

Introduction to Sage ERP X3 Sarbanes-Oxley Act Compliance



Introduction

The Sarbanes-Oxley Act of 2002 was created to help restore confidence in corporate financial reporting and protect investors from fraudulent activities. Accordingly, all public firms must document, monitor and review internal accounting and auditing procedures and fully disclose problems as they occur.

Prospective privately-held customers have asked about ability of Sage ERP X3 to comply with the Sarbanes-Oxley Act. Our response is: "Are you thinking of going public in the near- to mid-term?" If not, then Sarbanes-Oxley does not apply to their business. Even so, the practices and controls enforced by the Sarbanes-Oxley Act help document what is needed to effectively replace non-integrated legacy business applications, and Sage ERP X3 provides the tools to help companies comply with its relevant provisions.

From the start it's important to note that there's no such thing as "SOX compliance certificates" for business management solutions such as ERP. In the case of Sage ERP X3, it can support SOX-compliant processes, yet as with any modern ERP system, it's very flexible and can perform business functions a number of different ways. Put another way, Sage ERP X3 will only enforce processes that customers have identified and configured to work the way they want to work. It is ultimately customers' responsibility to configure Sage ERP X3 (or any ERP solution) to be compliant with their internal or regulatory compliance requirements.

This position that ERP solutions alone may not ensure SOX compliance of the organization is echoed by Panorama Consulting in an [article](#) on the same topic, "Processes need to be designed in a way that meets regulatory compliance, systems need to be configured to support those processes, and people need to be trained to execute on those compliant processes."

Sage ERP X3 is a fully integrated ERP system using one common database so all system users access, enter information into and report on the same data. Sage ERP X3 also uses visual process flows to ensure a logical, controlled sequencing of activities for each business process. These visual process flows serve as the required controls that help document the system's behavior.

Sage ERP X3 provides robust security for ensuring database integrity and an audit trail of all system updates and occurrences – from password-protecting user access to specific data to time and- date stamping every transaction with the user's identification. Additionally, the solution also maintains an archive of historical transactions for multi-year periods. Sage ERP X3 also safeguards data and business processes with digital electronic signatures. Leveraging electronic signatures through Sage ERP X3 can improve security and control over internal automated workflows, which are required for passing corporate governance audits in addition to complying with various industry regulations. Sage ERP X3 provides an electronic signature framework which includes tables, programs, actions and objects to store, configure and collect unique e-signatures that are permanently linked to the object and cannot be modified or copied.

Sage ERP X3 includes a data warehouse, an intelligence engine, and a library of predefined reports that centralizes data then delivers it on demand to the right people at the right time. Graphs and dashboards are especially useful for showing real-time surveillance information related to financial and operational performance. In addition, to help keep critical data and KPIs in front of the people who need them the



most, users can also expand the core analytics capabilities of Sage ERP X3 with self-service, business intelligence options such as Sage Intelligence-Financial Reporting and Sage Enterprise Intelligence.

The financial reporting capabilities of Sage ERP X3 provide complete audit traceability from financial statement to legal source document. The system pegs legal documents, such as invoices and purchase orders, from the line items listed to the corresponding transactions recorded in the general ledger. Ledger-auditing automatically directs inquiries and audit efforts towards related documentation.

Additionally, when it comes to financial insight, Sage ERP X3 is equipped with the Financial Data Extractor (FDE). Specifically, the financial data that is accessible comes from within the general ledger, analytical dimensions such as account segments, and budgets. As with most other data displays, viewing the resulting output within Sage ERP X3 allows users to drill down into progressive levels of detail to gain a more complete understanding by exploring individual values within each report. FDE reports may also be readily exported to Microsoft Excel for further analysis, as well as charting, pivot tables and easy formatting using the native Excel capabilities.

The automated workflows and alerts within Sage ERP X3 support control point notification for managing exception-based transactions. When exceptions like credit or margin failures occur on orders, Sage ERP X3 automatically notifies the appropriate manager of the irregularity via e-mail, even providing direct click-through access to the offending transaction.

At stated earlier, it is important to note that business management solutions like Sage ERP X3 are not inherently responsible for complying with the Sarbanes-Oxley Act. This point is stressed by Eric Kimberling from Panomara Consulting, "CIOs and CFOs need to institute a framework to ensure that the implemented solution meets SOX and other regulatory requirements after go-live and on an ongoing basis." Ultimately, it is up to companies to define the necessary procedures and controls so that financial-related problems do not occur, using a business management solution such as Sage ERP X3 as a compliance enabler.

About The Sage Group plc

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