

Case Study: A Compliancy ICM Customer Snapshot

Background and Requirements

SpectraSite, Inc is one of the largest wireless tower operators in the United States. It operates over 10,000 revenue producing sites including 7,821 towers and in-building systems primarily in the top 100 markets in the United States.

As with most companies subject to Sarbanes – Oxley (SOX), there was a significant impact on SpectraSite. Internal controls took on a new level of importance and focus. The number of controls to perform and monitor had significantly increased.

The stakes were also much higher than ever before since their auditor would have to verify the validity and effectiveness of their controls, including IT controls. The results could impact the entire company.

In 2004, SpectraSite performed many their controls manually. Some automated controls were buried in desperate application, validated by manual testing. Financial and IT control was managed by one compliance prime each.

SpectraSite at a Glance

SpectraSite owns and operates cell towers and in-building wireless sites for the wireless industry

NYSE: SSI
2004 Revenue: \$355M
HQ: Cary, NC
External Auditor:
Ernst & Young

The 2004 compliance project consumed a significant percentage of their time, in documenting and ensuring controls were being performed as well as audit related activities. In addition, an external SOX consulting firm was used to aid in defining and managing the IT control project.

There had 240 financial and 71 IT controls approved by their auditor for SOX compliance. It became apparent there was too much risk and expense in continuing to use spreadsheets and email for managing internal control and there was a need for better management information on control.

There was a requirement for a solution to automate control processes and ensure accountability, accuracy and separation of duties. They wanted to integrate control into daily operations so it was not a "separate project".

Vendor Selection

SpectraSite chose Compliancy to help automate their internal controls to address the issues discussed above and reduce the cost of compliance.

ICM was evaluated and chosen for SOX because of its approach using Business Process Management technology as its foundation for automation, which results in improved business processes and advanced automation capabilities.

Other solutions addressed some aspects of compliance but did not add significant business value. ICM was a great fit, providing accountability, audit-ability and visibility of internal controls.

Deployment

SpectraSite's Controls were defined and tracked with spreadsheets to meet basic SOX requirements. Control information was imported from the spreadsheets into ICM. After two days of training, the SOX team began configuring the controls.

Configuration of the controls (configuring the workflow users, scheduling the Control Automated Procedures (CAPs), linking documents etc.) took about 30 hours of work performed over 2 weeks. Some controls initially required analysis to automate, but with experience, the latter controls could be configured in a matter of minutes. Routine compliance control tests were also automated.

The Compliance Team automated 100% of manual control procedures, without any development being required.

Pilot

A 3-phase user testing pilot was performed. The first phase focused on 5 users and 10 controls, the second 30 controls and phase 3 included all controls, which actually were 300 workflows (manual control procedure workflows automated via ICM). Some controls had multiple workflows. The pilot also included 124 policy documents managed by ICM. The pilot was performed over 4 weeks and was followed by production deployment.

For rapid deployment, it was decided to begin with the processes that could be implemented without development and to minimize the integration and advanced functionality on the initial release and addresses some items in a future project. These included:

- Integration with the financial system
- Partial integration with existing workflows
- Implementation of Issues Management
- Implementation of Control / Risk Assessments

This production deployment went smoothly and they saw the immediate benefit of control automation. Now the compliance primes had to simply monitor activities and deal only with issues that were flagged.

Integration

This deployment was followed by a 5-week project plan to automate and integrate some controls in business processes and in their financial applications, JD Edwards. This project automated several payroll processes and an employee termination workflow.

On the IT side, Compliancy automated the IT project approval process with control points. The control points were integrated into ICM. Finally, Compliancy automated the purchase order process and integrates with controls in JD Edwards.

SpectraSite used the ICM Business Objects (BO) integration kit to integrate BO into ICM (versus the out-of-the-box MS SQL reporting service). This allows them to use their existing processes and resources for development of reports.

Although SpectraSite has a commercial Document Management System, control documents were housed on a standard file system. It was decided to use the ICM documentation system to manage documents and not integrate with their existing DMS.

SpectraSite has a portal technology. It was decided to use the ICM portal and not perform integration with the enterprise portal, since the ICM user base is limited. Further integration may be evaluated at a later time.

Results

SpectraSite is beginning to reap the benefits of ICM and are very pleased with the results. Here is what the IT SOX Project Prime had to say about ICM:

"The ICM application will give us peace of mind and ensure we are in compliance with various federal regulations for internal controls. The additional benefit of reducing costs for our company by streamlining re we are in compliance with various federal regulations for internal co business processes and automatically detailing audit trails only further exemplifies the value of this solution to our company."

The business unit staff performing controls is now accountable for their control activities. Information and research for audits has been greatly reduced. The effort to manage and administer the control system has been significantly reduced. Real time accurate information is available to all stakeholders.

The following chart presents a comparison of the SpectraSite situation before and after the Compliancy ICM implementation.

| SpectraSite Comparison Before/After ICM | |
|--|---|
| 2004 (without ICM) | 2005 (with ICM)* |
| 100% + increase in Ext Audit fees | 20% Decrease in Ext Audit Fees |
| 30% inc. in Internal audit (contractor) | 30% decrease - removed contractor |
| Audit Consultants needed | Audit consultants NOT needed |
| Compliance resources | 66% decrease |
| Resources consumed performing controls | Reduced by 20% |
| Management visibility limited | Management visibility is accurate, timely and complete |
| Manual system invites data errors and human influence on control | Automated system provides accuracy and user accountability |
| Policy documents are manually managed | Documents updates are automated |
| Minimal application resources required for manual operation (spreadsheet, email, etc.) | Software and resources consumed on ICM - one time hit. |
| No system training required | workflow & system training required (one time) |
| Sarbanes - Oxley is business overhead | ICM integrates control into business processes and adds value |

*2005 are estimates based on estimates and to-date experience

The results were clear and significant. Compliancy's ICM solution significantly reduced the cost and resources, improved the management and accountability, and added value through integration of controls with the business processes.

Compliancy's ICM ease of implementation and management, advanced automation and business process based solution provided the best solution and ensured future expansion.

For More Information

For information on SpectraSite and ICM, contact info@CompliancySoftware.com or call Compliancy Software, Inc. at +1.919.342.6212.