

White Paper

Why and How Fax-Document Management Plays a Central Role in Enterprise Compliance Strategies

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Executive Summary

Industry compliance is at the top of many companies' agendas around the world. And document management systems especially represent challenges for businesses trying to respond to legislation, regulations, or corporate-governance initiatives as they relate to workflow, access control, version control, and search and retrieval issues, all while not losing sight of core goals: efficiency, customer service, and profitability.

This white paper discusses how fax-document management, because it spans both the digital and physical paper realms and directly affects a range of key business processes across industries, has solutions that can address compliance in the areas of structure, repeatable processes, security, auditability, and archiving, while providing businesses with lower operational costs, increased productivity, and enhanced risk management/mitigation.

The fax server is an integral part of the fax-document management compliance solutions discussed in this white paper. These solutions include using Multi-Function Peripherals (MFPs) to replace the standard fax machine, integrating fax communications with business systems to reduce operating costs, using Direct Inward Dialing (DID) to securely route the electronic image to a specific recipient's email inbox, automating the archival and retention process, virtually eliminating manual search with searchable PDFs, and enabling enterprises to create and store a complete, auditable log of transmissions.

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Compliance: The Driving Force behind Enterprise Document Management

Whether it is the Sarbanes-Oxley Act, Freedom-of-Information Act, HIPAA, Basel II, SEC Rule 17(a) 4, or any number of other regulatory frameworks, legal and/or industry compliance has vaulted to the top of almost every company's agenda around the globe. Between July 2007 and July 2008, Forrester's security and risk management team received 1,798 inquiries on a variety of topics — 198 of which were from clients interested in Governance, Risk, and Compliance (GRC). Of the GRC-related inquiries recorded, 46% covered compliance best practices, 32% concerned GRC vendor selection, and 24% addressed risk management [Forrester].

Regardless of their source or governing authority, compliance with these invariably painstakingly detailed regulations requires some basic elements: structure, repeatable processes, security, auditability, and archiving.

Those compliance needs dovetail with many of the features found in document-management solutions that bring greater organization and control of documents — and serve as a foundation for numerous compliance-related initiatives. With their workflow, access control, version control, and search and retrieval features, document-management systems enforce the controls that companies seek to establish in their efforts to comply with legislation, regulations, or corporate-governance initiatives.

Aligning Compliance with Business Efficiency

In undertaking compliance initiatives, it is important for businesses to not lose sight of core goals: efficiency, customer service, and profitability. Aligning compliance initiatives with overarching business goals enables the business to benefit from compliance — not merely succeed in spite of the hindrances that compliance can bring. Properly implemented, document management means more than following the “letter of the law”, it represents:

- Smarter process flows
- Lower operational costs
- Increased productivity
- Enhanced risk management/mitigation

Although compliance expertise typically resides in legal and auditing disciplines and in the business units themselves, IT professionals can play a critical role in shaping how compliance efforts manifest themselves in the infrastructure. Compliance requirements can even be a catalyst for systems that improve the efficiency of enhanced, automated business processes. A cooperative partnership between these groups helps create the higher levels of efficiency, service, and automation while rigorously complying with necessary statutes and guidelines.

Organizational Pervasiveness of Fax Documents

Much of the emphasis of document management has focused on purely electronic documents: email, word processing, presentation slides, and so on. One document technology spans both digital and physical paper realms: fax. Fax documents are essential to a range of key business processes across industries — in critical functional areas such as purchasing, finance, human resources, legal, and sales. As of 2008, Davidson Consulting, a market-research firm, estimates there are still more than 130 million fax machines worldwide sending more than 80 billion faxes each year. [Davidson].

Consider the variety of instances and departments where faxes are a central communications medium. They are a vital presence in sales and legal departments (where contracts are faxed back and forth). Many purchasing departments continue to use fax as their exclusive method for issuing purchase orders. HR departments rely on faxes to receive resumes or send offer letters. And financial professionals often communicate with accounting firms and banks through faxing.

This huge installed base of fax machines is a dominant force that requires intelligent fax technology to play a central role in document management. If companies want to conduct business and remain in compliance, a fax-document management strategy can be a non-negotiable requirement.

Compliance and the Challenges of Fax Documents

With their ubiquity, familiar paper format, and simplicity, faxes remain a popular medium for information exchange. But they do present significant challenges for enterprises of virtually every size. Business process automation — streamlining,

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structuring, and accelerating the flow of information and execution of tasks and processes — can bring faxing challenges into sharp focus. Amplifying the challenges, of course, is the significant issue of regulatory compliance.

Unfortunately, in many companies, fax machines are “out on the floor”— using traditional scanning and printing technologies for input and output — and this presents shortcomings that directly affect compliance.

