

EXECUTIVE SUMMARY.

Driving Toward Compliance

If the sheer act of complying with new government regulations and corporate accountability legislation is your main IT objective, you are missing the big picture. Significant opportunity to maximize your technology investment dollars is waiting for you. Now you can increase the ROI of your compliance initiatives and turn compliance into a competitive advantage that can help you build your revenue pipeline.



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CONTENTS.

Think Outside the Box.	1
▶ Strategizing for compliance.	1
▶ Compliance is a process, not an event.	1
Don't Just Comply. Drive ROI.	2
▶ Benefits of a long-term perspective.	2
▶ Gaining competitive advantage.	3
One Version of the Truth.	4
▶ The value of accurate reporting.	4
▶ Consider the alternative.	4
▶ Unstructured data considerations.	5
▶ IT governance, security: compliance cornerstones.	5
▶ The need for IT governance and security.	5
Achieve the Potential.	6
▶ Taking action.	6
▶ Assessing the readiness of IT: Sarbanes-Oxley IT diagnostic questions	6
▶ How Unisys can help you.	7
▶ Unisys partners in excellence for business intelligence.	7

THINK OUTSIDE THE BOX.

Strategizing for compliance.

Emerging business requirements, new government laws and regulations, and growing quality control standards. If you're like other CIOs and IT Executives, it's pressures like these that keep you awake at night. As you probably know from your own experience, information technology (IT) departments are becoming more involved in delivering the capabilities to meet these new requirements. Federally mandated laws and regulations, such as the Sarbanes-Oxley Act of 2002, the Health Insurance Portability and Accountability Act of 1996, and The Patriot Act are compelling corporations and other organizations to provide "data transparency" and regular reporting. But today, simply complying is hardly the issue at hand.

Compliance is a process, not an event.

To some individuals, compliance conjures up anxiety. The mere mention of mandatory compliance too often draws the response, "How much am I going to have to spend this time?" However, consider this. The Security and Exchange Commission (SEC) has said that once the June 15, 2004, deadline for the Sarbanes-Oxley Act of 2002 passes, it will likely issue regular pronouncements on evolving requirements, clarifications, and effective dates. Therefore, compliance is no longer an event, but an ongoing attribute of daily business.

Compliance introduces a new level of corporate accountability in which flexibility is a key requirement. One in which consistency and control across ERP, supply chain, CRM, and financial systems is essential. By building your IT infrastructure to accommodate change – so you won't have to perform a "ground up" renovation of your data center each time the federal government decides to amend Sarbanes-Oxley or introduce new business regulations – you can save money and add value to your business. The value comes from building a flexible infrastructure. One with the functionality needed to meet compliance standards, as well as drive revenue-generating processes. And, one where you won't have to react to market requirements, because you'll already be prepared.

DON'T JUST COMPLY. DRIVE ROI.

Benefits of a long-term perspective.

According to industry analyst Gartner, Inc., companies tackling IT projects for compliance on a one by one basis will spend 10 times more than necessary to meet objectives.¹ Without a clear strategy for complying, many companies will overspend on consulting and software. Others will struggle to comply by manually manipulating existing data sources. However, some organizations are already prepared because the solutions they implemented to solve earlier process and reporting initiatives addressed their future needs.

Consider this question from Gartner, Inc., “What would any company choose to be doing about corporate performance measurement and financial data accuracy without Sarbanes-Oxley as the driver?”²

There is value in strategically planning your compliance efforts. Approaching compliance as an opportunity to deliver innovative business tools that will drive business value throughout your company not only improves the ROI of your efforts, but it can also turn the end result into competitive advantage.

¹ Debra Logan. Gartner, Inc. “You’ll Have to Spend to Attain Sarbanes-Oxley Compliance” Note Number: SPA-21-0462. October 3, 2003.

² Lane Leskela & Debra Logan. Gartner, Inc. “Sarbanes-Oxley Compliance Requires Trust and Cash” Note Number: COM-21-0917. October 7, 2003.

Gaining competitive advantage.

Figure 1 (below) illustrates the different attitudes companies can assume as they map out and execute an IT strategy. True leaders approach their IT projects as an opportunity to embrace continuous change, to drive productivity, and to contribute to the company's profitability. These companies tend to emerge as industry innovators and market leaders. Other entities will assume an "Integrate and Survive" role, where driving profitability and productivity is recognized, but projects are carried out with a once-and-done approach.

Those organizations in the "Automate and Struggle" quadrant score high on the continuous evolution scale. This group benefits from the productivity advantages of implementing high-end technology systems, such as ERP and CRM, but falls just short of the leadership quadrant by not capitalizing on the opportunity to influence profit-driving activities. Finally, the "Automate and Die" quadrant encompasses those who have implemented some productivity tools, perhaps an automated billing system or a web-based customer information database, but have failed to develop a clear strategy for how to maintain or expand the value of their technology investments.

