

HandySoft's SOXA Accelerator: The Value Proposition

The Sarbanes-Oxley Act of 2002 offers a unique opportunity to corporate America by compelling public companies to improve their processes and increase their accountability. Now, more than ever, companies should evaluate solutions that will enable compliance with current and future rules and regulations and mitigate risk. Doculabs reviews the SOXA Accelerator, which provides a solid foundation for corporate governance by streamlining and automating the processes involved in evaluating, documenting, and enforcing internal controls.

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Sarbanes-Oxley: The New Business Imperative

The Sarbanes-Oxley Act of 2002 (SOA) has ushered in changes to corporate governance that rank among the most sweeping in history. Developed in response to issues raised by recent corporate accounting scandals, the Act is aimed at improving the transparency and accuracy of financial accounting of publicly traded companies. SOA essentially requires CEOs and CFOs to sign off on the validity and accuracy of their companies' financial numbers and to certify the controls and procedures behind their financial reports. Furthermore, the Act presents the very real threat of criminal penalties if financial reports are found to be fraudulent.

Clearly, corporate governance and compliance issues are now at the forefront for public companies. As different provisions of the law are phased in, organizations must ensure that the audit process behind their financial reporting is not only comprehensive and accurate, but that they can also meet strict quarterly timeframes for reporting on an ongoing basis. The concern for many organizations is that compliance with certain requirements of SOA may force some changes in their business processes.

Thousands of companies in the United States must comply with SOA and other legislation, and it will require a tremendous effort on their part to:

- Identify key business processes
- Identify and manage risks
- Document and test internal controls according to a recognized framework such as that established by the Committee of Sponsoring Organizations of the Treadway Commission (COSO)
- Incorporate key documentation

Doculabs recognizes that corporate governance has many elements that extend beyond financial processes. Organizations must ensure that they have the right internal controls in place, or establish them if they do not. Mitigating risk and increasing corporate transparency are also top-of-mind for corporate officers and executives. Meeting these objectives is an absolute business imperative in 2003 and beyond.

As companies begin to develop strategies for compliance, technology has a key role to play. Meeting the ongoing requirements of Sarbanes-Oxley requires technology that can speed the auditing process: software tools that can simplify the auditing of internal controls and the preparation of financial reports, and, ultimately, reduce the time to compliance.

Process-centric workflow solutions support the rapid and thorough completion of the audit process while also enabling the management, enforcement, and modification of key processes and financial controls. They allow organizations to easily modify reporting and business logic. We believe that this degree of flexibility is critical to support overall improvements to business processes, as well as to accommodate future changes in both the business and the regulatory environments. The key capability of process-centric solutions is that they bring together methodology, process, and documentation to provide a complete solution for SOA compliance and further process improvement.

HandySoft Corporation, well known within the market for its BizFlow business process management (BPM) software product, recently released its SOXA (Sarbanes-Oxley) Accelerator, a version of BizFlow that combines HandySoft's proven BPM technology with the collaboration, search, and personalization capabilities of Plumtree's Enterprise Web Suite portal offering. The product focuses on two key provisions of SOA: Section 302, which requires companies to generate up-to-date, accurate reports on internal controls and financial statements which officers must certify; and Section 404, which requires companies to evaluate internal controls in financial reporting, and have their external auditors attest to the efficacy of those controls.

This white paper presents Doculabs' review of the Accelerator solution, including the strategic benefits that the SOXA Accelerator delivers across a broad range of vertical markets impacted by the provisions of the Sarbanes-Oxley Act.

Corporate Governance and Sarbanes-Oxley: The New Technology Challenge for Business

Sarbanes-Oxley compliance is the most compelling issue to confront corporate America since the e-business explosion of the 1990s. Thousands of companies are going to have to comply with this legislation, requiring a tremendous effort on their part to:

- Identify key business processes
- Identify and manage risks
- Document and test their internal controls
- Incorporate key documentation

Doculabs recognizes that corporate governance has many branches that extend throughout your organization, involving more than just financial processes; corporate governance also requires ensuring that you have the right internal controls in place, or establishing them if you don't, and it especially involves the mitigation of risk, a large part of which goes to improved corporate transparency.

