Sarbanes-Oxley: Modern Tools for a 21st Century Project

by William J. Keller, Jr. and Robert Luzzatto

You may have already received the call. You may be anticipating its arrival.

Project Managers across the United States of America have been tapped to play an instrumental role in a new kind of project. As usual, the budget is too small, and there is not enough time to get ready before key deadlines. There are always grave consequences when an initiative fails, but problems that arise in this kind of project make the financial pages for all to see.

Many project managers are familiar with the Sarbanes-Oxley Act of 2002, but more and more they are being asked to play a critical role in establishing and maintaining their company's compliance with the various requirements in this act. Even though the original deadline for establishing a system for complying with the act was in mid-2004, many organizations are now looking for a more permanent system, and project managers have to shepherd their company through the transition. This new type of project has shades of IT implementation and integration, change management, training, and documentation, but there are tools in existence to help the project managers through this new type of challenge.

Sarbanes-Oxley Background

In response to public financial scandals involving Enron, WorldCom, and other publicly traded firms, the Sarbanes-Oxley Act of 2002 was passed to eliminate the corporate governance and audit practices that lead to manipulation of stock price, but also to help investors regain their confidence that this type of scandal is less likely to happen in the future. Sarbanes-Oxley determines the way in which corporations certify their quarterly and annual financial statements to insure that they are correct, complete, and to guarantee the internal control over financial data in the firm.

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3 Ferris Glen Poughquag, NY 12570
845.350.0171   Fax: 845.350.0182
www.omegasurvey.com
info@omegasurvey.com

Sarbanes-Oxley is one of the most important and demanding reform legislation in recent history. Section 404 of the Act specifically call for annual reports "to contain an internal control report, which shall

- state the responsibility of management for establishing and maintaining an adequate internal control structure and procedures for financial reporting; and
- contain an assessment, as of the end of the most recent fiscal year of the issuer, on the effectiveness of the internal control structure and procedures of the issuer for financial reporting."

In addition, auditors are required to verify and attest to the internal controls.

Sarbanes-Oxley places certification requirements and responsibility for compliance upon management along with the normal schedule of financial reporting to government agencies and investors. There is a necessity to incorporate these internal controls throughout the business practices for governance, process, applications and infrastructure. They will become part of management philosophy and operating practices. Once established, they will be continually assessed, adjusted or maintained and above all reviewed and audited.

Project Management Challenges

As project managers are assigned to an initiative to establish and maintain compliance with Sarbanes-Oxley, they face multiple challenges. Project managers:

- need to have communication of data and infrastructure across business units, locations, and departments
- need to integrate different sources of data in multiple formats
- need to manage teams across multiple constituencies
- need to implement user-friendly was of adding/maintaining data
- need powerful reporting tools for internal and government reporting.

Data integration projects are not new, but a Sarbanes-Oxley project is not data integration with the purpose of reducing the number of systems. It requires the integration of data for the purposes of government reporting but without the luxury necessarily of using uniform sources of data in different business units and locations.

Before a project team begins to work to meet these requirements, it is critical for the project manager to choose the proper tools. To have the advantage of technology, the project manager's arsenal must include the normal project management features such as project planning, communications for remote team members, online collaboration, budgeting, and process flow. However, the real challenge lies in finding a way to have

the subject matter experts, not IT, take control over the continuous integration multiple data sources without the benefit of replacing the old systems. To find a tool that meets the data integration requirement is essential for compliance and the success of the project. Naturally, project managers want to acquire tools that integrate all or most of the project management and data integration capabilities.

A New Approach

The mention of data integration above is bound to evoke memories of projects that focus on the establishment of a database solution, which even when successful are often difficult to manage.   Databases meant to continuously incorporate data from multiple streams usually take a fairly long time to get running, require substantial IT support both during implementation and throughout its use, and typically require extensive training for users.

Even the best user interfaces to database systems require similar technology platforms for all users, and require significant expenditures of cash and time.   A new solution is available to project managers that will allow the people in charge of data integration to pull the required information together, add and edit data points individually or in bulk on an ongoing basis, and provide reporting and analysis tools without complex software or training.

By employing solutions normally used to collect survey data to gather the data that are the subject of Sarbanes-Oxley, project managers can enjoy the benefits of a database solution without the drawbacks. Survey-based solutions typically are used by people in remote locations, do not require and particular software on their PC, are designed by necessity to be user-friendly and independent of any substantial training requirements.

Survey-based solutions have been used for years to gather information such as customers' satisfaction levels or employees' commitment to the core values of the company. By generalizing the content of the survey, a project manager can use the same technique to collect and process most other kinds of data. Some survey systems may even offer project management features such as planning, communications, budgeting, and process flow.

As opposed to many traditional database solutions, most survey-based solutions are designed to be used by the general public without significant amounts of training or IT support.   This allows the "subject matter experts", the people who know the data best in their respective division/location, to be directly involved in the project without too much

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www.omegasurvey.com
info@omegasurvey.com

dependence on IT, thus simplifying the process and significantly reducing the amount of resources necessary to conduct the project.

As with any data initiative, security and confidentiality are a main concern. Good database platforms for integration have adequate security, but the data are often "mirrored" and accessible in multiple locations. With a survey-based solution, individual constituencies have access only to their data and to whatever aggregated data are available to them. Reporting and analytical materials can be hosted online in a secure location.

Traditional solutions to this challenge are generally expensive with respect to the budget for technology and training, and also with regards to the amount of time required to complete the project. Since survey-based solutions are usually meant to be easily modified, even without IT support, the time from start to finish is much shorter, so your deadlines and budget will have more room.

Another advantage of some survey-based tool is the intuitive nature of the reporting and analytical materials used in the project. Most database reports require some knowledge of Visual Basic or other programming languages to make even the simplest modifications to its "off-the-shelf" reports. Since the internal and external reporting requirements for a Sarbanes-Oxley project are stringent and depend of specific elements of each report, a survey-based solution allows the subject-matter experts to have more direct control over the output of the project.

A common complaint with many database systems in data integration projects is that they are rather sensitive to minor details in how data are maintained in different systems. Something as small as the format of a number or text generally causes more problems for database platforms than survey-based tools. Like database solutions, data from multiple sources must be mapped to some universal set of fields, but with a survey-based tool, the process is more forgiving of minor discrepancies in formatting.

Finally, with respect to project management, the survey-based tool can be part of the solution, not part of the problem. Some survey-based tools are available that integrate the data collection and processing functions with critical project management tools for a relatively small investment. A project manager can have "one stop shopping" with project plans, communications systems, budgeting and forecasting, and other management tools combined with their data collection and processing mechanism.

Don't Despair

If you get "the call" to manage a project involving establishing and maintaining Sarbanes-Oxley compliance, you need not assume that you are staring at another database integration project with insufficient time and resources. By using available technology in a new way, you can make your project a success.

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info@omegasurvey.com

About the Authors

William J. Keller, Jr., Principal, Omega Survey Group, is a United States Naval Academy graduate whose career accomplishments include serving as Senior Director of Deutsche Telecom and Deputy Senior Advisor for the Coalition Provisional Authority in Iraq.

Robert Luzzatto serves as President of Omega Survey Group (www.omegasurvey.com), a provider of survey technology, educational tools, and project management systems to project managers and consultants.