
- *Inadequate monitoring capabilities.* If you are already struggling to monitor Sarbanes-Oxley activities and progress, Section 409 and the demands of realtime disclosure will only compound these problems.
- *Obscured or limited information visibility.* Companies that fail to immediately grasp changes to this legislation will be in no position to quickly apprise the public, as mandated.
- *Lack of predictability.* It is anticipated that Section 409 will require that you maintain a clear view of your company's end-to-end business performance.
- *Tangled lines of communication.* If your company's infrastructure lacks the adequate technical and cultural vehicles for reporting material events in realtime, a realtime disclosure standard, if adopted by the SEC, may be difficult — if not impossible — to meet. Therefore, you may need to consider whether your company's systems and processes are flexible enough to keep pace with imminent change.

IBM Financial Management Services can assist you through—and beyond—your Sarbanes-Oxley initiatives

The intricacies of Sarbanes-Oxley may seem overwhelming; however, for business leaders who can see beyond the details of adhering to new rules, Sarbanes-Oxley represents a gateway to bigger and better things. The goal is to comply while also using your compliance initiatives to help drive your company to a position of competitive advantage and maintain optimal business effectiveness over the long term.

As you work toward this goal, you will need to contend with intense competition and accelerating change as well as unrelenting profit pressure and business risks that are difficult to predict. To succeed, it is imperative that your company be focused on its core competencies to help differentiate it from competitors. It must also be responsive in the face of continual change and growing customer needs. The increase in profit pressure requires taking advantage of variable cost structures. Finally, your organization must be resilient enough to withstand today's and tomorrow's threats, be they technological, economic or political.

IBM can help. First, our business consultants bring a wealth of experience to help your organization leverage its Sarbanes-Oxley initiatives in making your business more effective and efficient, more competitive and better-positioned for the future. We also have the robust tactical tools to support you in your execution of Sarbanes-Oxley compliance processes, so they become a fluid part of your day-to-day business. Most important, we can assist you in your Sarbanes-Oxley initiatives by applying the full power of IBM consulting, software, hardware and research solutions—as well as IBM's alliance relationships—to enable an integrated, end-to-end solution for your organization.



**IBM Financial Management Services:
Business Risk Management Consulting**

Our approach to supporting you in your Sarbanes-Oxley initiatives is based on a comprehensive portfolio of services. In addressing your most pressing problems, we will work with you to create effective solutions—whether they entail assessing performance gaps, devising short-and long-term Sarbanes-Oxley strategies, measuring results, or enlisting companies with which IBM maintains alliance relationships. We offer services—both tactical and strategic—designed to address not only your company’s finance function but also the enterprise-wide issues that may arise from your Sarbanes-Oxley compliance program.

Tactical financial management consulting support

IBM Financial Management Services offers a number of practical, hands-on solutions tailored to support your immediate Sarbanes-Oxley initiatives and efficiently sustain Sarbanes-Oxley processes and gap remediation interventions past the initial cycle of compliance. These tactical financial management services include:

- *Project management support and resource augmentation.* Given the broad scope and tight timeframes of Sarbanes-Oxley, as well as the organizational complexities of today’s public companies, you may require project management support and resource augmentation to ensure that key project deliverables are executed efficiently and effectively.
- *Sarbanes-Oxley gap remediation support.* Once you fully understand your desired Sarbanes-Oxley-compliance end-state, IBM can provide guidance on how to effectively leverage process improvements, technology and organizational change to achieve your short-term Sarbanes-Oxley compliance objectives.



“Sarbanes-Oxley’s scope has broadened, and I wish we had more time and more resources to address every aspect of the new rules.”

- IBM Sarbanes-Oxley Survey, 2003

- *Sarbanes-Oxley compliance process operationalization.* Now that you have successfully moved beyond your first Sarbanes-Oxley compliance cycle, it is time to switch your focus from a “project” to an “operate” model. IBM can work with your Sarbanes-Oxley team, allowing you to leverage the breadth of our experience in process design and implementation and introducing you to alternatives that you should consider as technology enablers.

