

Document Management and Sarbanes-Oxley Compliance: What's the Connection?

by Nancy Sauer, President, D2Xchange, LLC

Vendors of document management systems, including D2Xchange, are quick to point out that electronic document management can play an important role in a company's efforts to comply with Sarbanes-Oxley (SOX). SOX, or the Public Company Accounting Report and Investor Protection Act of 2002, imposes extensive reporting and record keeping requirements on all publicly-traded companies.

Since the law was introduced in July 2002, CEOs and CFOs have focused on initial compliance – putting processes in place to assure the integrity of and the procedures used to collect data for their company's financial reports. Unlike Y2K, however, SOX is not a one-time effort. Businesses must continually monitor and document the business processes used to create their financial statements.

Document Management's Role

AMR Research in Boston estimates that U.S. companies spent roughly \$6.5 billion on technology products and professional services in 2005 to comply with SOX regulations. Where does an investment in electronic document management fit? After all, how does software designed to improve workflow, productivity and customer service relate to federal legislation enacted on the heels of a series of high-profile corporate accounting scandals?

Document management empowers an organization to systematically control documents throughout their lifecycle.

Let me state up front that Sarbanes-Oxley compliance is not a document management issue. Compliance can, however, be supported by a strong document management process. Document management provides tools to better manage the enormous amount of content employees create every day (e.g., printed documents, email messages, presentations and electronic data). It empowers an organization to systematically control documents throughout their lifecycle – from creation to through circulation, management and eventual destruction.

Don't Forget E-Mail

Of all the content generated each day, e-mail may be of particular concern. IDC estimates that 35 billion e-mail messages are generated every business day. While all of those messages are not relevant to SOX compliance, the sheer volume of e-mail represents a tremendous risk for companies as it creates a veritable goldmine for prosecutors seeking information in the event of a lawsuit.

The ability to control workflow and monitor changes is key to continued SOX compliance at an acceptable cost.

A Closer Look at SOX

SOX is a complicated piece of legislation. Of the 66 sections outlined in the law, Section 404 is particularly important. Section 404 calls for on-going testing and certification of process controls and procedures every fiscal quarter. Having the ability to control workflow and monitor changes is key to continued compliance at an acceptable cost.

Other sections of SOX that have document management implications include:

- Sections 102, 104 and 801 relate to the retention of detailed audit records.
- Sections 103 and 801 require public companies and registered public accounting firms to maintain audit work papers, documents that form the basis of an audit or review and all information supporting conclusions for 7 years.
- Section 105 calls for easy retrieval of financial records.
- Sections 302 and 906 require the CEO and CFO to certify all financial statements and disclosures.
- Section 408 allows the SEC to review records at any time.

- Section 802 sets forth rules for retaining work papers and documents that form the basis of an audit or review.
- Section 802 and 1102 address altering or destroying documents related to an official proceeding or investigation.

Security features, version control and document check-in and check-out create document-level audit trails.

Functionality to Support SOX Compliance

There are a variety of document management solutions available on the market. Features will vary by solution offered. However, some of the general functionality you should consider to help you meet the regulations outlined above include:

- Workflow to automatically capture documents (including e-mail) by keyword, document type or author (e.g., share price, Report to Shareholders, CFO)
- Automated, or on-demand, document archiving to include a retention-specific timeframe (e.g., 7 years)
- Automated, or on-demand, document destruction to include a specific timeframe for retention (e.g., 7 years and a day)
- Security features to control access to documents multiple levels (e.g., document, document-type, department, employee, etc.)
- Document check-in and check-out features and version control to track who has accessed and/or modified a specific document, creating a document-level audit trail
- Search functions that allow internal and external auditors to quickly access and verify audit trails and back-up documentation

The Bottom Line

There are, of course, other advantages with electronic document management. Introducing the technology to your organization helps you improve business processes and increase productivity. Document management also allows you to share information more easily across your organization, which facilitates collaboration, and ultimately leads to better informed, more strategic decision making.

Nancy Sauer is the president of D2Xchange, LLC, a Denver-based data and document management company dedicated to providing "Information at the point you need it." D2Xchange offers an array of services to help customers capture, manage, share and distribute information more effectively. These services also provide tools that organizations can use to comply with Sarbanes-Oxley and other regulations. You can contact Sauer at 303.952.3832 or nsauer@d2xchange.com.