

Figure 2 – Dynamic Management Oversight (Internal Audit Group)

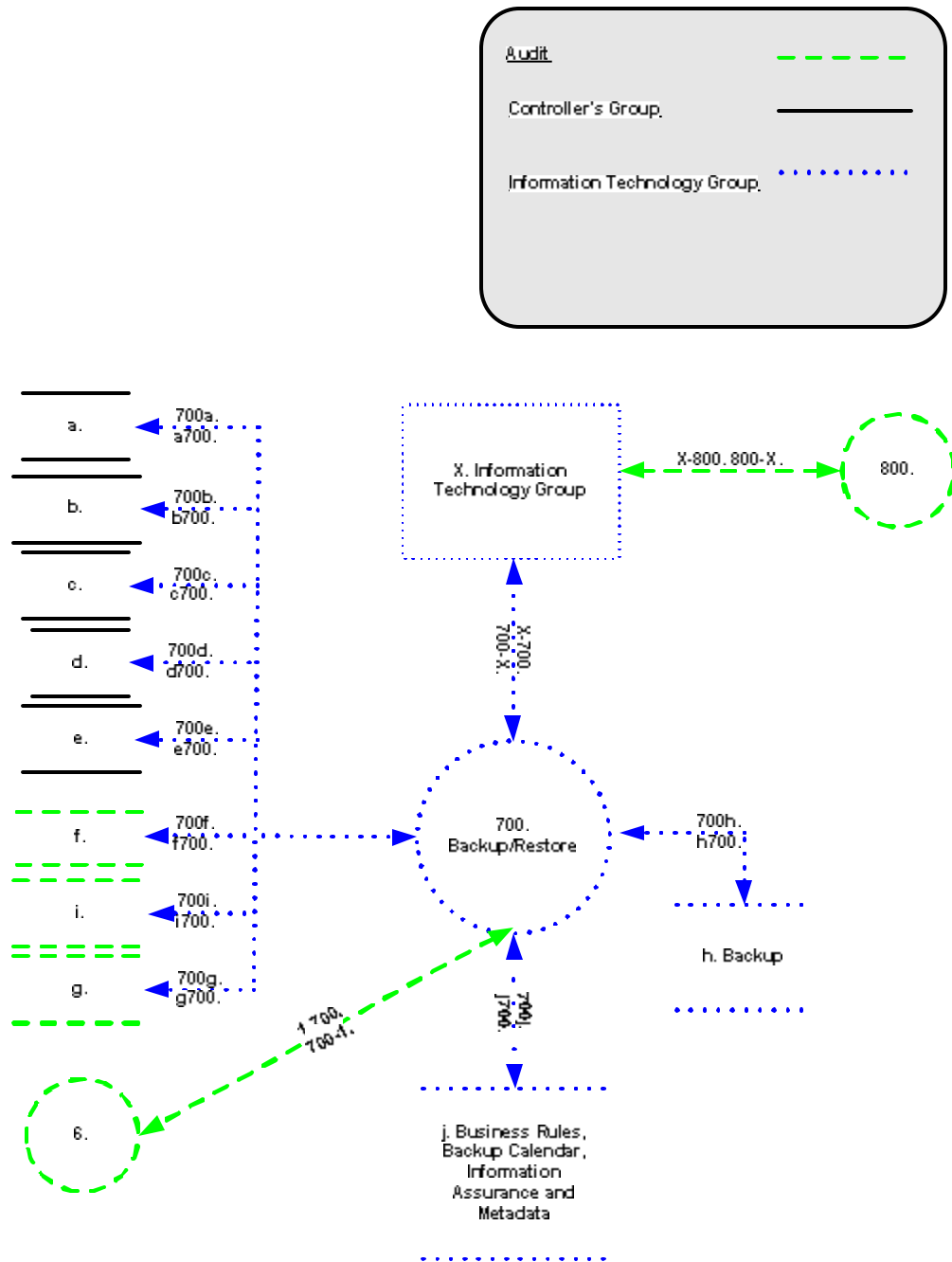


Figure 3 – Dynamic Management Oversight (Information Technology Group)

Glossary

Entities

Corporate Finance (I) - The Corporation's Finance Department consists of many functions. This entity is mainly interested in those functions that are responsible for the following processes:

- Corporate Accounting - General Ledger system and sub-ledger subsystems for the parent company. This is the financial reporting entity for the parent corporation which is also part of the consolidation.
- Budgeting, Planning and Forecasting (BPF) – related processes, systems and repositories which together represent the multi-year plan, the annual budget and any rolling forecasts.

