

Corporate Risk Issues With Telecommunications Detail Data

A Survey of Corporate Executives

December 2010



Abstract

A telephone survey of Corporate level and EVP level executives representing the Security and GRC (Governance, Risk Management and Compliance) disciplines across five distinct industries was conducted. The survey focused on the relative importance level of dealing with telecommunications detail data in three issue areas, Security, Risk and Finance. Results showed that the issues in the area of Corporate Risk were the most important - 80% of surveyed respondents rated them as highly important. A detailed analysis of the following issues in that area is provided: Employee Harassment, Abuse and Misuse of Communication Systems, Intellectual Property - Information Leaks, and 911 Notifications. Implications of these issues in terms of corporate operational risks are discussed; recommendations for actions are described; and an appendix of the full survey methodology is included.

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Issues

The collection, retention and use of telecommunications detail data is a standard practice and task for telecommunications and network managers. How this data can affect the corporation in terms of risk, security and financial impact are issues that roll up to the corporate executive level. The relative importance of these impacts to the corporate executives is not well documented or understood. Accordingly, a survey of these issues and impacts, aimed at a broad based group of corporate executives was commissioned by SAI.

SAI has been an industry innovator and provider of Telecom Usage Management solutions for enterprises, with its award-winning Call Accounting software, Sierra Gold™. Serving customers worldwide across vertical industries, we've built an industry reputation for providing meaningful business intelligence from the mass of call-related data that floods large enterprises.

The survey itself was conducted by SGT. SGT is a leading Knowledge Process Innovation & Management (KPIM) service provider, delivering Global Excellence (GE) to Small and Medium Enterprises (SMEs). Their global clients achieve profit with speed, innovation, managed cost and reliability. Their unique KPIM service framework is the key to helping their customers optimize operating costs and maximize revenue and profitability. SGT's KPIM service framework includes Information Technology Services, Business Process Services, Engineering Process Services and Sales & Marketing Services. SGT has more than 500 employees worldwide and offices in the U.S., Europe and Asia.

The survey targeted corporate level and EVP level executives representing the Security and GRC (Governance, Risk Management and Compliance) disciplines at 396 companies. Four distinct functional business areas within these disciplines were targeted: Information Technology, Voice & Data Networks, Compliance & Risk Management, and Security.

To further broaden the research the executives not only came from the targeted functional business areas; they were drawn from companies representing five distinct industries: Pharmaceuticals, Insurance, Healthcare, Financial, and Energy.

The survey questions were organized into three distinct sections, Security Issues, Corporate Risk Issues, and Financial Issues.

Security Issues

1. Importance of complying with government mandates about detail data
2. Importance of adhering to E-Discovery requirements
3. Importance of maintaining records as evidence in legal actions
4. Importance of identifying telephone fraud activity

Corporate Risk Issues

1. Importance of identifying telecommunications systems abuse by employees
2. Importance of controlling employee harassment via telecommunications systems
3. Importance of identifying corporate confidential information leaks
4. Importance of correctly handling 911 notification situations

Financial Issues

1. Importance of recovering third party telecommunications costs
2. Importance of holding line level managers accountable for business unit telecommunications costs
3. Importance of reducing costs incurred by underutilized telecommunications assets
4. Importance of complying with financial accounting guidelines by allocating usage sensitive costs
5. Importance of monitoring sales performance by tracking telecommunications usage

In each survey section the executives were asked to rate the importance of the issues to their corporate goals and objectives.