Certainly Sarbanes-Oxley compliance involves more than just technology; the heart of SOA compliance is sound corporate practices and philosophies. But the fact is, unless you are still doing your books using a pencil and ledger book, you will have to factor IT into your strategy for corporate governance. Corporate governance is tightly coupled with technology, and we believe that technology can be a major enabler for successful compliance with Sarbanes-Oxley and similar regulations.

The activity surrounding Sarbanes-Oxley compliance can also be compared with the Y2K frenzy because of the manifold number of technology solutions being offered to satisfy compliance. Doculabs sees a multitude of vendors in various technology sectors that are building some kind of application for Sarbanes-Oxley compliance, each reflecting its own particular heritage in the IT spectrum. Although this range of solutions is encouraging in the long run, it can also be confusing to the prospective buying organization.

What does it take to deploy a technology solution for corporate governance and for SOA compliance in particular? And what are some of the options currently available to organizations that seek a solution to facilitate compliance – and which ones truly address the compliance issues that organizations are likely to face over the long term?

The Deployment Process for Corporate Governance Technology

We regard the deployment of a technology solution for Sarbanes-Oxley as a process consisting of three distinct phases:

Phase I: Initial Set-up and Audit

The first phase includes the tasks involved in initially meeting the basic requirements of Sarbanes-Oxley: installing the software, defining teams and team members, and collecting the data required for internal controls.

Phase II: Process Enhancement

The next phase involves actually augmenting financial systems and improving the processes that underlie financial reports. This phase includes the enforcement of controls to assure that measures for accountability are being followed and achieving greater corporate transparency to provide visibility to managers charged with validating corporate governance.

Phase III: Accommodation to Future Regulatory Requirements

Although much about Sarbanes-Oxley remains uncertain, observers agree that its one constant is change. It is very likely that the Securities and Exchange Commission and others with a bearing on the scope of Sarbanes-Oxley compliance will revise their rulings to encompass a broader interpretation of financial control, with the result that public companies will need to be able to accommodate changes on a rapid and ongoing basis. Thus any technology solution a company pursues should facilitate the acceptance and ability to comply with new regulations. And technology solutions will also need to accommodate new sections of the Act as they are implemented. For example, Section 409 calls for real-time reporting of material events that affect a company's financial reporting; such agility may be beyond the ability of mere record-keeping systems or document repositories.

Sarbanes-Oxley Technology Options

Considering the three phases of deployment outlined above, Doculabs contends that the optimal solutions for compliance go beyond Phase I, merely satisfying the immediate needs of internal controls and auditing. The ideal solutions embrace the improvement of the financial processes that underlie internal controls (Phase II), and are also capable of accommodating changes in the regulations, as well as changes in the way you operate your business (Phase III).

A number of technology approaches to SOA compliance are now available. Auditors, financial software firms, ERP vendors, and document management vendors each offer different kinds of tools that address parts of the compliance challenge. But while each of these approaches has its own merits, none is sufficient by itself to address *all* the technology demands of compliance: enterprise scalability, collaboration among internal and external participants, and the integration of people, processes, and disparate applications.

Workflow/Process Solutions: Addressing Long-range Corporate Governance

One class of solution does begin to encompass the complete spectrum of technology challenges in achieving SOA compliance. *Workflow and process management solutions* involve the use of business process management and workflow technologies to automate the processes that underlie internal-controls reporting and compliance with corporate governance policies.

The strength of these solutions is that they enable internal audit committee members and outside auditing firms to collaborate on the assembly of data and documents for reporting compliance, as well as to automate the enforcement of compliance policy (Phase II). They enable companies to leverage the IT systems already in use in financial and other procedures. And they also provide the agility that organizations require to accommodate future changes in regulations – i.e. the long-term flexibility required for Phase III.

For these reasons, it is Doculabs' observation that process-centric workflow solutions are the ones gaining the most traction. This is because the process-centric solutions focus on the underlying business issues involved in compliance and on the work that underlies internal controls and reporting.