Capturing BPF data enables comparative analysis between scenario-based data (actuals, plans, budgets, forecasts) for Internal (Management) reporting and analysis.

It can also provides an internal control for testing the validity of actual data within predefined tolerance levels established in Business Rules.

Note: The grain of this data may or may not be the same as that available for actual data.

Legal Subsidiaries (II, III, IV) - The financial reporting entities (II, III and IV) consist of multiple organizations for which the corporation is financially accountable and/or other organizations for which the nature and significance of their relationship with the corporation are such that exclusion would cause the corporate financial statements to be misleading or incomplete. Some organizations are included as component units because of their fiscal dependency on the corporation.

The definition of the reporting entity is based primarily on the notion of financial accountability.

Corporate Controller's Group (V) – The parent company's accounting department actually prepares the consolidated financial statements. The chain of command supervising this function typically proceeds from the controller through the chief financial officer (CFO) to the chief executive officer (CEO).

External (VI) – Several oversight bodies that establish financial reporting standards and monitor compliance with those standards influence the reporting function. The company engages independent public accountants to render an opinion as to whether the financial reports fairly present the company's financial position and results of operations in conformity with established standards.

The SEC is the federal agency primarily responsible for administering the federal securities laws, and it establishes disclosure requirements for public companies. The SEC traditionally has delegated much of its responsibility for setting standards for financial reporting to the private sector, retaining a role largely of oversight. Accordingly, in preparing its financial statements, the public company looks to accounting principles set by the Financial Accounting Standards Board (FASB) as well as to SEC rules and pronouncements.

Corporate Internal Management (VII) - The parent company and its management are the key players in the financial reporting system; they bear the primary responsibility for the preparation and content of the financial statements. Financial statements are management's representation as to the company's financial position and results of operations.

External Audit (VIII) – The parent company engages independent public accountants to render an opinion as to whether the financial reports fairly present the company's financial position and results of operations in conformity with established standards.

Corporate Internal Audit (IX) - The internal audit function, if present, performs an appraisal function within the parent company to examine, analyze, and make recommendations on matters affecting the company's internal controls. The board of directors has a responsibility to the company's shareholders to oversee management's performance. The board of directors generally delegates its responsibility to oversee the company's financial reporting process to an audit committee. All these participants and the functions they perform are part of the company's internal control environment for the financial reporting system.

Information Technology Group (X) – This is the corporate entity responsible for periodic backups of stores and recovery, if necessary.

Corporate Treasury (XI) – This is an entity responsible for supplying foreign exchange rates for a specified period of time.

Processes

Maintenance (100) – This process is for adding, updating or deleting business rules, closing calendars, security and/or metadata. This process is driven by users (accountants) in the Controllers Group. **Owner: Controller's Group.**

Collection & Transformation (200) – Data is collected from relevant entities (i.e. I, II, III, IV and XI) and stored in the staging area (a) in a standard format (i.e. valid and legal XML document based on an XSD). Entity submissions are driven by information assurance rules (i.e. authorization and authentication). Some preliminary validation is performed based on business rules. Status flags will be evaluated accordingly for what has and has not been submitted.

Data submissions are then transformed using conversion templates (i.e. XML Style Sheets) and mapping tables.

Owner: Controller's Group.

Consolidation and Adjustment (300) – The operational data store (ODS) is loaded with data obtained from the Collection & Transformation process.

ODS data is translated (currency conversion) as it is consolidated and adjusted for corporate reporting purposes by the Controller's Group. The types of adjustments can be: inter-company eliminations based on a prepared list on inter-company entities and accounts, allocations from parent levels to child levels, partial ownership rollups, journal entries to specific entities, and entity currency adjustments (the result sometimes of translating to parent level currencies). Consolidation and adjustments are based on business rules which in turn draw on information assurance and metadata.

No adjustments will be performed directly to input level data which was derived from the Transformation & Load process (200). Adjustments are stored distinctly on their own merit and in turn are consolidated with input level data.