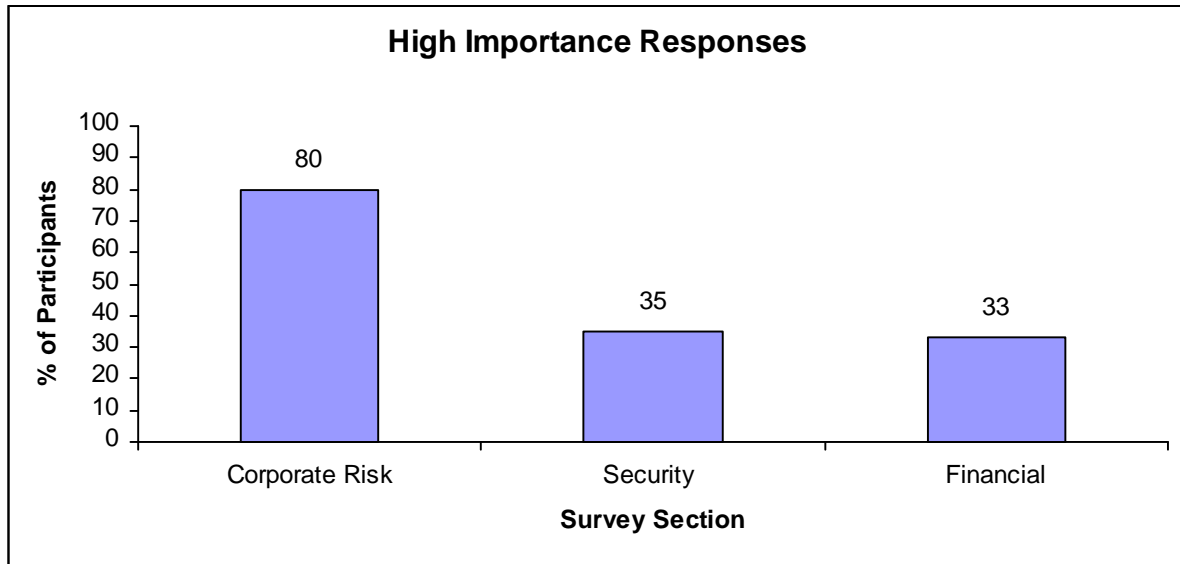
Key Findings

Each of the three survey sections was compared and ranked to establish the section which had the greatest importance level. It was decided that the highest order responses to each question could be used to establish the criticality level of the issues to the corporation from the perspective of the surveyed executives. The results could then be grouped at the industry level and detailed by the functional business area.

All Industries

Across all industry segments and functional business areas the following result was drawn in comparing the relative importance of each section of the survey by percentage of respondents rating the issues as highly critical to their company.

Figure 1 High Importance Responses By Survey Section



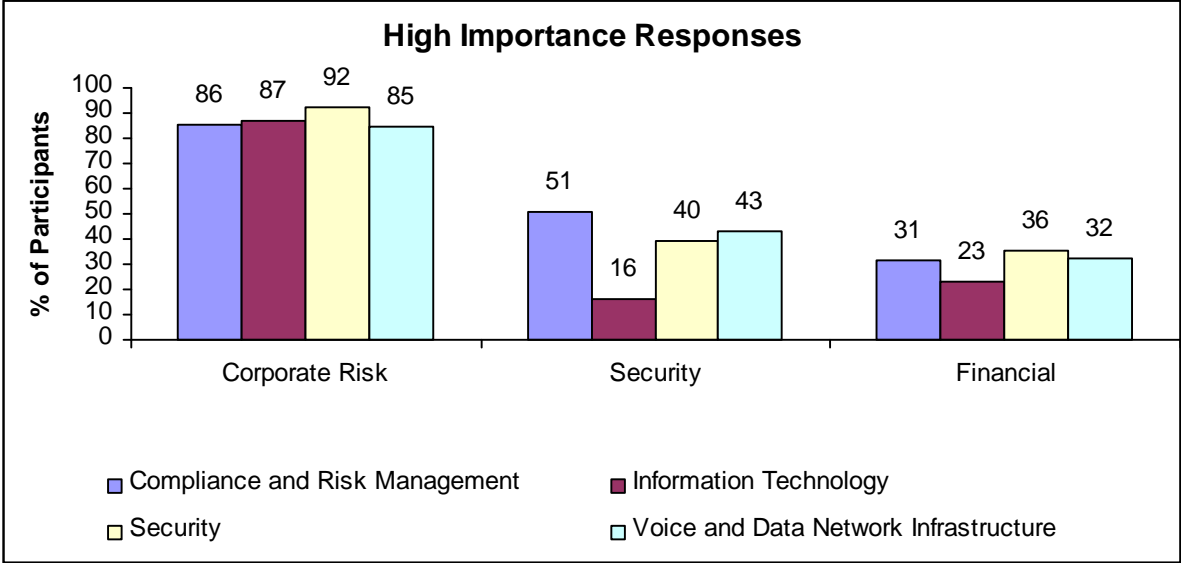
While 33% of the respondents rated the issues raised in the Financial section of the survey as being of high importance, and 35% rated the issues in the Security section as being of high importance; a significantly larger number of respondents, 80%, viewed the issues in the Corporate Risk section as being of highest importance

Note 1: Since each section of the survey was an independent set of responses, any individual section could not total greater than 100% but the sum of the groups could be larger than 100%.