And, looking beyond compliance concerns, Doculabs believes that the deployment of a process-centric solution turns the challenge of Sarbanes-Oxley compliance into an opportunity: because the same methods you use to come into SOA compliance can be used to improve the performance of your entire financial organization. The corporate governance solution thus becomes a catalyst for streamlining and automating your organization's financial processes.

The Process-centric Approach to Sarbanes-Oxley Compliance

HandySoft's SOXA Accelerator is an example of a solution that takes a collaborative, process-centric approach to achieving Sarbanes-Oxley compliance. Many of the leading auditing firms have recommended taking this kind of approach to compliance. The SOXA Accelerator enables an organization to manage the audit reporting process, as well as to improve the processes involved in the evaluation and approval of internal controls for all of its significant financial accounts.

Built in partnership with Plumtree, the SOXA Accelerator provides web-based visibility into the process of auditing and certifying internal controls to all participants – including process owners, internal and external auditors, controllers, and senior management. Each individual is provided a personalized view of all tasks, based on their responsibilities, as well as project status and progress information and all documentation and evidence needed for compliance. The interface also provides reports and real-time monitoring that deliver meaningful information concerning the status and performance of controls.

Built on BizFlow, an industry-proven platform for managing business processes, the SOXA Accelerator is well suited for automating data collection, controlling the collaborative documentation processes, and supporting the complex approvals required for Sarbanes-Oxley compliance. Compliance involves creating an inventory of internal financial controls, reviewing and mitigating risk associated with those controls, tracking and resolving any issues that arise, and obtaining approval by senior management. In order to do so, corporations must assemble an internal audit team and provide them with the tools they need to gather information concerning significant financial accounts, evaluate the effectiveness of the associated controls, collaboratively address issues that arise, and route refined controls for approval.

In order to support and streamline the collaborative documentation and approval process, the SOXA Accelerator provides comprehensive capabilities for the following:

- Project management
- Evaluation of controls
- Approval workflow
- Issue tracking, reporting, and resolution
- Reporting and monitoring

The process-centric technology of the SOXA Accelerator helps to increase the efficiency and effectiveness of individual contributors and the team as a whole.

Project Management

The first step is to determine a project team, including a project manager and team members. Each user is then defined to BizFlow, along with their roles, responsibilities, and corresponding rights and access control; wizards are available to simplify this process. Other properties can also be assigned to each user, including delegates and rules for routing and escalating tasks (for example, when a user is on vacation or otherwise unavailable for an extended period).

Evaluation of Controls

Once the project team is in place, the team will define the organization’s significant financial accounts and corresponding processes. With that information, the team can automate the collection and evaluation of information about financial controls, risk assessments, and issues using the SOXA Accelerator’s customizable Sarbanes-Oxley workflows. Process owners are assigned; they are responsible for defining risks and controls, and for associating control data and documentation with the process (see Figure 1). BizFlow notifies the process owner via e-mail and creates a task for the user to complete the risk evaluation and define the controls for the process they have been assigned. This ability to assign tasks and monitor their progress helps to keep the team on track and on schedule.

Define and Evaluate Controls Process - Evaluate Controls - Microsoft Internet Explorer

Control Details Evaluation

Process: Dunning
Evaluator: Lim

No.	Control Statement	Type	Who Perform	Dependent on IT	Evaluated	Evaluation	Issue	Control Category
1	Control Statement	Detect	M. Ross	Yes-Electronic Evidence	No			Compliance with Appli
		Evaluated Date	Design/ Operating	Test	Assign To	Complete By	Retest	Start Date
			Operating Effectiveness	Yes	Daniele Chenal	10/1/03	Monthly	11/1/03
2								
		Evaluated Date	Design/ Operating	Test	Assign To	Complete By	Retest	Start Date

Figure 1: Form for capturing financial controls and evaluating risks

Users may also attach control documents to their evaluations of controls and risks, and the SOXA Accelerator stores the attached documents. The integrity of all records is preserved by audit trails, version control, and other security measures designed to ensure the protection of data and documentation.