Obviously, the "Innovate and Lead" quadrant is where you want to take your organization. That's where compliance turns into competitive advantage. While your competition "fights fires" to comply with the latest laws and requirements, you'll always be one step ahead.

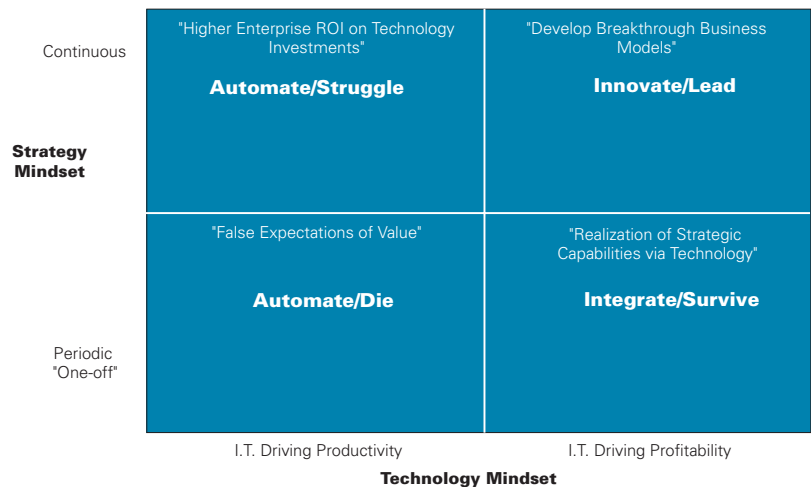


Figure 1: Fused Strategy & Technology. S. Bloom, C. Gottdiener.

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ONE VERSION OF THE TRUTH.

The value of accurate reporting.

Several sections of new corporate accountability legislation elevate the role of accurate and timely reporting and data retrieval capabilities. For example, Section 404 and 409 of the Sarbanes-Oxley Act specifically outline requirements to establish and maintain an adequate internal control structure and procedures for financial reporting, as well as, the ability to disclose information on material changes, the financial condition, or operations on a rapid and current basis.³

The ability to query and collect data from across your entire enterprise in real-time, which is common to many enterprise-wide business intelligence implementations, can help you meet many of these requirements. Apart from the requirements of corporate governance policy, studies indicate that increasing your company's real-time reporting capabilities can increase the accuracy of decision making and increase your competitive advantage by giving you fresh information that will enable you to seize market opportunities quickly.

According to a 2003 survey of 275 technology professionals, including almost half in IT management or C-level technology positions, 42 percent of the respondents said they expect revenues would increase if end-users had access to timely data. One in five companies base their most crucial reports on data that is a week or more old, while the majority of companies, 42 percent, base today's crucial reports on yesterday's data.⁴ One can conclude from these results that many companies will be scrambling to meet new reporting requirements. But remember, the goal is to be prepared so you won't have to react each time regulations change. Proactive data management is critical to your success.

Consider the alternative.

The stakes for complying have been raised. Responsible individuals who fail to meet new regulations face the risk of fines of up to \$100,000 as well as jail sentences of up to 20 years. Discerning CIOs and IT Managers will quickly realize that the cost of complying is far less than the cost of not complying. That's why consulting with a reliable team of partners who have experience implementing world-class business intelligence and real-time reporting solutions will increase the success factor of your project by reducing the risk of your compliance initiative.

³ Sarbanes-Oxley Act of 2002.

⁴ DM Review. "Appfluent Research Shows Companies Lack BI Infrastructure to Meet Reporting Needs." February 14, 2003.

Unstructured data considerations.

Compliance has far reaching implications. For instance, compliance to Sarbanes-Oxley heavily relies on a publicly owned company's ability to retain and recall data for reporting and auditing purposes. Additionally, SEC Rule 17a-4 states that exchange members, brokers, and dealers must store data in "non-rewriteable, non-erasable format." This includes storage of structured, semi-structured, and unstructured data. Structured data, such as the information that resides in ERP or CRM databases, is relatively organized and can be retrieved relatively easily. However, the growing amount of unstructured and semi-unstructured data, such as e-mails, voice mails, websites, video footage, image files, and control logs, creates a new challenge. The amount of unstructured data within a company grows daily. Therefore, your organization needs a strategic storage infrastructure that will reliably and securely house this data. Properly protecting your structured and unstructured data requires that you have the appropriate controls in place to back up, recover, and replicate your data as necessary.

IT governance, security: compliance cornerstones.

In addition to the business and data management issues, IT infrastructure and security requirements must be understood and addressed to meet the business flexibility and data integrity requirements in a world of constantly changing evolving regulations. Sarbanes-Oxley requires an orchestrated effort involving corporate and IT management to implement systems that are capable of providing information access, timeliness, trust, and accuracy.

The need for IT governance and security.

The regulatory environment is mandating for stricter control over accuracy of information.