All Functional Business Areas

The same analysis of the relative importance of each survey section by Functional Business area showed the following:

Figure 2 High Importance Responses By Functional Business Group



It was apparent that for all four of the business functional areas the section of survey questions ranked as most important to the executives was the Corporate Risk section.

Corporate Risk Section Detail Analysis

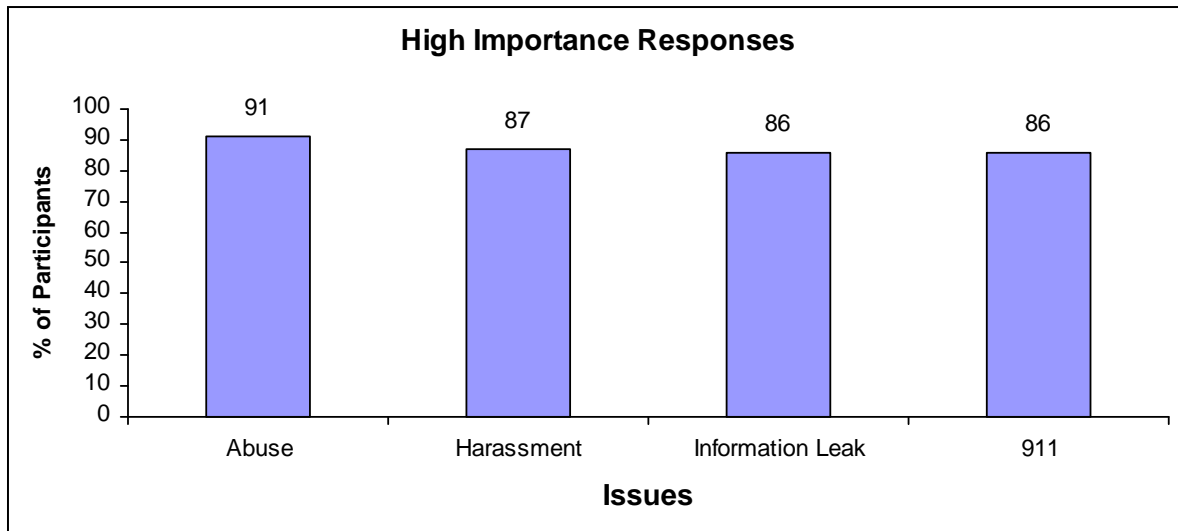
Because the relative importance of the Corporate Risk section responses was so high, a detailed examination of the responses to those specific questions was done.

The four question areas for this section of the survey were as follows:

1. Importance of identifying telecommunications systems abuse by employees
2. Importance of controlling employee harassment via telecommunications systems
3. Importance of identifying corporate confidential information leaks
4. Importance of correctly handling 911 notification situations

All of these questions scored highly for importance but the following chart shows them by percentage of participants rating each question as highly important.

Figure 3 High Importance Responses By Risk Issue



Implications

The issues uncovered by this survey are generally regarded as corporate "operational risks". A simple definition of an operation risk would be - "the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events".

In considering the first issue, misuse and abuse of corporate networks, examples of corporate losses incurred are well known. For example,

About 1/3 of employee waste more than two hours a day on activities such as Internet surfing, conducting personal business and making non-work related phone calls, costing companies as much as \$500 billion per year.¹

As to the second issue, incidents of workplace violence and harassment in multiple forms (sexual, racial, gender, civil rights, disabilities, age, religious, etc.) are a continuing source of corporate loss. Potential lawsuits and subsequent resolutions can easily draw down the corporate bottom line.

In 2009, the US Equal Employment Opportunities Commission (EEOC) received 30,641 harassment charges totaling \$80.5M in benefit claims.²

The third issue, information leaks of corporate intellectual property should be seen as the loss of tangible and valuable assets that must be protected both from internal and external sources.