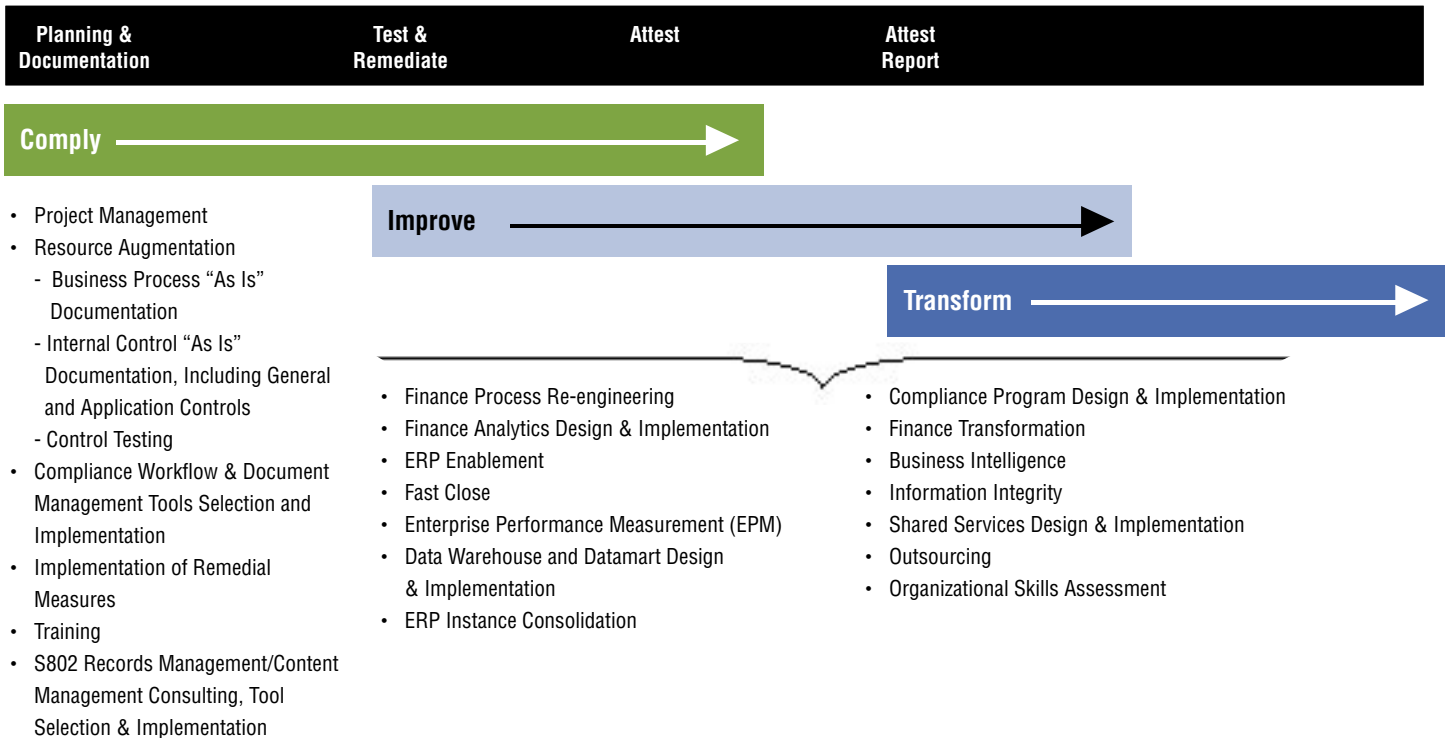
“We want to make Sarbanes-Oxley work for us, so we’re not just responding to requirements of the law, but using it to make our organization more efficient and effective.”

- IBM Sarbanes-Oxley Survey, 2003

Sarbanes-Oxley gap remediation optimization

While you were remediating your compliance gaps, you had one objective: doing whatever it would take to meet the legislated compliance deadline. Now that this hurdle is behind you, it is time to take stock of your remediation initiatives and maximize their efficiency. IBM can provide guidance on leveraging process improvements, technology and organizational change to optimize your “quick fix” gap remediation initiatives. Our solutions include:

- *Finance process improvements.* You do not just want to comply—you want to comply and improve process effectiveness and efficiency at the same time. IBM can show you how to streamline your finance processes, boost efficiency and productivity, and minimize data errors.
- *Tactics for enabling a fast close.* Are you completing monthly, quarterly and annual accounting closes as quickly and accurately as you would like? We can help you improve your close times by showing you alternatives for effectively integrating and optimizing your finance processes and systems.



- *Creation of an environment for “cascading accountability.”* Accountability at all employee levels of the organization is the foundation for a corporate culture where responsibility and ethics are priorities.
- *Planning, forecasting and budgeting improvements.* Rapid reporting requires that you be able to gauge future business performance; in turn, long-term visibility can enable sound performance management. IBM can help you optimize capital and resource allocation, galvanizing your organization around the delivery of value targets.
- *Enterprise resource planning (ERP) enhancements.* Integrated ERP tools are designed to support your activities in response to several sections of Sarbanes-Oxley, with respect to data integrity, retention and reporting. We can help design, integrate, implement and upgrade the ERP solutions that can allow you to maximize the benefits of financial information for stakeholders.
- *Records retention assistance.* To support your efforts to keep pace with Sarbanes-Oxley requirements, IBM can work with you to develop a security-rich archival-and-retrieval system as well as supervision tools that may be necessary for mandated monitoring.
- *Data warehouse and datamart design.* Sarbanes-Oxley is particularly stringent with regard to data retention and accuracy. Many organizations are challenged by “multiple versions of the truth,” with different systems providing a variety of results. To help alleviate this problem, we can design data warehouses and datamarts for your organization, allowing you to maximize information resources across the value chain using the latest technologies and leading practices.
- *Organizational change improvements.* Sarbanes-Oxley may require you to rethink how your company’s finance function is organized, motivated and rewarded. We have extensive experience assisting companies with the design and implementation of organizational improvements specific to the finance function.
- *General computer controls remediation.* At IBM we have extensive experience assisting our clients with the implementation of general computer controls, including, for example, our Business Continuity Resiliency Services.
- *Section 409 solutions.* Although the detailed requirements of Section 409 are still being identified by the SEC, we believe that a robust, agile business intelligence (BI) infrastructure is key to positioning for enhanced reporting requirements. IBM provides a set of six key business intelligence service offerings to assist you with the enhancement of your integrated business intelligence environment. In addition, as requirements of Section 409 evolve, IBM will provide specific tactical solutions designed to help our clients respond.

