

A Global Company's Perspective on Information Systems Assurance and Regulatory Compliance

Vince Cossel, Avery Dennison

Agenda

- Recent Legislation
- Legislation Impacting Avery
- Avery Background
- SOX Year 1
- SOX Year 2
- SOX Year 3
- Questions

Recent Compliance Legislation

- Sarbanes Oxley (SOX)
- Graham Leach Bliley (GLBA)
- Health Insurance Portability and Accountability Act (HIPAA)

SOX –biggest impact at Avery

- Around a \$5.5 billion international company
- Accelerated filer, so 2004 was 1st year of SOX compliance

Avery Overview & Historical Model

- Global Company
 - Operation in over 40 countries
 - Just under 300 facilities worldwide
- Companies run autonomously
- BU's allowed to make decisions on IT
- Most BU's manage their own systems

IT results from Avery model

- IT solutions vary from BU to BU
 - Best of breed
 - No system standards across the corporation
 - applications
 - operating systems
 - platforms
 - database

Staffing Situation

- Few people in company with a strong controls background
- More in Finance area than IT
- IT personnel generally focused on getting systems live or keeping them running, not controls
- Everyone already busy

Where to Start

- Who will lead project
- Who should be on team
- How will project be managed
- What is required (PCAOB & external audit)
- How to manage the massive amounts of information that will be generated

SOX Year 1

- IA managed the project (100% SOX)
- Education
- Tools and Templates
- BU's hired outside help
- IA reviewed output
- IA provided detailed support where needed

SOX Year 1 Overall Results

- Positive year 1 results
- No material weaknesses, however a number of areas to improve
- Identified approximately 9000 key controls

SOX Year 1 IT Results

- Documentation needs to improve
- Some comments around change management, logical access, and operations

IT Opportunities

- Consolidate infrastructure
- Standard policies and procedures
- Central management of systems
- IT risk management

SOX Year 2

- Created a new function the Corp Controllers Office that is responsible for SOX
- IA educated the new team
- Helped revise tools, templates and training material
- Conducted training
- High level reviews at select locations
- IA getting back to doing audits

Year 2 Key Initiatives

- Improve documentation
- Reduce the number of key controls
- Utilize system capabilities and migrate from manual to application controls where possible
- Consolidate data centers
- Consistent IT management
- Implement continuous monitoring software
 - Oversight
- Implement IT risk management process

Documentation and controls

- IA did training and provided examples of how to improve documentation
- Business evaluated control environments in much more detail to determine which are really the primary controls relied upon
- Asked businesses to examine manual controls and determine if can automate
- IA reviews process will comment on manual controls that could be automated

Consolidate Data Centers

- Have several data centers around the world
- Migrate to one of three main regional data centers

Consistent IT Management

- Review current P&P and develop new ones or enhance as necessary
- Educate BU IT personnel on standards
- Centralize system management where possible
- Move toward IT standards

Consistent IT Management

- Corporate IT Standards
 - Applications
 - O/S
 - Databases
- Not forcing migration
 - Migrate as evaluate system change or upgrade

Oversight

- Implemented in shared services centers
 - Duplicate payments
- Pilot in the business unit now

Oversight Advantages

- Allows businesses to be proactive in managing and evaluating their control environments
- Provides IA and external audit with greater level of comfort

IT Risk Management

- Complex de-centralized environment requires proactive focus on risk management
- Need tool to manage process
- Buy or build

Risk Management

- Risk management is not a one time event
- Risk must be continuously managed
- With de-centralized environment need to involve individuals from the business

IT Risk Management Solution

- Web based
- Inventory systems by business
- Able to define risk questions
- Completed by BU's
- Reporting capabilities
- Reviewed and managed centrally by Corp Info Security and IA

SOX Year 2 Overall Results

- Positive year 2 results
- No material weaknesses, however a number of areas to improve
- Decreased the number of key controls
- Migration toward application controls and better utilization of systems

SOX Year 2 IT Results

- Documentation improved, but still room for further improvement
- Fewer comments around change management, logical access, and operations

IT Opportunities

- Continued push toward data center consolidation
- Further centralization of system management
- Rollout IT risk management solution

SOX Year 3

- Corp Controllers Group fully responsible
- Internal Audit is back to doing audits
- Potential SOX issues are communicated to Corp Controllers Group responsible for SOX

Year 3 Key Initiatives

- Implement IT risk management process
- During IA reviews look for opportunities to better utilize system capabilities and educate BU's
- Continue data center consolidation and standardization
- Implement continuous monitoring software in more businesses

IT Risk Management

- Start with pilot in one BU
- Further rollout to other BU's throughout the year
- Provide businesses with tool to proactively manage IT risk
- Identify and address issues before found by IA or external audit

Utilize System Capabilities

- IT audit working with operational auditors to review all operational work programs
- Educate operational auditors on application controls (no longer black hole)
- Where we find the system is not being used to its capabilities will educate BU's on how process can be improved

Data Center Consolidation

- Making progress in moving systems into one of three main data centers
 - Considering consolidation to 2 main data centers
- Continue to make progress toward standard systems
- Trying to standardize processes across businesses

Continuous Monitoring

- Pilot business has been pleased with the results
- Expand what we have been doing at our initial pilot site
- Roll out to other businesses

Questions?