Approval

Once all the control information has been gathered, the controls must be evaluated for effectiveness and then routed through the appropriate approval cycles, through routing defined using the Accelerator's process designer (see Figure 2). The automated flow of work helps manage task assignments and notifications, as well as facilitate the approval cycles and sign-offs required by senior management. The Accelerator also supports electronic signatures for sign-offs to further reduce the time involved in approval cycles.

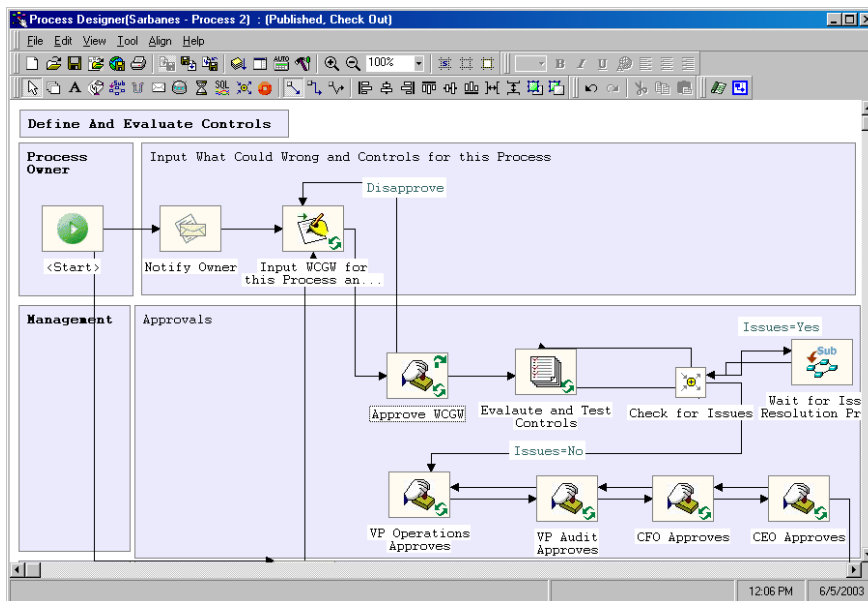


Figure 2: Process designer, showing workflow and approval routing for controls for a significant financial account

Issue Management

As an organization works to define and evaluate its controls, issues may well be discovered. The SOXA Accelerator allows users to identify such issues, assign them to individuals for resolution, and track the status of all open and closed issues. Like the evaluation of controls, issue resolution can also require spontaneous collaboration. Because the Accelerator supports ad-hoc routing, the process owner can gather additional information from other contributors in the system, allowing for faster resolution of issues.

Reporting and Monitoring

A particular strength of the SOXA Accelerator is its strong reporting and process monitoring capabilities. The solution allows internal and external auditors to utilize an Account View (see Figure 3). This interface provides a view of all significant accounts, with drill-down capabilities into supporting details. Accounts can be viewed at a business unit or functional level; a period-based view (i.e. quarter-over-quarter) is also available to enable auditors to easily see the evolution of controls and procedures – capabilities that are critical for both auditors, who need to comprehensively monitor compliance and supporting evidence; and for chief executives, who need easy access to the information that will enable them to attest to the effectiveness of their internal financial controls.

