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Sigma helps USA Compression prepare for its Initial Public Offering through a thorough IT assessment and sound recommendations for improving its network, server and backup infrastructure.

A company that decides to go public must ensure that its IT infrastructure can support the strict financial reporting requirements mandated by the Sarbanes-Oxley Act. That can be a daunting task, particularly for a fast-growing company with limited IT expertise and data centers that evolved over time.

When USA Compression filed for an Initial Public Offering (IPO), it needed to determine if its IT environment would satisfy Sarbanes-Oxley controls. The company called on Sigma Solutions to complete an assessment of its network, security, applications, and disaster recovery systems, and to recommend improvements.

"Sigma did a very thorough review of our infrastructure and our change processes," said Jody Tusa, CFO, USA Compression. "They also looked at our backup and disaster recovery requirements, and the security surrounding the access points into our systems. The assessment process took about 90 days.

"Sigma delivered two excellent reports to us. The first report fully documented our existing IT infrastructure, performance and operational practices, and identified existing and potential issues. The second report provided recommendations for remediation, and a blueprint for future growth utilizing best practices."

Ensuring Compliance

USA Compression is a natural gas compression service provider headquartered in Austin, Texas. It maintains a fleet of compression units that mechanically compress natural gas to create the pressure needed to facilitate production and transmission via pipelines. Founded in 1998, USA Compression is one of the largest independent compression service providers in the U.S., with more than 632,000 horsepower of compression equipment deployed across 13 states in the Central and Northeast regions. The company, which has a strong presence in the fastest-growing natural gas shale fields, filed for an IPO in mid-2011.

Once the company becomes public, it will need to comply with Section 404 of Sarbanes-Oxley, which mandates an annual evaluation of internal controls and

procedures for financial reporting. Internal controls are essentially rules for ensuring the integrity of a company's financial information, which could include basic IT security measures, risk management, transaction authorization and change management processes. More immediately, USA Compression needed to provide the underwriters of the IPO with a preliminary assessment.

"Within two years of becoming public, you have to go through the process of having auditors certify your internal controls. But when you prepare to go public, the underwriters want to see that you've done a preliminary assessment. So as a practical matter you do a lot of the work before you become a public company," Tusa said.

"We simply didn't have the resources to do this kind of assessment in-house. In addition, it was very clear to the executive team that we didn't have the expertise internally to make recommendations and then actually execute against them. That's why we called Sigma."

End-to-End Evaluation

Sigma was a natural fit for the engagement. Sigma has performed IT readiness assessments for a number of public companies, and has extensive expertise in all aspects of the data center and network environment.

"After some preliminary discussions about the work Sigma was doing for other public companies, the Sigma team came in to meet with us," said Tusa. "I vetted the engineers who were going to be on the ground doing this work for us. I recognized that they have the level of expertise needed to complete a complex IT assessment for a company that's going through the IPO process."

In order to ensure compliance with Sarbanes-Oxley, companies must consider a wide range of technology issues, such as how they archive e-mail, handle transactions and protect the confidentiality of records. To that end, Sigma assessed USA Compression's network infrastructure, server infrastructure and backup environment,

as well as its email system, phone system, power protection, physical access controls and much more.

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Platform for the Future

While there is nothing in Sarbanes-Oxley that explicitly mandates a technology solution, IT plays a key role in how companies make their accounting procedures more transparent to investors and regulators. For USA Compression, the need for IPO readiness and Sarbanes-Oxley compliance also offered an opportunity to ensure that its IT systems could support future growth.

At the time of the assessment, USA Compression's systems were running on five small servers in its Dallas office — in an area that also served as office space for IT staff. The Austin, Canonsburg, Pa., Moore, Okla., and Tulsa, Okla. offices were connected to the Dallas data center via a WAN. Sigma offered a number of recommendations for making the IT infrastructure more flexible, resilient and secure.

"Based upon those recommendations, we engaged Sigma to relocate our infrastructure into a controlled collocation facility here in Austin to improve security and disaster preparedness," said Tusa. "Through the relocation process, Sigma also implemented a number of best practices. We have since closed the Dallas office, and have all IT functions centralized here in Austin. We're in discussions with the Sigma group about additional steps."

A Sarbanes-Oxley assessment involves much more than legal and accounting — IT is an essential component. Sigma's expert assessment services helped USA Compression prepare for its IPO and eventual Sarbanes-Oxley compliance, and provided sound recommendations that will better support the company's business requirements into the future.