

Loral Space & Communications Standardizes on Oracle Internal Controls Manager as its Foundation 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:

- Automated and streamlined processes associated with Sarbanes-Oxley Section 404 and Section 302 compliance.
- Increased management confidence in certifying financial statements and internal controls assertions.
- Created an enterprise-wide central repository for all internal controls and risk-related documentation.
- Provided management with a 360° view of risks and audit procedures associated with internal controls.
- Created the foundation for sustained compliance and enterprise risk management.

“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

Loral Space & Communications knows about regulations. As a leading satellite communications company, Loral is subject to the regulatory authority of the International Telecommunications Union, the Federal Communications Commission (FCC), and the telecommunications laws of the dozens of countries in which it operates worldwide.

So when it came time to comply with Section 404 of the Sarbanes-Oxley Act (SOX), Loral knew exactly how to respond: standardize on Oracle Internal Controls Manager (Oracle ICM) to automate and streamline all the processes associated with certification of its internal control environment. Part of the Oracle E-Business Suite, Oracle Internal Controls Manager enables companies like Loral to cost effectively document, test, monitor, and certify ongoing compliance with SOX Section 404.

Why Oracle?

Like many companies, all of Loral’s internal control activities resided in spreadsheets, making the process of documenting, testing, and certifying them for Section 404 both time consuming and expensive. Barry Goldfeder, chief information and compliance officer at Loral Space & Communications, recalls the situation that Loral’s 404 program office faced as part of its 404 compliance efforts. “All of our control activities were in spreadsheets. We had spreadsheets for each entity, and they were not linked together. Consolidating such a system manually would have been an exhausting task.”

With Loral's two major subsidiaries already running on the Oracle E-Business Suite, it made sense for the company to look at Oracle's 404 solution. "Before selecting Oracle I looked at a number of other solutions, even the higher-end, more expensive packages that were used previously for auditing purposes only," explains Goldfeder. "These vendors are having to fine tune their software and code to meet the new requirements. Tales of data loss are not uncommon, and some companies are having to reimport all that data again, which is a huge effort."

"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," continues Goldfeder. "But the main benefit is that Oracle ICM is truly a product you can grow with. You can see the evolution and the capabilities that are in front of this product."

Creating a Central Repository for all Control Documentation

One of the biggest challenges to SOX Section 404 compliance is identifying and defining a company's business processes, linking documentation to those processes, then identifying the risks and controls associated with those processes. According to a July 2004 Financial Executives International survey, that effort can take up to 10,000 man-hours for companies the size of Loral, and double that for corporations with revenues over \$1 billion. Loral was able to streamline that entire effort using templates to identify and document its business processes across the corporation.

"Sarbanes-Oxley is all about documentation, especially during the first-year certification process," explains Cindy Kwan, network administrator in Loral's corporate IT division. "The templates within Oracle ICM made it very 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. And now we have one central repository for all that documentation that can be accessed and updated automatically by authorized users."

For his part, Goldfeder already has plans to use the robust document management capabilities within Oracle ICM to handle all of Loral's control and process-related documentation: "Eventually we're looking to make our Oracle ICM library a central repository for all of our International Standards Organization (ISO) standards, so our operating divisions could

possibly move from the Documentums and the SharePoints and have all of their control activities and policies and procedures in one central repository.”

Certifying Financial Statements and Internal Control Reports with Confidence

Loral uses the COSO framework for internal controls over financial reporting, and the COBIT framework for IT controls. Using those two frameworks, Goldfeder and his team identified hundreds of internal control activities cross Loral’s operating divisions that required testing, certification, and ongoing monitoring under Section 404. All of those control activities and their associated risks are now stored in the Oracle ICM risk library, enabling Loral’s management to have a 360 degree view of risks associated with each control activity, and whom within the Loral organization has responsibility over that control.

“We will be able to use the dashboard in Oracle ICM to see how we stand at any given time in the 404 certification process, as defined by financial statement line items and their associated business processes,” notes Goldfeder. “ We can also see when process owner 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.”

Collaboration Speeds Phase I Implementation

Loral worked closely with Oracle Consulting to implement Oracle Internal Controls Manager, with consultants helping to configure the solution to Loral’s business processes and organizations, and populate Loral’s risk library with each organization’s risks, controls and process owners. That entire process took less than six weeks, thanks to the fact that Goldfeder’s team had already identified most of the company’s many internal control activities as part of its SOX Section 404 certification process.

“We’ve already turned on most of the internal controls already embedded in Oracle Financials, like three-way matching and combination edits. Now with Oracle Internal Controls Manager in place and the auditing features that the solution provides, we’ll be able to strengthen those controls even more,” explains Goldfeder. “If you had a person that wasn’t allowed to procure and for some reason there was an exception granted, Oracle ICM has the ability to send that notification to an internal audit group.

That's the type of functionality that I see Loral really benefiting from going forward."

A Foundation for Sustained Compliance

"Another benefit from Oracle Internal Controls Manager is the fact that we can use it for our quarterly Section 302 certifications," adds Goldfeder. "What we've chosen to do at Loral is use the 404 process for our 302 requirements, so we'll be doing our 404 certification quarterly because we believe that this is the way things should be. So we're going to require the process owners to go in and touch Oracle ICM every quarter, beginning with the first quarter of 2005."

Goldfeder believes the next phase of governance revolves around enterprise risk management, and plans to use Oracle ICM to adhere to the new COSO ERM framework released in the fall of 2004. "With Oracle Internal Controls Manager, we're laying the groundwork for the next phase of governance, which is all around enterprise risk. Adhering to the COSO ERM framework is a corporate priority for Loral, and we plan on using Oracle Internal Controls Manager as the foundation for that effort going forward."

Loral Space & Communications is a satellite communications company. In addition to Space Systems/Loral, through its Skynet subsidiary Loral owns and operates a fleet of telecommunications satellites used to broadcast video entertainment programming, and for broadband data transmission, Internet services and other value-added communications services.