

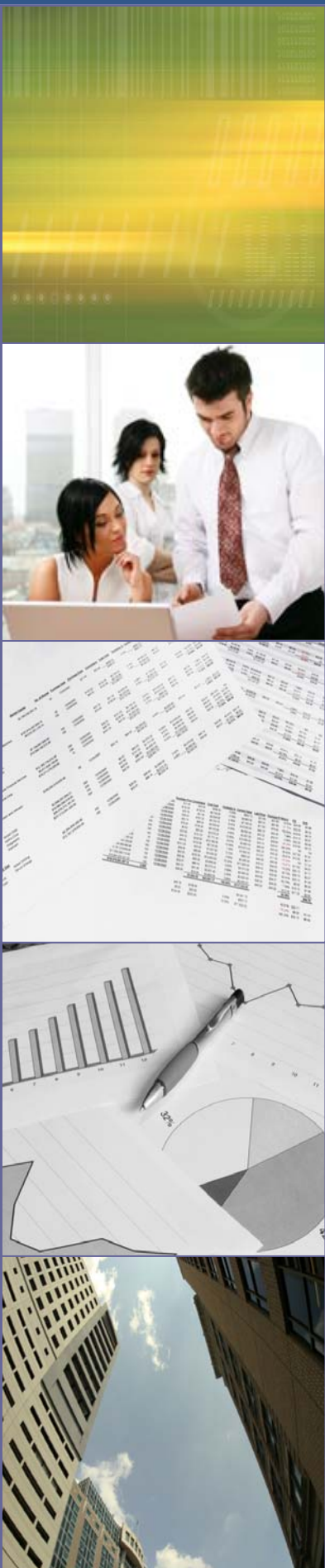
## Sarbanes-Oxley §404 Compliance Support

*LBI can help you avoid the illusion of control and survive Sarbanes-Oxley*

The directives of Sarbanes-Oxley section 404 require that management provide an annual report on its assessment of internal key controls over financial reporting in the annual filing. Management's report on internal control over financial reporting is required to include the following:

- A statement of management's responsibility for establishing and maintaining adequate control over financial reporting for the company
- A statement identifying the framework used by management to conduct the required assessment of the effectiveness of the company's internal key controls over financial reporting
- An assessment of the effectiveness of the company's internal key controls over financial reporting as of the end of the company's most recent fiscal year, including an explicit statement as to whether these controls over financial reporting are effective
- A statement that the registered public accounting firm that audited the financial statements included in the annual report has issued an attestation report on management's assessment of the company's internal key controls over financial reporting

It is important to note that the significance of Section 404 is not only that it requires senior management to establish and maintain an adequate internal control structure, but that it also requires senior management to annually assess their effectiveness, as stated above. This is where the necessity of a sound internal key control infrastructure is of paramount importance. Management must be able to provide their external auditors with evidence of both functionality and ownership of key controls and documentation of test results that resulted in their assessment.



**This is where LBi comes in...**

LBi assists our business partners with SOX Compliance. We have developed a process for the compilation, organization, and validation of internal key controls. With 24 years of experience in developing and maintaining financial systems, as well as the proven capability to provide Sarbanes-Oxley support, we offer an effective means of ensuring compliance.

**An Overview of LBi's Process**

What we do:

- Identify critical vulnerabilities by reviewing existing documentation, automated and manual processes and control activities, and when appropriate, conducting staff interviews with minimal disruption to business activities
- Assess design documents, editing or creating them when necessary. The results are comprehensive functional and technical specifications (including a recommendation for a manual and/or automated solution)
- Gather or develop detailed plans for all testing phases from unit through end-to-end. These plans are stored along with resulting files and reports, proving compliance with business requirements
- Design and help install an effective database, administrative application, and a browser-based front-end to end-user compliance reporting

Who we work with:

- Each component migrated into a Sarbanes-Oxley system production environment must first be approved by an officer. Together with related documentation, testing plans and results, separation of duties controls, and reconciliations, a complete package for each production migration is ready for review for Sarbanes-Oxley compliance.

