

Sarbanes-Oxley and You

Strict new rules governing corporate financial reporting have created a new multi-billion dollar industry that needs IT professionals.

By Don Willmott

Sarbanes who? Oxley what? If you've skimmed over these two names when you've seen them in a newspaper or IT journal over the past few years, now may be a good time to stop and take a closer look. In writing a sweeping piece of legislation that redefines the way corporate America keeps track of its finances, Senator Paul Sarbanes (D-Md.) (pronounced "SAR-baines") and Rep. Michael Oxley (R-Oh.) have caused the creation of a vast new industry that holds great promise for IT experts with a head for numbers, project management, or efficient business processes.

The Sarbanes-Oxley Act of July 2002, sometimes known as SOX, introduced big changes to securities laws, dictating stricter financial disclosure, better record keeping, auditor independence, accounting oversight boards, and new kinds of corporate responsibility. The idea was to restore some transparency to corporate America after the debacles of Enron, WorldCom, Tyco International, and others revealed just how inventive crooked corporate number crunchers could be. An August 2005 PriceWaterhouse Coopers report said it best: "Without a doubt, the Sarbanes-Oxley Act is the single most important piece of legislation affecting corporate governance, financial disclosure and the practice of public accounting since the U.S. securities laws of the early 1930s."

LETTER OF THE LAW

Keep in mind that SOX is not a technology law but rather a governance law that requires lots of technology for compliance. Among many other things, it mandates accelerated reporting of trades and financial data, public reporting of CEO and CFO compensation and profits, much longer storage of documents, better audit trails, near-to-real-time disclosure of material information, implementation of complex workflows and document tracking (ERP), and internal assessment. The answer to all those challenges is technology that comes in many forms, some of which you may have already mastered.

Sanjay Anand, author/editor of "The Sarbanes-Oxley Guide for Finance and Information Technology Professionals" and CEO of The Sarbanes-Oxley Group, a provider of SOX training, points out that many new hardware and software technologies have emerged in the wake of SOX, not only new kinds of storage such as WORM drives but also the powerful Extensible Business Reporting Language (XBRL), a variant of XML geared toward financial information. So not only is IT more important than ever but it also is being extended into new areas of financial reporting and auditing where it may have had only a tangential role in the past.

COMPLIANCE DEMANDS EXPERTS

All this compliance costs. A lot. In the first year alone, says one report, companies with average revenues under \$5 billion spent close to \$2 million each on compliance, while those with revenues over \$50 billion spent an average of \$1.2 billion. A December 2005 Gartner study also says that an expected increase of between 10 and 15 percent in IT budgets in 2006 can be attributed in great part to SOX compliance. And it's not a one-time cost. It adds up every year, with much of the money going to pay the salaries of the IT experts in charge of SOX compliance.

Anand isn't surprised by this kind of spending because he has seen all sorts of waste as companies have scrambled to comply, often building messy and redundant systems that are either overkill or ineffective. "At first no one looked at SOX from a technology perspective," he says, "but then reality set in." Today, IT pros with a good understanding of the implications of SOX are in high demand.

TRAINING LEADS TO JOBS

So what about training? Generalized IT training is the way to start, of course, but the challenge is to overlay SOX knowledge on top of those skills. Anand recommends that IT workers get SOX training that introduces them to the business side of the corporate operation and then apply it to the area of IT in which they're interested or are already an expert, be it networks, storage, security, project/document management, ERP, or workflow.

Anand's SOX Institute (www.soxinstitute.org), for example, offers certification both on the technical side and on the auditing side. Training is available as self-study (under \$500 including materials and exam), online, or in a classroom setting (about \$2,000). Training takes the equivalent of 15 to 24 classroom hours, so most people can do it in three days, although sometimes more intensive four-day boot camps are available.

After certification, job hunters may be more aware of job listings for SOX project managers or SOX internal auditors, but in many cases, the available jobs will have the same IT titles they've always had. The difference, Anand says, is that the addition of SOX skills to a resume tends to result in many more job offers, not to mention a salary bump that he claims may exceed 30 percent.

That possibility alone could inspire you to take the plunge into the demanding world of corporate compliance.

Source: Don Willmott is a New York City-based journalist who focuses on Internet and technology trends.