*A **Case Study** in the Pursuit of Effective SOX Controls for Spreadsheets involved in the Financial Close and Regulatory Reporting Cycles*

Top 5 North American Utility Company

This case study outlines the compliance needs of the second largest utilities company in the US. It explores the challenges faced by the Fortune 500 company and how those would be addressed by available technologies. Ultimately, it summarizes the company's decision to select Apparity as their change management solution.

BACKGROUND

Like many companies who engage Apparity, this energy company was driven to find and implement spreadsheet management software in order to comply with industry regulations. Specifically, the company sought to implement a software that would satisfy the various demands of the Sarbanes–Oxley Act (SOX). An audit revealed that four controls required greater rigor: Access Control, Version Control, Change Control and Inventory Management (Risk) Control.

The firm sought a solution that would seamlessly address all flagged controls. For Access Control, they needed to find some way to track the individuals who open/modify critical files to ensure only authorized users were making modifications. Version Control parameters required the company be able to view all historical versions of the file and have the ability to access these files when necessary. To satisfy Change Control, they needed to be able to provide evidence of effective review and approval controls around material change. Finally, they needed to be able to track the lifecycle of key financial spreadsheets, e.g. where they are being saved and managed, to satisfy Inventory Management (Risk) Control. The audit findings provided a framework for their needs, all they needed now was to find a software solution to facilitate this stricter controls environment.

ALTERNATIVES

The utility company dutifully reviewed the offerings of the industry leaders to get a sense of how their needs could be met. In addition to addressing the controls required by SOX regulation, there were some organization-specific concerns that had to be addressed.

The energy company's greatest concern was how the software would handle its organizational structure. Being comprised of multiple subsidiaries, each of which has a different shared drive structure, the company wanted to ensure files could be monitored across all subsidiaries. They found that competing technologies would not allow files to be tracked in this way, as they rely on narrowly prescribed file path and name consolidation patterns to track files. This meant that files shared over email, or even files simply renamed or moved in a manner inconsistent with the established consolidation pattern, would become disconnected and the software would stop monitoring the files. This was a major problem for the company. However, Apparity's unique fingerprint technology did allow for continuous tracking. Regardless of whether a file was renamed, moved to a new location, or shared over email, the Apparity software would always recognize and track the spreadsheet as a managed file.

Another concern of the company was scalability. As one of the largest utility companies in the United States, the firm needed to ensure the software could accommodate its needs in a large distributed environment without becoming slow and cumbersome. Competitors relied on a cumbersome RDBMS to store spreadsheet data, which added significant latency to operations as the population of managed spreadsheets grew larger. Conversely, Apparity ability to leverage source code management technology ensured accurate, scalable and consistent performance. Comparing Apparity against the competition in these ways, the utility company felt Apparity was better equipped to satisfy their needs. The next step was to evaluate Apparity within the controls environment.

ENTERPRISE CONTENT MANAGEMENT FOR END USER COMPUTING

SOLUTION

Apparity was an early front-runner because it could accommodate the utility company's structural needs, but the final decision was made through an analysis of the software's controls offerings. The following is an analysis of how the software satisfied the requirements of each of the four controls identified in the SOX audit.

Access Control

To satisfy this control, Apparity needed to provide detailed data on individuals accessing and modifying critical spreadsheets. Apparity is designed to always allow users to access and edit their files in the normal way but will identify and record the names of all individuals who make modifications to an Apparity-managed file. Individuals not registered as an authorized Apparity user who access the file will trigger a tamper warning ensuring that the next Apparity-recognized user is alerted to any potentially unauthorized change. At that time, the user is prompted to take appropriate action including, if needed, reverting to the prior version. Furthermore, all individuals who access and modify the file, as well as tamper alerts, are captured in the Apparity reports. This allows for more detailed analysis on file access, which can be leveraged to identify unauthorized events and inspire structural changes.

Version Control

The SOX mandate for a robust Version Control requires comprehensive version tracking and the ability to resurrect older versions if necessary. Once Apparity starts tracking and monitoring a spreadsheet all future versions are automatically captured. The user does nothing additional to capture a version; Apparity works seamlessly in the background. This frictionless approach is seamless to the user and does not disrupt standard workflows. In addition to compiling a complete list of versions, the user has available in the Excel session a Version History pane that allows the user to perform a variety of actions on each version: View Prior Versions, Export Restore Prior Version, Review Comments, and Run Change Compare.

Change Control

The company was obligated by SOX to evidence effective controls around material change. With Apparity, review cycles can be initiated and completed without leaving the Excel environment. A user simply needs to select two versions of the file in the Version History pane and click the 'Compare Selected Versions' button in the Apparity Excel add-in to generate and submit a change log. The 'filter noise' functionality, a feature exclusively provided by Apparity, hides non-user generated changes to focus solely on material changes. Reports capture who submits and which manager approves (or rejects) logs, when the reviews occurred, and most critically what files have not yet been reviewed and their changes signed off.

Inventory Management (Risk) Control

This control requires the company track the lifecycle of a critical spreadsheet to ensure proper maintenance. The Apparity fingerprint follows a file everywhere, regardless of name change or relocation, which allows Apparity to capture the file's full lifecycle. If ever the file is moved to an unapproved location, this would be captured in the Version History pane and Apparity reports. Furthermore, metadata elements captured during the onboarding process are customizable by client so that critical organizational attributes important to the company can be integrated into reporting.

RECOMMENDATIONS

As the regulatory environment continues to grow in scope and scrutiny, a dynamic change management software is vital. Apparity continues to adapt to the evolving needs of its clients, offering not only the best of breed spreadsheet management solution but other end user computing solutions as well. Apparity provides a Discovery tool that identifies at-risk end user files, an Audit tool that highlights spreadsheet errors, and an Inventory Management tool that manages the metadata elements of registered spreadsheets. Apparity is proud to be the industry leader as it continues to meet and exceed the challenges presented by a rapidly changing regulatory environment.