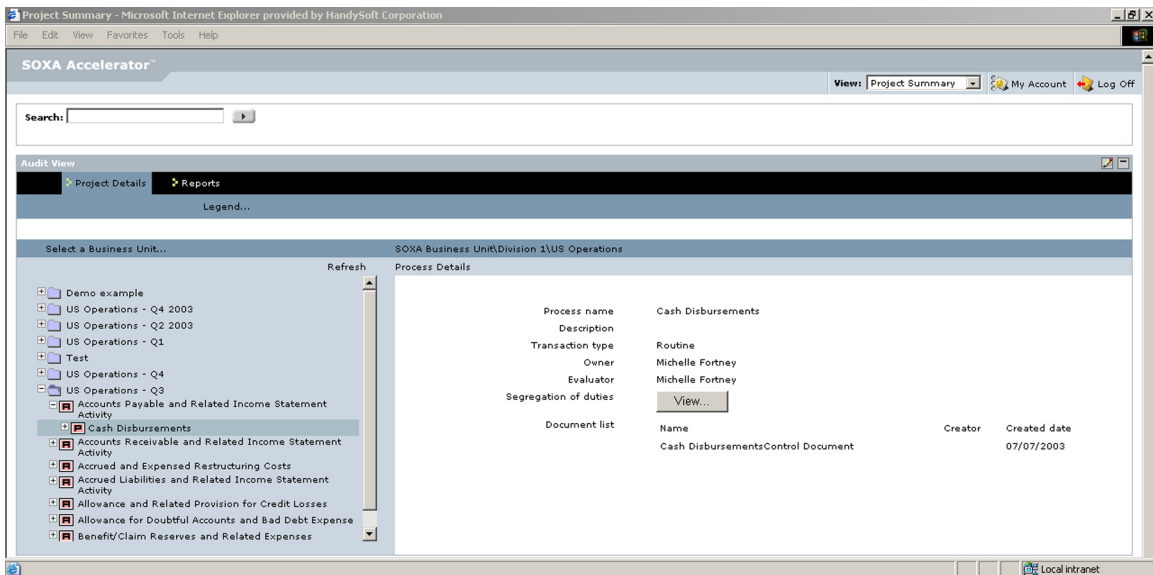


Figure 3: Individual account view in the SOXA Accelerator

The SOXA Accelerator also provides managers with real-time information concerning the status of the overall project of documenting and evaluating internal controls, including information about overdue items, items due shortly, and overall progress of the project. This allows constant monitoring of compliance processes and the status of controls. The solution also provides a number of reports, including Control Detail reports, Issue reports, and others that provide the information necessary for management to make their assessments annually as well as quarterly. The reports include summaries of the controls, control status, and any outstanding issues that may have to be stated in the financial reports. In addition, new reports can be added as needed, and the SOXA Accelerator supports integration with third-party reporting tools already in use within many organizations.

Doculabs' Summary: The Strength of the SOXA Accelerator

The SOXA Accelerator can significantly aid organizations in achieving compliance with the requirements of Sarbanes-Oxley. But the strength of the SOXA Accelerator as a technology solution for SOA compliance lies in its underlying framework, HandySoft's BizFlow product for business process management.

Because the Accelerator solution is built on the BizFlow platform, organizations benefit from the solution's capabilities for process design, workflow, reporting, and monitoring. And BizFlow supports the leading operating systems, databases, and application servers, so the SOXA Accelerator can fit easily into most IT environments.

Strategic Benefits of the SOXA Accelerator

Compliance with the regulations imposed by the Sarbanes-Oxley Act can be a daunting challenge to organizations. Despite the recent extension of the deadline for full compliance, organizations are still looking for any assistance or advantage that technology can provide.

Doculabs believe that the SOXA Accelerator from HandySoft can provide many advantages, including those listed below.

Reduced Time to Compliance

Although the original timeline for complying with Sarbanes-Oxley has been extended, organizations cannot delay in their efforts to put in place the necessary processes and controls for SOA compliance. Many companies have policies and procedures in place for financial reporting and control, but they must be re-evaluated and certified – and any deficiencies must be addressed. HandySoft's SOXA Accelerator does what its name implies – that is, it accelerates the process to compliance by providing the capability to automate the evaluation of policies and control procedures for financial reporting, and by facilitating the collaboration involved in the evaluation process. This enables companies to readily meet the essential requirements outlined in Phase I of the deployment process for corporate governance technology.