- **Security** — Given their usage patterns and costs, many companies deploy their fax machines as shared devices in public places. Unfortunately, that cuts directly against many regulatory frameworks, such as GLB or HIPAA, that mandate strict controls on the privacy of patient or customer information. It is important to restrict access to the sensitive data that typically pours in over the fax machine; for example, wage information, tax information, revenue forecasts, personnel matters, and much more (see “Common Fax Documents”). When that confidential information arrives by fax in a public location, it can be viewed and, therefore compromised, by “fax bystanders.” For this reason alone, traditional fax machines are not suited to many processes governed by compliance frameworks.
- **Process Control** — Without a dedicated user or log-on, walk-up fax machines and fax procedures are inherently unstructured. Faxes can arrive and depart without careful logging or routing. Not surprisingly, many may get lost before they reach their intended recipient. Paper trays empty out. Ink and toner cartridges run out. Machines jam. Output quality can fluctuate. For processes that rely on documents, it can mean that sound business processes deviate from their defined steps through the shortcomings of standard fax appliances.
- **Auditability** — Most compliance frameworks — particularly Sarbanes-Oxley — require outside parties to audit processes, documents, and results and make determinations about the controls that are in place. For example, Sarbanes Oxley compliance requires virtually any document (in any media) be tracked if it is a record of a transaction, either in part or in whole, that affects the income statement. That could encompass virtually everything from sales quotes to purchase orders to invoices. Traditional faxing is an inherently unaudit process and thus does not provide the necessary recorded, transparent trail of document flows, routings, reviews, and approvals.
- **Archiving** — Retention requirements vary based on the governing legislation, but companies need the ability to efficiently store and quickly produce selected documents on-demand for auditing and legal-discovery processes. Faxes are often the documents that fall through the cracks.

Ultimately, many traditional appliance-based, publicly accessible fax transmissions and receipts evade the careful, compliance-driven controls. Companies are systematizing their processes to meet compliance requirements (and improve their efficiency and customer service as well) — and it is time for fax solutions to join and fully support those efforts.

Common Fax Documents

The following are samples of commonly faxed documents:

- Contracts
- Purchase Requisitions and Purchase Order (POs)
- Shipping Confirmations
- Resumes
- Invoices
- Non-Disclosures
- W-9 Forms
- Benefits Enrollments
- ESOP Documentation
- Offer Letters
- Proposals
- Sales Pipeline Reports
- Tax Filings
- Banking Documents
- Payroll Reports
- Trade Confirmations
- Insurance Claims
- Expense Reports
- Time Sheets
- Sales Quotes
- Health Plan Forms

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Multi-Function Peripherals Replace the Standalone Fax Machine

Many of the challenges pointed out in the previous section can be effectively dealt with by implementing Multi-Function Peripherals (MFPs) used in conjunction with a fax server.

The addition of MFPs can further enhance the value of an overall fax solution because they allow users' documents to be captured by the fax document management system without requiring users to modify their standard work routines. If existing standard operational procedures have developed in which staff members are accustomed to using traditional fax machines, the introduction of MFPs can maintain these procedures while accessing the benefits of a Fax over IP (FoIP) fax server. Users still enter a destination fax number into the MFP, scan a document, and once the document is sent, get a confirmation. However, in reality, the destination number is collected by the MFP and the document is scanned. The destination and scanned image are then transferred to the fax server, where the information can be archived and indexed before it is sent by the fax server. The confirmation receipt is then printed at the originating MFP.

Fax Server Solutions: A Higher Level of Document Management for Compliance

As enterprises and IT professionals contemplate strategies to improve compliance while streamlining their business processes, many are giving fax servers careful scrutiny as a potential solution to these challenges. As the name suggests, a fax server supports centralized faxing services for network-connected nodes. A fax server enables users to add cover pages, specify transmission instructions, integrate contact information from address books, send faxes from enterprise applications, automatically email incoming faxes to named recipients, and so forth.

The advantages of a fax server are numerous, of course, because a central server is managing the flow of faxed information in an electronic, not paper, format. That immediately enables IT departments to structure how that information is accepted, routed, audited, and archived. The capabilities and benefits of this approach include:

- **Integration with Other IT Systems** — Integrating fax communications with business systems speeds up processing, eliminates human errors, and lowers operating costs associated with manual fax processes.
- **Capture and Stored Electronically** — Fax servers capture faxes as electronic images, such as a PDF or TIF file. The result: easier (and lower-cost) storage, access, and the ability to share securely.
- **Inbound Fax Routing** — Regulatory compliance makes secure inbound-fax routing a cornerstone of any solution. By utilizing Direct Inward Dialing (DID), the fax server intercepts an inbound call, captures the fax, and routes the electronic image to a specific recipient's email inbox. This causes the fax to be delivered directly to the intended recipient and eliminates the risk that sensitive documents will be intercepted by someone else at a fax machine. This privacy/security is a critical component of how fax servers improve regulatory compliance.
- **Document Management Integration** — With their built-in check-in, check-out, storage, and retrieval of electronic documents, document-management systems complement fax servers to automate the process of archiving faxes as they are sent or received. This helps the enterprise conform to relevant rules for archiving and retention.
- **Searchable Indexes** — Some fax servers incorporate or integrate with technology that enables them to index incoming fax documents to create a searchable PDF document for later retrieval. This capability can significantly mitigate legal-discovery or auditing costs by eliminating the need for manual sifting through thousands or even millions of documents. Instead, users can search for a key search phrase and quickly retrieve a "results" set of relevant documents.
- **Workflow Integration** — Fax server systems can integrate with business process management or workflow applications that extend automated processing of faxed documents. For example, a company could specify a process under which a faxed document must first be forwarded to a supervisor for review prior to transmission.

