

Loral Space & Communications Standardizes Internal Controls for Sustainable Compliance



Loral Space & Communications
New York City, New York
www.loral.com

Industry:

Aerospace Manufacturing

Employees:

2,200

Oracle Products & Services:

Oracle Internal Controls Manager
Oracle Consulting

Key Benefits:

- 15% more time available to CIO staff since disparate system of manual spreadsheets no longer needs to be maintained
- 10% reduction in over time and audit fees due to visibility and efficiency in analyzing, testing and documenting controls for compliance
- 50% less time preparing documents and managing data to ensure controls are in place than time spent on the previous spreadsheet-based system

“Sarbanes-Oxley is all about managers taking ownership of their internal control activities, knowing what their responsibilities are, and understanding the company’s values. Having the Oracle Internal Controls Manager in place is one of the best ways to guarantee that all these activities happen.”
– Barry Goldfeder, Chief Information and Compliance Officer, Loral Space & Communications

Satellites manufactured and operated by Loral Space & Communications connect the world with internet access, broadcast programming, broadband data transfers, and critical other communications services. As a worldwide satellite communications company, Loral is subject to the regulatory authority of the International Telecommunications Union, the Federal Communications Commission, and the laws of dozens of countries in which it operates.

While grounded in best-practice methods and processes; Loral's business units--Loral Skynet, which operates a global fleet of four satellites, and Space Systems/Loral, which manufactures commercial satellites—had spreadsheet-based systems that weren't linked. The lack of integration strained Loral's staff resources in meeting Sarbanes Oxley Act (SOX) Section 404 requirements.

To fix this, Loral chose to automate its SOX 404 certification processes based on Oracle Internal Controls Manager (Oracle ICM). Part of the Oracle E-Business Suite, Oracle ICM centralizes processes for documenting, testing, monitoring, and certifying ongoing compliance. A recent assessment conducted by Mainstay Partners, an independent consulting firm, found the implementation has helped Loral achieve significant financial and strategic benefits by providing enterprisewide visibility and a consistent set of business processes.

“The templates within Oracle ICM made it easy to upload huge amounts of data on Loral’s business processes, risks, and controls into the tool, making what could have been a very daunting task much easier. We now have a central repository that can be accessed and updated automatically by authorized users.”

Cindy Kwan
Network Manager
Loral Space &
Communications

50% Less Time Preparing Documents

One of the biggest challenges for a company to meet SOX Section 404 compliance is to identify and define its business processes, link documentation to those processes, and identify associated risks and controls. In July 2004, Financial Executives International reported survey results that showed these efforts can take up to 10,000 hours for companies the size of Loral, and double that for corporations with revenues over \$1 billion.

“Sarbanes-Oxley is all about documentation, especially during the first-year certification process,” said Cindy Kwan, network manager in Loral’s corporate IT division.

Mainstay’s study found that due to the Oracle ICM deployment, Loral’s business process owners spend 50% less time preparing documents and managing data to ensure controls are in place, compared to the previous spreadsheet-based system. In addition, Mainstay anticipates Loral’s audit fees to be reduced by up to 10% due to the Oracle’s ICM system’s visibility and efficiency in analyzing, testing, and documenting controls for compliance.

15% More Time Available to CIO Staff

Mainstay also noted that Loral’s CIO staff had 15% more time available by reducing manual maintenance. Instead of using and updating spreadsheets, Loral’s management accesses a dashboard in Oracle ICM for visibility into the 404-certification process, as defined by financial statement line items and associated business processes. The dashboard tracks and documents, when process owners have evaluated and signed off on the effectiveness of the internal controls for each specific process.

In its assessment, Mainstay said that Loral’s investment in Oracle ICM allows Loral to be more proactive by alerting management to potential risk areas based on control violations.

“We’re able to use the dashboard in Oracle Internal Controls Manager to see how we stand at any given time in the certification process,” said Barry Goldfeder, chief information and compliance officer for Loral Space & Communications. “We can also see when process owners have evaluated and signed off on the effectiveness of internal controls associated with a specific business process. Having that level of accountability really gives us that much more comfort in the entire process.”

Loral quickly leveraged the ICM implementation, not just for 404 compliance, but to also overachieve on its quarterly 302 compliance requirements.

Sets Stage for Growth and Further Savings

The Mainstay study highlights that communications throughout the company have opened up since deployment, as the Oracle ICM dashboard delivers unsolicited feedback and ideas regarding organizational enhancements from employees for Loral's management team.

Looking ahead, Mainstay projects that Loral could save \$100,000 each year by reducing or eliminating third-party document management application license fees as it extends its investment in Oracle ICM to meet ISO standards requirements and compliance standards in other countries.

The Mainstay assessment concludes that Oracle Internal Controls Manager has equipped the company with a system of control management that is stable, reliable, and scalable for future growth. As the Oracle ICM system may be integrated with the Oracle E-Business Suite applications used in Loral's subsidiaries, future controls can be incorporated into the system to support growth without additional staffing.

Why Oracle?

Loral sought its solution when the SOX IT solutions marketplace was immature and compliance standards were in a state of flux, so the company wanted reliable software and technical support. It also required a flexible product that would be able to incorporate the changing legislative requirements.

After evaluating several options, including solutions from vendors whose applications concentrated on audit needs, the selection team found that many of these applications required constant fine-tuning as reporting requirements changed, something Loral felt would divert development time from its core business. The team was also concerned about potential data loss and need to re-import information associated with various vendors' solutions—a time-consuming process Loral wanted to avoid.

“I knew that the major audit firms recognized Oracle Internal Controls Manager as a strong automation tool for internal

controls, and that Oracle ICM is both COSO and COBIT compliant,” Goldfeder said. “But the main benefit is that it is truly a product you can grow with.”

Skynet and Space Systems were already using Oracle’s E-Business Suite. The familiarity of the user interface, and ability to integrate Oracle ICM into the existing ERP solutions in the future added to the attractiveness of Oracle’s solution.

Implementation Process

In planning the implementation, Loral first identified hundreds of internal control activities and next identified requisite control areas and process owners for the ICM solution

Implementation and rollout occurred in six weeks. Loral worked with mirrored systems for 12 months, and fully converted to Oracle ICM in 2004. Loral next rolled out a company-wide, comprehensive tiered training program that was sponsored and reinforced by executive management

Loral Space & Communications is a satellite communications company. It owns and operates a fleet of telecommunications satellites used to broadcast video entertainment programming, distribute broadband data, and provide access to Internet services and other value-added communications services. Loral also is a world-class leader in the design and manufacture of satellites and satellite systems for commercial and government applications including direct-to-home television, broadband communications, wireless telephony, weather monitoring and air traffic management.

About the Oracle Business Benefit Series

This study is one of a series of investigations into the costs and business returns of IT investments, with a focus on Oracle technology and applications. It is intended to serve business executives and managers who are evaluating technology investment options.

Research and analysis for this study was conducted by Mainstay Partners, an independent consulting firm, and was based on interviews with Loral Space & Communications executives, review of planning documents, and searches of industry literature. ROI calculations use industry standard assumptions regarding the time value of money.

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