How we do it:

LBi has developed an automated approach to balancing and database reconciliations for:

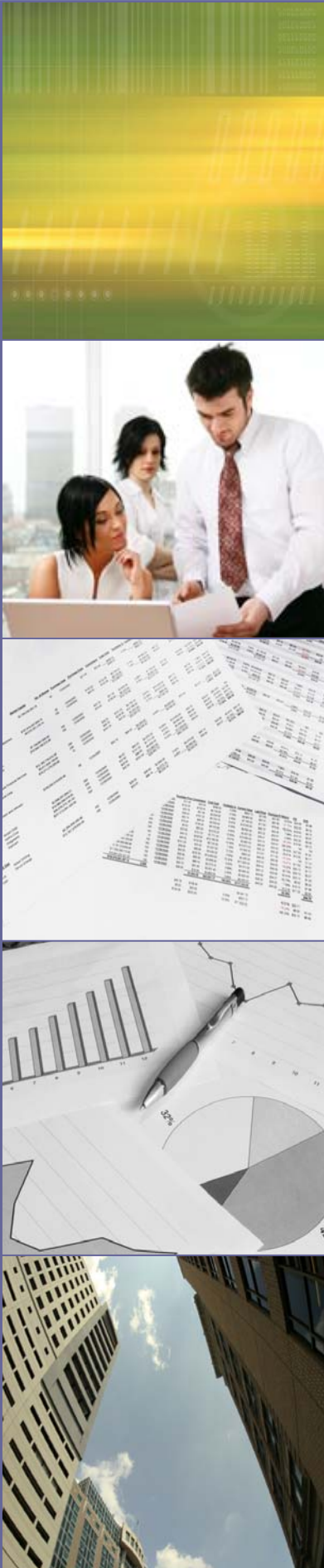
- 401k Contributions Interface Files vs. the General Ledger and Payroll Reports
- FSA Contributions Interface Files vs. the General Ledger and Payroll Reports
- Health and Dental Deductions vs. the General Ledger and Payroll Reports
- Transit and Parking Deductions
- Accounts Payable/Receivable Transactions
- Completeness of Processing
- Interface Controls

### Benefits to You

With minimal interruption of daily business processes, LBi professionals will collect and formalize all the evidence of compliance your auditors will need! This means your employees are free to conduct business as usual. Your new narratives will be permanent and updatable descriptions of responsibilities, competencies, and processes surrounding SOX systems.

The following are benefits that you can realize from the installation of adequate IT controls:

- **Position you to comply with federal legislature.** This is especially true with regard to Sarbanes-Oxley and should help keep you from being subjected to penalties and /or heavy fines
- **Provide early warning of processing problems.** The earlier the detection of processing errors the less the cost of correction. The cost of fixing errors rises exponentially with the passing of time. You want to identify problems as soon as possible and with the right detective controls in place, you should succeed
- **Deter fraudulent activity.** Although there is no guarantee, the installation of adequate key controls and a disciplined approach is definitely a potential deterrent
- **Reduce maintenance headcount/increase development headcount available for next project.** If there are fewer resources assigned to maintaining applications because of adequate key controls and application stability, then it will allow you to reassign these resources to new projects
- **Reduce cost associated with administrative corrective action.** If application errors increase because of key control weaknesses, you will likely be spending more money on the administrative actions that will be required for corrective action
- **Provide assistance in evaluating IT performance and processing efficiency.** Yes, controls can be implemented that will help you evaluate performance efficiencies and highlight deficiencies



- **Provide recoverability in case of disaster.** Hurricanes, tornadoes, floods, power outages, terrorists and other disasters can bring your operations to a halt without recovery controls
- **Improve completeness, timeliness and quality of processing.** Having adequate key controls can play a major role in achieving these objectives
- **Establish accountability.** The right key controls assist in assigning accountability
- **Provide auditability.** If controls are implemented effectively at the right process steps, you will have audit trails generated that will greatly enhance your ability to pass an audit

Save time, resources, and money ... Let LBI do the work for you.

### About LBI Software Engineering

In business for over 24 years, LBI is a software development and system integration firm specializing in Human Capital Management and Sports Management Services. LBI provides personalized and highly responsive software development, implementation, and documentation services to many of the world's leading companies and organizations. Each of our clients relies on us to deliver the enterprise solutions they need, whenever they need them.

LBI's Human Capital Management Services includes PeopleSoft HCM Support, Tax Maintenance support, Year-end Services, and SOX documentation services. LBI has subject matter expertise in Employee Benefits, Human Resources, Payroll Processing, and Sarbanes-Oxley Compliance. LBI also offers custom self-service applications development such as Attendance tracking and Benefit Enrollment.

For additional information contact:

Product Manager  
 LBI Software Engineering  
 7600 Jericho Turnpike  
 Suite # 201  
 Woodbury, NY 11797  
 516.921.1500  
 ProductManager@LBIsoftware.com  
 (fax) 516.921.1897