Strategic solutions for long-term industry leadership and competitive advantage

In today’s resource-constrained environment, Sarbanes-Oxley can be a catalyst for transforming your company’s finance function. IBM Financial Management Services can help you improve finance and accounting processes with an eye for the future. As you evolve from a stable Sarbanes-Oxley compliance environment to leveraging your compliance initiatives for strategic advantage, we can work with you to develop a finance vision and roadmap to transform the finance function.



To succeed, you will need to develop a comprehensive vision that accounts for your company's financial activities on several levels. IBM Financial Management Services has methodologies for formulating such plans, which we believe should reflect four key design levers: people, process, technology and skills. We can also help with evaluating global sourcing options and implementing shared service centers, as your Sarbanes-Oxley compliance efforts may call for the enlistment of a third party.

However, effective Sarbanes-Oxley initiatives are not limited to the finance function. IBM embraces other key areas of your organization that are facing their own unique challenges. These more strategic, enterprisewide services use Sarbanes-Oxley as a springboard for positive change across your organization. They include:

- *Analytic applications and business intelligence support.* Is your company reaping the benefits of a closed information loop among ERP, customer relationship management and supply chain management systems? We can help you evolve into a more intelligent business—one that collects, aggregates, manages, distributes and analyzes critical financial information in a timely manner.
- *Enterprisewide sustainable information integrity.* “Clean” data is key, not only in response to Sarbanes-Oxley, but also to keep your company running smoothly over time. IBM can help you identify the source of your information integrity issues, and design and implement organizational, process and technology interventions you may need to generate and maintain reliable data.
- *Enterprise performance management (EPM) support.* Along with providing EPM support for tactical enterprisewide solutions, we also offer EPM solutions to enhance your plans for implementing longer-term, more strategic change across your organization. Our EPM efforts will help you set a course with tangible targets, manage for value, motivate employees and create greater performance visibility.

- *ERP architecture design.* We have already mentioned that we can help you improve ERP functionality to assist with your Sarbanes-Oxley initiatives. We can also help with ERP architecture in general. Leveraging industry-specific templates and accelerator tools, IBM can provide ERP solutions for your company designed to yield rapid results, such as cost reduction.

Why choose IBM Financial Management Services?

IBM Financial Management Services is deeply committed to understanding and addressing the business challenges facing your company in the wake of Sarbanes-Oxley—as well as the challenges specific to your industry in today’s on demand climate. Our comprehensive suite of services and products created in response to Sarbanes-Oxley is designed to support your compliance initiatives and position your company for long-term shareholder value creation.

Working with IBM gives you immediate access to an unrivaled arsenal of resources, including:

- *Products and services comprising an end-to-end solution.* Our portfolio addresses a wide range of issues surrounding Sarbanes-Oxley. Why enlist multiple vendors for help when you can turn to IBM for the resources to assist you virtually every step of the way? Our deep network of alliances with industry-leading vendors allows us access to superior products enabling end-to-end support.
- *Deep experience.* Where else can you find a technology and consulting provider who has worked with 74 percent of the global Fortune 50 and 82 percent of the European Financial Times 50?
- *Marketplace recognition.* IBM business consultants are renowned for their financial management expertise and talent. IBM is positioned in the leadership segment of the Meta Group’s METAspectrum analysis, and was specifically recognized as a leader because of our extensive expertise in the analytics world. In addition, customers and channel partners consistently viewed IBM as the strongest vendor with the deepest project methodology.

- *Key relationships.* IBM Financial Management Services works with leaders in every industry and line of business to facilitate your access to leading technologies and leading practices.

With the right consultants on your team, Sarbanes-Oxley represents not an obstacle but an opportunity. IBM Financial Management Services can help you attend to the details of the new legislation without losing sight of your ultimate goals: enhanced performance and competitive advantage.

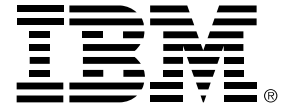
IBM Business Consulting Services

With consultants and professional staff in more than 160 countries globally, IBM Business Consulting Services is arguably the world’s largest consulting services organization. IBM Business Consulting Services provides clients with business process and industry expertise, a deep understanding of technology solutions that address specific industry issues, and the ability to design, build and run those solutions in a way that delivers bottom-line business value.

For more information

To learn more about financial management services and products from IBM, contact your IBM representative or visit:

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