Companies are increasingly reliant on information and systems to deliver the information, goods, and services. Vulnerabilities and threats to information security are constantly increasing. IT organizations face these challenges while balancing demands for attaining/maintaining competitive advantage and cost efficiency in an environment of accelerating change. For these reasons, as well as the sheer size and scale of corporate IT implementation investments, managing IT-related risk is a key part of enterprise governance. IT governance provides a framework for how IT processes deliver the information through resources to meet the needs of the business.

A sound IT governance strategy must address security. Ninety percent of 400 companies surveyed by The Computer Security Institute reported gaps in computer security in the previous 12 months. Compliance and new emphasis on corporate governance make security a board-level issue. Data security entails secure networks and infrastructure as well as secure applications data. It involves documented controls over access to information and physical assets.

Taking action.

It comes down to preparing to take your organization beyond compliance to competitive advantage. It starts with an assessment of where you are today, the key IT-associated risks you face, and proactively setting a plan in place to mitigate them. It involves taking a holistic view of your corporate data management and IT infrastructure. You need the processes, tools, and infrastructure that will allow you to create, deliver, and securely manage a “single version of the truth.” It involves capitalizing on Sarbanes-Oxley to yield the benefits of improved information management and access.

Leverage the mandate for compliance to deliver competitive edge to your organization and meet the information transparency and real-time reporting requirements of Sarbanes-Oxley – and other mandatory regulations – by implementing world-class business intelligence capabilities. Exploit the information assets within your company and discover valuable, competitive information that can help you develop more effective go-to-market strategies. A powerful business intelligence strategy provides the information access, analysis, and delivery capabilities with competitive edge through improved corporate performance management and overall better visibility into the day-to-day business dynamics.

Assessing the Readiness of IT: Sarbanes-Oxley IT Diagnostic Questions (Source: IT Governance Institute)

Review the following checklist of questions with your Sarbanes-Oxley steering committee to help you assess how well your organization is doing.

- ▶ Does the Sarbanes-Oxley steering committee understand the risks inherent in IT systems and their impact on compliance with Section 404?
- ▶ Does IT management understand the financial reporting process and its supporting systems?
- ▶ Does the CIO have an advanced knowledge of the types of IT controls necessary to support reliable financial processing?
- ▶ Are policies governing security, availability and processing integrity established, documented and communicated to all members of the IT organization?
- ▶ Are the IT department’s roles and responsibilities related to Section 404 documented and understood by all members of the department?
- ▶ Do members of the IT department understand their roles, do they possess the requisite skills to perform their job responsibilities relating to internal control, and are they supported with appropriate skill development?
- ▶ Is the IT department’s risk assessment process integrated with the company’s overall risk assessment process for financial reporting?
- ▶ Does the IT department document, evaluate and remediate IT controls related to financial reporting on an annual basis?
- ▶ Does the IT department have a formal process in place to identify and respond to IT control deficiencies?
- ▶ Is the effectiveness of IT controls monitored and followed up on a regular basis?

How Unisys can help you.

Unisys offers a half-day Sarbanes-Oxley Readiness Assessment that can help you position your company to reap the benefits from proper IT planning and controls as well as identify low-risk, high-return projects in enterprise reporting, analytics, and business intelligence. This assessment helps you identify immediate priorities as well as help develop a holistic strategy for going beyond compliance to competitive advantage. Unisys and our partners have helped hundreds of companies with IT planning, governance, enterprise BI and reporting platforms and we can help you at any stage of your project whether you're just getting started or already executing.

If you're thinking about implementing or expanding an enterprise-wide business intelligence environment, you'll need a reliable hardware platform to support your software. For the forward-thinking CIO or IT Executive who envisions a Microsoft-centric data center and requires greater database scalability than eight processors to support a large-scale business intelligence environment, Unisys ES7000 servers are the answer. Our highly scalable Microsoft Windows and Intel based ES7000 servers deliver the scalability, reliability, and availability needed to support your critical business intelligence operations, so now your business can remain flexible while driving IT productivity and profitability.

Unisys Partners in Excellence for Business Intelligence.

Unisys also maintains a Partners in Excellence for Business Intelligence program. BI solutions from our enterprise software and system integrator partners can help you realize your ROI quickly by delivering advanced querying and reporting capabilities. Each of our application and integration partners is a leader in the field of business intelligence and, working together, will ensure that your ES7000 server based BI solution meets all of your current and future needs.

To schedule a half-day assessment workshop with experienced solutions consultants to identify, align, and prioritize ideas for compliance-driven innovation and business-risk reduction, call Unisys today at: [1-800-874-8647](tel:1-800-874-8647), ext 352

If you have questions about Sarbanes-Oxley compliance, or if you would like to request information about Unisys services an solutions for Business Intelligence, send an e-mail to: compliance-nowyoucan@unisys.com

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