Purdue University's Center for Education and Research in Information Assurance and Security surveyed 800 companies on intellectual property theft. These 800 companies estimated that they lost a combined \$4.6 billion worth of intellectual property last year alone, and spent approximately \$600 million repairing damage from data breaches. "Companies are grossly underestimating the loss, and value, of their intellectual property", said Eugene Spafford, professor of computer science at Purdue University and executive director of CERIAS. "Just like gold, diamonds or crude oil, intellectual property is a form of currency that is traded internationally, and can have serious economic impact if it is stolen." Intellectual property can account for as much as 85 percent of a company's value.³

Finally, the fourth issue, ensuring employee safety in 911 emergency situations is seen as vital, both from a moral obligation to employees and as a corporate legal risk. This is rapidly becoming a legal requirement for large corporations.

Twenty one states currently have E-911 legislation enacted or pending that requires organizations over a certain size or purchasing a new PBX to implement E911 for the safety of their employees, students, and visitors.⁴

Recommendations for Action

If the issues of highest importance to corporate executives in dealing with telecommunications detail data are in the area of corporate operational risks, then how can those risks be mitigated?

The first step is to identify the current status of the corporate response to each of the risks. An analysis of the systems currently in place to deal with each of the issues must be conducted. This can either be an internal review or it can be a contracted service.

At the conclusion of those analyses a frank and impartial review of the risk exposures generated by using the current systems must be done. An external consultant may be a very good alternative at this point in the process.

If the current systems do not meet the standard needed, then new systems must be reviewed and a costs versus risks assessment undertaken.

Many corporate level executives do not have a detailed background in the collection, retention, and analysis of telecommunications detail data. They may not be aware that systems which can identify harassing calls to/from employees, calls to/from competitors, calls to 911 operators, non-work related calls and activities already exist today. These systems can perform a monitoring, alarming and retaining process on an automatic basis.

These survey results should prompt corporate executives from the Security and GRC disciplines to begin a search for those tools and for those telecommunications companies such as ours with the necessary expertise to help ease the burdens of today's corporate communications requirements.

As a result of this survey, SAI will be making a concerted effort to inform you about the tools and services we offer to help mitigate the risks of maintaining modern communications systems.

Appendix A: Survey Methodology

The survey was conducted by direct phone conversation with each of the participants. The survey began August 24, 2010 and the survey results were tabulated on November 30, 2010.

This was an independent study on how companies are handling the burden of maintaining telephone & email detail records that meet with the requirements of legal, state and federal government agencies.

The survey questions were organized into three distinct sections, Security Issues, Corporate Risk Issues, and Financial Issues.

Security Issues

Each participant was asked to rank the importance of each statement to their company on a scale of 1 to 5 with 1 being Very Important and 5 being Not Important.

Issues:

1. Importance of complying with government mandates about detail data
2. Importance of adhering to E-Discovery requirements
3. Importance of maintaining records as evidence in legal actions
4. Importance of identifying telephone fraud activity

Corporate Risk Issues

Each participants was asked to rate the importance of each statement to their company on a scale of Critical, Important, Not Important

Issues:

1. Importance of identifying telecommunications systems abuse by employees
2. Importance of controlling employee harassment via telecommunications systems
3. Importance of identifying corporate confidential information leaks
4. Importance of correctly handling 911 notification situations

Financial Issues

Each participant was asked to rate the importance of the each statement to their company on a scale of Very Important, Important, Somewhat Important, Not Important.

Issues:

