

# Silicon Image Automates, Streamlines Section 404 Compliance With Oracle Internal Controls Manager

**COMPANY**

Silicon Imaging Inc.

**LOCATION**

Sunnyvale, Calif.

**INDUSTRY**

Semiconductor  
Manufacturing

**EMPLOYEES**

300+

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- Dale Brown  
Chief Accounting Officer  
Silicon Image Inc.

**By Oracle Corp.**

When you are growing as fast as semiconductor manufacturer Silicon Image, it's tough to allocate scarce resources to the onerous task of documenting and certifying your internal controls. The Sunnyvale, California-based supplier of multi-gigabit chips learned this lesson the hard way, using Excel spreadsheets and Word documents to complete the initial documentation phase of Sarbanes-Oxley Section 404 project.

“I think for Silicon Image and every small company, the hard part is that we have to document the same amount of processes as a big company, but we have less people to do the documentation and testing effort,” notes Krista Ladd, finance systems manager at Silicon Image. “We've definitely felt the financial burden of Sarbanes-Oxley, but I don't think that you can look at it that way anymore. We have to look at Sarbanes-Oxley as a positive to the company, enabling us to improve our internal processes and controls and make them more effective.”

**High-Level Project Goals**

- Lower the human and financial cost of compliance with Section 404.
- Strengthen internal controls across the organization.
- Push down accountability to business process owners.
- Establish a controlled environment to document changes in internal controls.
- Create a sustainable compliance environment going forward.

**Why Oracle?**

When Dale Brown joined Silicon Image as its chief accounting officer in May of 2004, 50 percent of the work around first-year certification with Sarbanes-Oxley Section 404 had been completed. So what was Brown's game plan for the next twelve months? First, he hired additional consultants to complete the documentation and testing effort. Then, once the 404 process was completed, he worked to implement Oracle Internal Controls Manager to ensure a sustainable control environment going forward.

“Since Section 404 is going to be a part of life for most public com-

panies, we wanted to have a sustainable architecture and process for ensuring our quarterly certification requirements,” explains Brown. “Since we were already running Oracle 11i, it just made sense to us to standardize on Oracle Internal Controls Manager for Section 404 compliance, since it multifunctions with our Oracle environment and allows us to easily set up and manage a sustainable control environment.”

“One of the reasons Silicon Image purchased Oracle Internal Controls Manager was for the integration that it would give us with Oracle Financials,” adds Ladd. “We found that having the Internal Controls Manager linked with our Oracle general ledger would enable us to tie processes, risks, and controls to natural accounts, and that was one of the big selling points for us.”

**Leveraging Oracle's Embedded Controls**

For Ladd and other members of the IT team at Silicon Image, the first step in the 404 certification process was to thoroughly analyze, document, and test the embedded controls

already available in the Oracle ERP system. “Our role is to assist the controller with Sarbanes-Oxley compliance,” says Ladd. “One of the ways we do that is to fully leverage the embedded controls within Oracle ERP that can help us pass the 404 audit, such as three-way matching in accounts payable, and workflow for journal approvals and purchase requisitions.”

One particular challenge the company faced was in the area of segregation of duties, which Section 404 requires in order to prevent fraud. “As a small company, it’s really hard to have enough personnel to be able to segregate all of our duties,” Ladd explains. “We only have one accounts receivable clerk, which makes it very difficult to segregate the creation of credit memos and the creation of customers. We used the Oracle Alert module to create a lot of compensating controls to comply with segregation of duties and make sure that no fraudulent activity is taking place.”

Silicon Image relies on both the embedded controls within Oracle ERP and Oracle Internal Controls Manager to push down accountability to employees across the entire company. “One of the biggest benefits we get from Oracle Internal Controls Manager is the ability to make the business process owners accountable for their own procedures,” comments Brown. “They now know that they need to review quarterly their processes and procedures as part of the certification process inherent within 404 controls.”

### Payoff: A Sustainable Control Environment and a Clean Opinion

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The efforts of Brown, Ladd, and the other professionals at Silicon Image to establish a sustainable control environment are not only going to

save the company money, but are also helping it earn a reputation for good corporate governance practices. Thanks to its strong control environment and strategic use of Oracle ERP and compliance solutions, the company’s auditors use Silicon Image as an example of how smaller companies should approach compliance with Section 404.

“We felt that it was imperative

for us to set up a control procedure that was sustainable,” concludes Brown. “The market is looking at companies to do this, and will reward them accordingly. We also felt that the market would react favorably if we did get a clean opinion. We just recently got a clean opinion from the auditors for our 404 certification, thanks to our management’s commitment to strong governance practices, the efforts of our employees, and the embedded controls within Oracle.”

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- Krista Ladd  
Finance Systems Manager  
Silicon Image Inc.



### ORACLE PRODUCTS & SERVICES

- Oracle Internal Controls Manager
- Oracle Distribution
- Oracle Financials
- Oracle Human Resources
- Oracle iProcurement
- Oracle Manufacturing
- Oracle Shop Floor Management

### KEY BENEFITS

- Create a sustainable control environment for compliance with Sarbanes-Oxley Section 404.
- Drive down long-term compliance costs by pushing down accountability for internal controls to business process owners.
- Free up finance and IT resources to focus on supporting the company’s fast growth rate.
- Automate and enforce compliance in key areas, such as segregation of duties, accounts payable, and purchasing.