Status flags will be evaluated accordingly for what has and has not been loaded, consolidated or approved. After a consolidation is certified, a lock is placed on the period being closed. **Owner: Controller's Group.**

Reporting (400) –Data is reported upon in its various states. This process is driven by users (accountants) in the Controllers Group and is based on pre-prepared reporting templates, as well as, business rules and metadata (same template can derive results based on the selections of specific entities, accounts, scenarios, periods, ect.). Data is obtained through the Consolidation & Adjustment process.

We will assume hardcopy-type reporting for the purposes of legal compliance requirements. **Owner: Controller's Group.**

Certification (500) – The Sarbanes-Oxley Act of 2002 is the most sweeping legislation affecting corporate governance, disclosure and financial accounting in over a decade. Specifically, Sections 302 and 404 place certain responsibilities on CEO's, CFO's, independent auditors and audit committees, these include:

- Certification as to the accuracy of the financial statements and disclosures
- Periodic statement indicating whether or not there were significant changes to internal controls or related factors since their most recent evaluation
- Disclosure of all deficiencies in the design or operation of internal controls
- Independent auditor's attestation to, and report on, management's assessment of the internal controls and procedures for financial reporting and disclosure
- Report stating whether controls and procedures for financial reporting and disclosure have been evaluated for effectiveness within the past 90 days.

Owner: Chief Executive and Chief Financial Officers; Internal and External Auditors.

Internal Control Arbitrator (600) – This process serves two purposes: 100) captures audit log information regarding processes 100 thru 50 (Controller's Group) for the current close cycle; and provide dynamic feedback to assist in resolving process conflicts. **Owner: Internal Audit Group.**

Backup/Restore (700) – This process will backup or restore all data stores (both Controller Group's and Internal Audit's data stores). **Owner: Information Technology Group.**

Transformation (800) – This process will convert audit log information and data store samples into a dimensional model (internal control data mart) for the internal control analysis process. **Owner: Internal Audit Group.**

Internal Control Analysis (900) – This process will provide dynamic feedback regarding all processes and controls via an analytical engine to the interested entities (i.e. Internal Management and Controller's Group), as well as to internal control arbitrator process. This process should be designed to raise a consistent "risk and control consciousness" throughout the enterprise and to become a commonly accepted model for discussing and evaluating the organization's risk management processes. **Owner: Internal Audit Group.**

Maintenance (1000) – This process is for adding, updating or deleting business rules, information assurance (i.e. authentication and authorization) and/or metadata. This process is driven by users (auditors) in the Internal Audit Group. **Owner: Internal Audit Group.**

Stores

Business Rules, Close Calendar, XSDs, XSLs, Information Assurance and Metadata (a) – Abstraction of all business rules for the entire close process within the Controllers Group, as well as XML schemas (XSDs) for data collection, XML Style Sheets for transformations, metadata (i.e. aggregations and mappings), information assurance (i.e. authentication and authorization requirements). **Owner: Controller's Group.**

Staging Area (b) – Data is collected from legal and BPF entities, plus status flags for the staging process. Data is time variant and has a standard format (i.e. XML, XSD). **Owner: Controller's Group.**

Operational Data Store (c) – Data is transformed by the Transformation process and subsequently adjusted and consolidated by the Consolidate & Adjust process. Status flags for all processes are stored in the ODS. Data is time variant and is stored in a dimensional format. **Owner: Controller's Group.**

Report Templates (d) – Reporting templates (i.e. XBRL) used by the Reporting process. **Owner: Controller's Group.**

Published Financial Reports (e) – Document store for published historical external financial reporting, as well as certifications. **Owner: Controller's Group.**

Audit Log (f) – Captures process metrics (i.e. start, stop, time to completion) and data integrity (i.e. CRC, CHECKSUM) metrics. **Owner: Internal Audit Group.**

Internal Control Data Mart (g) – Data is transformed by the Backup & Transformation process and stored in a model suitable for risk analysis. **Owner: Internal Audit Group.**

Backup (h) – Backed up sample data which may used to recreate the current close. **Owner: Internal Audit Group.**

Business Rules, Information Assurance and Metadata (i) - Abstraction of all business rules for all processes within the Internal Audit Group, as well as metadata (i.e. aggregations and mappings), information assurance (i.e. authentication and authorization requirements). **Owner: Internal Audit Group.**