Ability to Enhance the Procedures for Financial Reporting and Other Business Processes

Because the SOXA Accelerator is a process-centric solution, it focuses on business results and creates a foundation for long-range process improvement. So in addition to enabling the automation of basic audit reporting, the SOXA Accelerator delivers the potential for improving the procedures that underlie financial reporting. This means improving the efficiency of business operations as a whole – a benefit above and beyond compliance, moving into Phase II of the corporate governance evolution. The combination of process management capabilities and documentation capabilities supports a more streamlined approach to compliance, including the automation of processes required for periodic reporting and the timely disclosure of material changes in controls as required by Sarbanes-Oxley.

Potential for Accommodating Changes in Regulations and Procedures

For many organizations, current internal controls may well be deficient for purposes of Sarbanes-Oxley compliance. Yet a solution that only brings the organization into compliance in the short term may be inadequate to handle ongoing changes to the regulations or to accommodate changes to the way the organization works. The SOXA Accelerator is configurable so that organizations can tailor it to meet their current requirements and then easily adjust its rules, data flows, and other parameters to meet futures requirements brought about by changes to the law or to the organization's business processes.

Ongoing Ability to Monitor and Maintain Control Procedures

Compliance with Sarbanes-Oxley (or any other regulation) is an ongoing process. As regulations are amended or new ones are added, organizations continue to face the challenge of modifying their business procedures to meet comply with the laws. In addition, companies themselves are continually changing and trying to improve business processes. Implementation of the HandySoft solution can better enable a company to maintain and change its control procedures, while continually monitoring the effectiveness of these procedures in complying with government regulations and subsequent sections of the Sarbanes-Oxley Act, such as Section 409 which calls for real-time reporting of material events that affect financial operations.

An Infrastructure for Broader Process Automation

While the near-term focus of many organizations is on Sarbanes-Oxley compliance, HandySoft provides a powerful and flexible framework for managing other financial business processes. Across most industries, automation of accounts payables, accounts receivable, and procurement processes are all critical to the long-term success of businesses. The process-centric approach of the underlying BizFlow framework allows an organization to utilize the same HandySoft components included in the SOXA Accelerator to document and automate other financial processes.

The Final Word

As the centerpiece of financial accounting reforms, it is no exaggeration to say that Sarbanes-Oxley has transformed the corporate landscape in the United States and even abroad, with new and complex mandates for corporate reporting. But applications such as HandySoft's BizFlow SOXA Accelerator allow an organization to capture and enforce best practices around the collection and reporting of financial data and gain efficiencies in its reporting processes, while also providing greater visibility into the financial figures themselves – all of which can translate into a competitive advantage in this new regulatory environment.

Although public companies of all sizes will go through the same basic steps to achieve compliance, each take a slightly different approach. Organizations require a technology solution that does not force them into a particular process or methodology. The best solutions must be able to easily adapt to individual approaches while coordinating all of the moving parts, tasks, people, and systems involved in compliance.

Sarbanes-Oxley compliance is not a one-time event: it is an ongoing process where the initial audit is only the first phase. Equally important is the ongoing enforcement of controls and process enhancement. Solutions must also provide the long-term flexibility required to adapt to changing regulations and business conditions. Smart organizations will view SOA as an opportunity to establish sound corporate governance and process excellence in their financial processes and other key business areas.

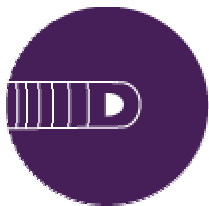
About Doculabs

Doculabs, Inc., is a technology consulting firm backed by research and extensive client experience. Our services lower the business risk of technology decisions through client-specific recommendations, objective analysis, and in-depth research. Founded in 1993, Chicago-based Doculabs provides consulting services that are based on our fundamental belief that in order to protect a client's long-term interest, technology advisors should not be implementers.

Doculabs helps clients deliver on their business objectives through customized services that address technology initiatives related to business challenges in areas such as strategy development, technology acquisition, and go-to-market initiatives. Doculabs' consulting services are completely objective because the firm does not sell software or integration services. For over 10 years, our research methodology has provided customers facing mission-critical challenges with the information and advice they need to make confident and well informed decisions.

Hundreds of leading organizations within the Fortune 1000 – from financial services companies to major technology software providers – have turned to Doculabs for assistance with their technology strategies.

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