



EMK3 Solves Critical Internal Control Issues for Sarbanes-Oxley Compliance

The Sarbanes-Oxley Act of 2002 radically changes corporate governance and reporting obligations and imposes strict rules on how companies manage their financial processes. Companies are held to a new level of accountability that has challenged executives to implement systems that solve compliance initiatives. In section 404, companies must be able to show that they have an effective internal control system that provides reasonable assurance that all of its disclosures are complete, accurate, and timely, and that management has evaluated the critical control processes.

Effectiveness of Internal Controls

At the heart of section 404 in the Sarbanes-Oxley Act is the mandate to evaluate and report on the effectiveness of internal controls over corporate financials. Sarbanes-Oxley establishes an internal control standard that is broader than Generally Accepted Accounting Principals (GAAP).

The SEC has stated:

“We believe that the purpose of internal controls and procedures for financial reporting is to ensure that companies have processes designed to provide reasonable assurance that:

- The company’s transactions are properly authorized;
- The company’s assets are safeguarded against authorized or improper use; and
- The company’s transactions are properly recorded and reported

to permit the preparation of the registrant’s financial statements in conformity with generally accepted accounting principles.”

Role of the Marketing Department

For a thorough evaluation of Sarbanes-Oxley compliance, companies must flow-chart every business process down to the transaction level. Any business process impacting the collection, processing, or flow of financial information must be carefully evaluated.

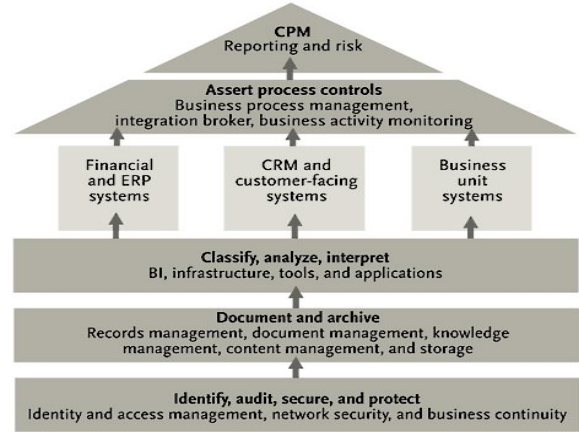
For an E&P company, the marketing department manages a significant business process directly impacting revenue and expenses. For example, a marketing department may be responsible for:

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|------------------------|---------------------------|----------------------------|
| • Sales Contract Terms | • Gath/Transp. Rates | • Financial Hedges |
| • Commodity Prices | • Sales Price Calculation | • Wellhead Netback Pricing |
| • Volume Nominations | • Pipeline Imbalances | • Partner Imbalances |
| • Revenue Forecasting | • Revenue Accruals | • Credit Management |

E&P companies must evaluate the marketing department in order to identify information and processes that need tighter control requirements. Failure to implement these controls can result in a material misstatement in the financial statements, leading to costly penalties and lawsuits.

EMK3 as Part of your Framework for Compliance

Effective information technology and the controls placed on infrastructure, access, and data management are the foundation of a sound compliance architecture (see figure below). EMK3’s application suite can assist in establishing strong internal controls around key marketing processes.



Our software offers the following benefits:

- **Managed Security:** Controlled access to all data, functions, and processes through user id and password authentication. You can also designate what information a user can access and what actions they can perform (like Read-Only, Add, Edit, Delete).
- **Extensive Audit Logging:** Track user activity such as logon/logoff and all Add/Edit/Delete actions for quick auditing and review.
- **Managed Approval Chain:** Setup and manage an approval process by defining an approval chain, tracking the status along each step, and digitally recording each signature.
- **Comprehensive Alerting Engine:** Set alerts on various contract parameters and get proactive notification of upcoming events that require action.
- **Electronic Document Storage:** Store all your contracts and supporting documentation electronically in a single system for easy maintenance and retrieval.
- **Seamless Process Workflow:** Data flows seamlessly from process-to-process by having extensive built-in functionality for all marketing tasks and flexible integration options for exchanging information with other systems.
- **Full Information Transparency:** Information is stored in a central database repository for easy access, review, management, and control (assuming appropriate user authorization).
- **Structured Data Storage:** All data is stored in an enterprise-class relational database system (RDBS). Data in an RDBS is interconnected in a structured and consistent form.