

New Reality for Entity Management Tools

By Elizabeth Judd

Entity information, including compliance dates and officer data, must be managed holistically.

Managing a company's entities is becoming more challenging with each passing year. The number of corporate filings has roughly doubled since 2001, and the tasks associated with good entity management have increased dramatically. Consider this: a large company might potentially have annual reports due in all 51 jurisdictions, each with different deadlines, and slip-ups place corporate secretaries at risk of jeopardizing their reputations and running afoul of the law.

Regulation has complicated what was never a particularly straightforward set of responsibilities, with the Sarbanes-Oxley Act of 2002 raising the bar for corporate secretaries to new heights. Nowadays, companies must keep pristine records. In addition to submitting the necessary entity documentation to state regulators on time, corporate secretaries need detailed knowledge of which directors attended meetings and what information they received.

‘Just keeping a list of the entities and having a copy of the officer and director information is no longer adequate with the advent of Sarbanes-Oxley,’ says Tom Charno, product manager for compliance and governance for

Corporation Service Company (CSC).

Because directors and committee members are now expected to scrutinize operations of the companies where they serve more closely, they're clamoring for more information. Utilizing board management technology, corporate secretaries are able to provide secure access to all pertinent documentation to keep directors fully informed. Documents don't have to be printed and mailed, and a director or officer with internet access can get information anywhere in the world, and at any time. What's more, a corporate secretary can even track when a director has opened a particular document.

More online solutions

Fortunately, online tools appeared at roughly the same time as corporate secretaries' responsibilities mushroomed. ‘Entity management products are being used by very small corporations up to large companies managing hundreds, if not thousands, of entities,’ observes Charno. ‘This makes a computer-based tool invaluable for the corporate secretary.’

Charno points out that while some companies have homegrown legacy systems, others manage basic entity information, critical compliance dates, and officer and director data, as well as other annual report data, with people, software, and tools that might accomplish parts of entity

management but don't address the need holistically.

CSC has integrated a host of entity management workflow tools into its CSC RecordsCenter compliance product, including boardroom compliance with its newest service – CSC Virtual Boardroom. For instance, instead of having a hard copy of the minute books sitting on a shelf somewhere at headquarters, corporate secretaries can use the tool to gain real-time access and can even update vital officer and director information in a matter of minutes. 'Corporate secretaries needed a tool to help them pull the information together so that they can present information to board members and committee members quickly,' highlights Charno.

CSC designed its entity management products only after gaining a thorough understanding of the specific needs of corporate secretaries. 'We looked at the daily life of a corporate secretary – the pains and struggles the corporate secretary experiences – and from there we started building solutions,' says Renee Weiler, CSC's marketing project manager.

Heeding the questions

CSC identified a number of challenges that corporate secretaries face vis-à-vis entity management by listening to the questions corporate secretaries repeatedly ask:

How can you help us handle the new workload

created by Sox? Since Sarbanes-Oxley, corporate secretaries need to 'ensure necessary board meetings are scheduled, capture who attends these meetings, and provide access to all the right information,' explains Charno. By linking the virtual boardroom with online minute books and more traditional entity management tracking, corporate secretaries can more easily meet these demands.

Is there a way for me to make sure only certain individuals have access to key information?

Yes. An internal client administrator sets the access for everyone entering the password-protected system. Only those with explicit authorization can, for instance, see online minute books or other sensitive documents. In addition, separate rooms can be created for the board's various committees, ensuring that only committee members with proper authorization access the documents there.

Can you help us in terms of disaster recovery?

Clients can store their minute books and other critical corporate documents within CSC RecordsCenter. This repository of data is backed up nightly and kept off site. CSC also provides clients with a CD version of the minute books once they are scanned into the system, and this CD can be placed in a safe deposit box. Finally, the latest in software security, including double firewalls and 128-bit data encryption is employed.

Tracking changes to officers and directors can be a major headache. Will I need to update all

the various modules when an officer changes an email address? Updating officer and director data is simple. Moreover, companies using the entity management tool only have to make the change once and the information is automatically updated throughout the system.

Is it possible to customize the system so it suits my work style? CSC clients are not bound by what's hard coded into the system. They can define their own fields, create customized events with the compliance calendar such as SEC or non-profit filings, build organizational charts, and leverage other tools to meet their own unique needs.

How much upfront time will it take to begin tracking my entities on line? With CSC as the registered agent, your entity and jurisdictional data are automatically populated whenever you conduct corporate transactions; therefore, managing your entities can start immediately. CSC can also help with the uploading of other basic entity data, such as officer and director information, minute books, and organization structure.

Must I pay for each individual user who accesses the system? No. There is an annual subscription fee, which allows an unlimited number of users to access the system. In addition, there is unlimited training and several online Webinars highlighting the many components of CSC RecordsCenter.

Going forward

‘We started by offering a basic entity management tool, capturing general entity information, and we’ve added capabilities over the past five-plus years based on direct input from our corporate secretary user group such that CSC RecordsCenter now boasts a comprehensive feature set,’ says Charno. ‘While we have come a long way with CSC RecordsCenter, we plan to expand the offerings in the coming months and years.’

In the near future, for instance, users will be able to file Section 16 forms 3, 4, and 5 with the SEC. Ultimately, CSC expects to provide virtual meeting places and include an audit checklist in the audit committee workroom within CSC Virtual Boardroom. ‘We envision things like document preparation, voting, interactive workspaces, and private chat rooms in the future,’ concludes Charno. ‘In addition, we will continue to add capabilities in a logical fashion that brings the greatest value to the corporate secretary.’

To learn more about CSC RecordsCenter visit <http://www.incspot.com/public/c3-01i.html>, also visit <http://www.incspot.com/public/c3-01g.html> to learn about CSC Virtual Boardroom.

Note: The preceding article appeared in the May 2007 issue of Corporate Secretary magazine and was reprinted with the permission of Cross-Border Publishing Ltd, publisher of Corporate Secretary magazine.