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- **Security** — Fax servers enable users to send faxes from their own computers, rather than printing them, walking over to a public fax machine, perhaps waiting in a queue of colleagues, possibly leaving sensitive information in plain view, and unintentionally exposing sensitive information, all in an effort to send a paper-based fax via a fax machine. It is a similar story for inbound faxes as well — electronic routing ensures only intended recipients receive the documents.
- **Improved Auditing** — A fax server integrated with a comprehensive document management solution enables enterprises to create and store a complete, auditable log of their inbound and outbound transmissions, including length/pages, time, and destination/source, as well as any indexed searchable content. This provides transparency of controls processes.

Dialogic Fax-Document Management Options

When purchasing a fax server or fax-document management solution, it is important to consider both efficiency and compliance issues. The fax technology chosen can significantly influence the performance, reliability, and security of the overall fax-document management solution.

Dialogic has the experience, products, and quality for delivering the performance that enterprise compliance solutions require.

- **Intelligent-Fax Experience and Leadership** — Dialogic has more than 20 years of experience in network fax, pioneering the intelligent fax-board category in 1987 and today offering an unparalleled range of globally approved intelligent fax technologies. Dialogic has continually innovated and contributed to the improvement of facsimile technology, such as by co-authoring the T.38 real-time FoIP protocol that is quickly being adopted by fax technology providers around the world. The Dialogic® Brooktrout® line of intelligent fax products also supports a wide range of telecommunications networks including analog, BRI, PRI, and IP.

- **Largest Supporting Network of Fax Application ISVs** — As of 2008, more than 50 fax application software companies support the Brooktrout line of intelligent fax products, providing a wide range of solutions to support specific compliance and document management systems needs.
- **Inbound Fax Routing** — Dialogic holds numerous fax-related patents, including ones that cover inbound DID fax routing — a critical feature of fax-document management and workflow systems for compliance that ensures documents are routed to intended recipient and not exposed to “prying eyes.”
- **Secure Fax-Only Design** — The Dialogic® Brooktrout® TR1034 Fax Boards and Dialogic® Brooktrout® Trufax® Fax Boards are for facsimile communication. By contrast, multipurpose voice/fax boards and ISDN adapters support data communications protocols (for example, V.90) that go unused by fax applications, but are vulnerable to attack from outsiders. This is not an issue with the Dialogic® Brooktrout® Fax Boards.
- **Robust Fax Protocol Implementation** — The T.30 fax communication protocol is the heart of any fax device, and Dialogic’s implementation of T.30, has received unrivaled field testing as compared to other T.30 protocol stacks on the market. For compliance systems, where a failure to capture a critical document or loss of important information is not acceptable, the Brooktrout line of intelligent fax products can deliver mission-critical reliable faxing.
- **Commitment to Customer Service** — Dialogic offers Dialogic® Pro™ Services, which deliver a full range of service capabilities for businesses that create products or services for mobile and fixed telecoms worldwide. Customers can choose among a wide array of contracts and service levels to suit their specific needs.

As a business grows, so will the need to expand the fax server. The Dialogic® Technology Expansion Capability (TEC) can easily and efficiently increase the number of channels on an existing Brooktrout TR1034 Fax Board with a simple software key.

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[Forrester] Inquiry Spotlight: Governance, Risk, And Compliance, Q3 2008, Chris McClean November 3, 2008, web document excerpt —

<http://www.forrester.com/Research/Document/Excerpt/0,7211,47047,00.html>

For More Information

Dialogic® Brooktrout® Fax Boards —

http://www.dialogic.com/products/tdm_boards/fax_boards/default.htm

Dialogic® Brooktrout® TruFax® Fax Boards —

http://www.dialogic.com/products/tdm_boards/fax_boards/trufax.htm

Dialogic® Pro™ Services —

<http://www.dialogic.com/products/services/default.htm>

Expansion Capability Allows Increased Feature Set for Dialogic® Brooktrout® TR1034 Fax Board —

http://www.dialogic.com/products/docs/techbrief/10965_TEC_tb.pdf

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