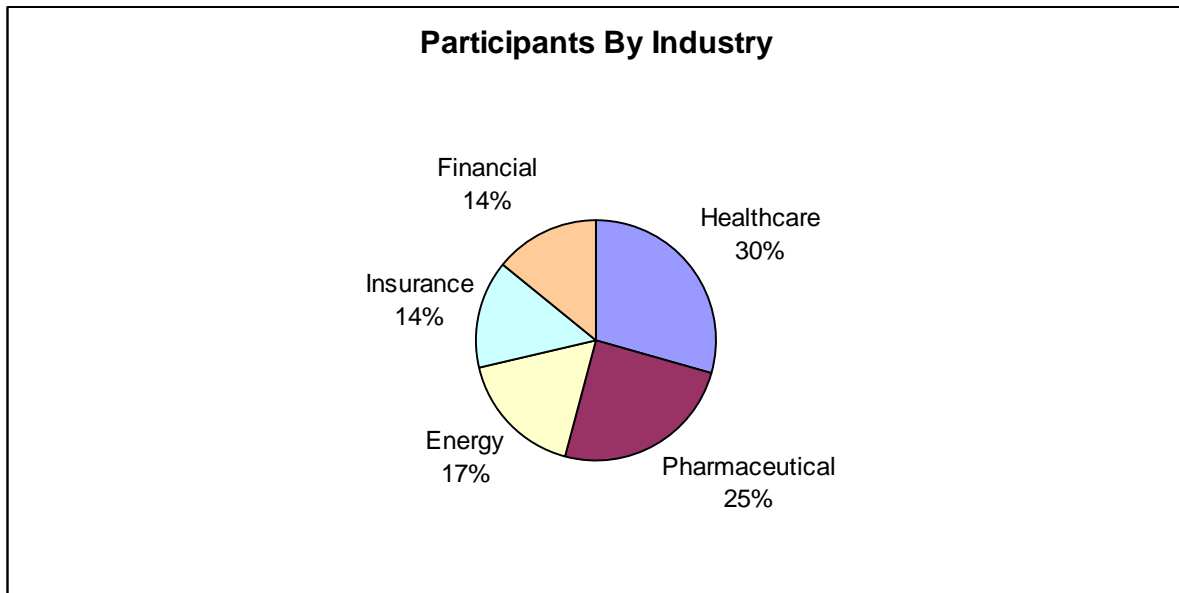
1. Importance of recovering third party telecommunications costs
2. Importance of holding line level managers accountable for business unit telecommunications costs
3. Importance of reducing costs incurred by underutilized telecommunications assets
4. Importance of complying with financial accounting guidelines by allocating usage sensitive costs
5. Importance of monitoring sales performance by tracking telecommunications usage

Participants

396 companies for contacted.

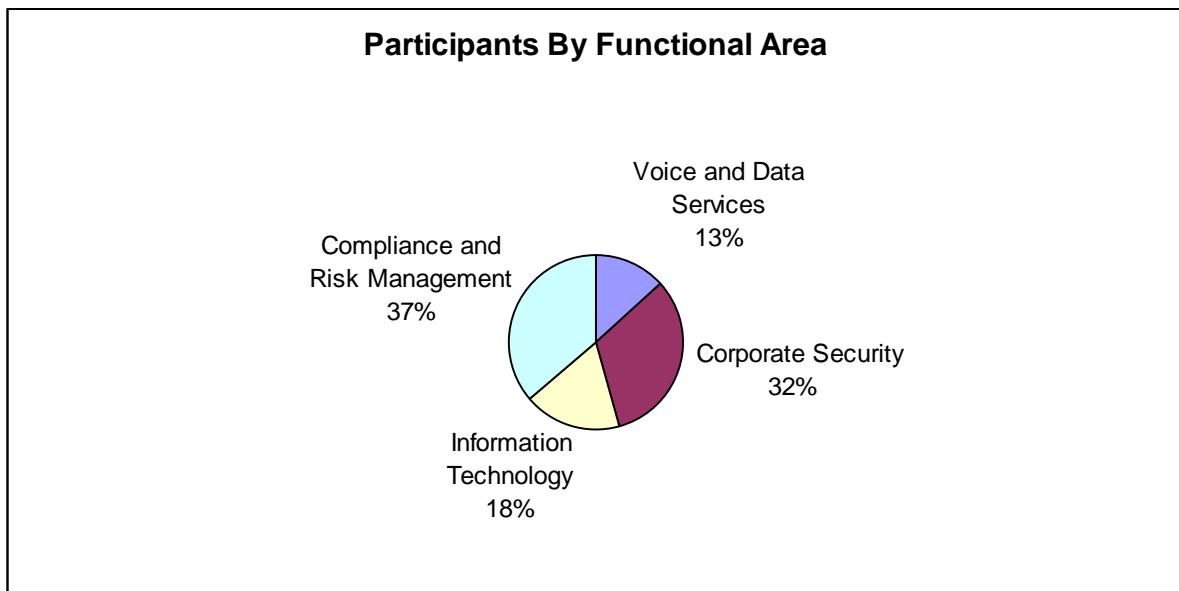
The breakdown of participants by industry was as follows:

Figure 4 Participants By Industry



The breakdown of participants by functional area was as follows:

Figure 5 Participants By Functional Area



¹ “Wasting Time at Work”, Salary.com, Fourth Annual Survey, 2008

² EEOC Web Site, www.eeoc.gov

³ Purdue University News Service, March 2009,
McAfee Inc., Press Release, January 29, 2009

⁴ 911etc Web Site www.911etc.com/legislation