

# XELLERATION

**Xelleration LLC**

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**Sarbanes-Oxley Act 2002**

## Sarbanes-Oxley Act:

- To protect investors by improving the accuracy and reliability of corporate conduct and disclosures.
- Internal audit controls for better and accurate reporting.
- Ability to ensure that employees, customers, and vendors can communicate openly and honestly with company's management for “Good Governance” and have the ability to anonymously report any incidents such as occupational fraud, irregularities and theft etc.

***Came about as a result of Enron, WorldCom and other large business failures.***

## Facts and Figures.....

- 80% of Whistleblowers are white collar
- 80% are from Accounting or Control Departments
- 21% of workers are personally aware of fraud in their workplace
- Employees who commit fraud are typically young under 35 and have been an employee for under 3 years
- 1/10 feel fraud is increasing in workplace
- 44% feel that their employer could do more to control fraud

*Source: Wall Street Journal, E&Y*

## Facts about Sarbanes-Oxley Act:

- Passed by president Bush on July 30<sup>th</sup> 2002
- Interpretation is still going on
- Final opinions to be completed by November 29<sup>th</sup> 2002
- One year effort to help companies comply with the Law
- 11 Sections that make up the Law
- Most related to internal Audit and Control
- Good Governance and Management Practices
- Must implement a Good Governance system in place by April 30<sup>th</sup> 2003

## Make up of Sarbanes-Oxley Act

- SEC
  - Public Company Act of 1934
- Oversight Board
  - Report to SEC. 5 Members. 2 Must be CPA.
- Audit Committee (Board)
  - Independent, Not on payroll, Not affiliated in any way with a subsidiary etc. Desired to have one person with accounting background. Staff assigned to Audit Committee
- Management
  - CEO, CFO and Line Managers

## What concerns us?

- Everything  
Specially....
  - Audit Committee must establish procedures for the receipt, retention, and treatment of **complaints** received by the issuer (company) regarding accounting, internal accounting controls, or auditing matters; and for the “confidential, anonymous submission by employees” of “concerns regarding questionable accounting or auditing matters and other violations of **Policies** and **Procedures**

## Simply Speaking..

- **Automated** and **Anonymous** ability of an employee or anyone associated with the company to provide
  - Feedback
  - Complains
  - Suggestions
  - Recommendations
  - Opinions
  - Ideas
  - Thoughts
- Speak up freely and openly with responsibility. Law protects the informant from any retaliation.

## Provide Information on what?

- Theft and embezzlement
- Accounting irregularities
- Conflict of interest
- Fraud
- Discrimination and harassment
- Drug use and sale
- Collusion
- Environmental violations
- Safety

## Workflow

- A *Knowledge Management* web Portal containing company Standards, Policies and Procedures
- Ability to report complains anonymously
- Ability to route complains to member of Audit Committee staff
- Ability for Audit Committee members to communicate with each other
- Assign, Investigate and Conclude reports
- Respond back on reports
- Report to Management for Audit Control
- Review action by the submitter

## Options for enforcing the Act

- Paper
- Verbal
- Telephone
- Fax
- Email
- Application

## Benefits of an online Application

- **Web based**
- **Security**
- **Control (No Abuse)**
- **No Third Party (ASP Model)**
- **Reusable Components**
- **Availability**
- **Confidentiality**
- **No Distortion or Interpretation of Information**
- **Multilingual**
- **Multiethnic**

## What are the challenges?

- **Education**
- **Testing**
- **Certification**
- **Information**
- **Compliance**
- **Participation**
- **Management Support**

## Things to look into...

- **Ethical Pledge**
- **Ethics Policy**
- **Ethics Officer**
- **Ethics Committee**

## Other Things... Corporate KM

- Publish Policies and Procedures
- Education
- Certification
- Training
- Testing
- Surveys
- Polls
- Emergency Management (Corporate 911)
- Management Broadcasts
- Exit Interviews
- Pulse Surveys

*Create a Culture where proper conduct is take seriously  
Makes companies work better. Takes wastefulness and  
incompetence away*

## Recommendation

- **Do a Pilot**
  - **Java, ASP, Notes**
    - **Quick and Cost effective**
    - **Start small and grow from there**
    - **Integrate with existing Portals or Applications**
    - **Plan a foundation for a Corporate KM system**