Sarbanes Oxley Act Sox And Not The Ones On Your Feet!

By Earl Powers

Sarbanes Oxley Act falls under 'Corporate and Auditing Accountability, Responsibility, and

Transparency Act' or 'CAARTA' act which was passed by the US Senate Banking Committee with the support of President Bush. This act was passed to strengthen corporate governance and improve investor confidence. Sarbanes Oxley Act ensured the accuracy and reliability of disclosures from the corporate world. This came into force to avoid any financial scandals from corporate giants.

Sarbanes Oxley Act is more often known as SOX or Sarbox but is actually officially termed as Public Company Accounting Reform and Investor Protection Act of 2002. It is the single most important piece of legislation that affects the corporate governance, financial disclosures and the practice of public accounting. Sarbanes Oxley Act prevents the large corporate giants to commit and financial frauds. This act also punished such corporate that showcase irregularities in their financial accountings. After the Sarbanes Oxley Act came into affect is strengthened investor confidence as this law bring the defaulters to justice and protects the interest of workers and shareholders.

According the Sarbanes Oxley Act the large companies need to meet the financial reporting and certification mandates for any year end financial statements. This act is organized into 11 titles but in actual case only subset of these titles relate to the compliance to the complete law.

Sarbanes Oxley Act established new standards for corporate boards and audit committees. This law implements criminal penalties on large corporate companies for defaulting and sets new accountability standards. Sarbanes Oxley Act gives more freedom the external auditors to set new standards of governance. This act also issues accounting standards and oversees public accounting firms.

With the increase of regulatory norms, more and more companies are coming under the scrutiny of Federal government. Those companies that specially obtain lists and store personal information come under special scrutiny of Sarbanes Oxley Act. Lately, there had been review stating that Sarbanes Oxley Act has been too stringent on the companies. The most talked about section of the Sarbanes Oxley Act is the Section 404 which seeks to enhance reliability of internals controls over financial reporting. These tightened internal control implemented as a result of Sarbanes Oxley Act has lead strains on companies as well as the accounting firms.

A proper regulatory framework with more stringent rules and a company with proper internal regulatory body delivers the most accurate and transparent financial reporting. This law is administered by Securities and Exchange Commission. This body sets rules and deadlines for the compliance and published rules on the requirements.

The three rules of Sarbanes Oxley Act regulate the management of electronic records. The first rule refers to the falsification, destruction and alteration of records. The second rule states the retention of records by any company so as to how long the records should be stored. The third rule refers to the type of business records that need to be stored.

A total comprehensive study of the Sarbanes Oxley Act and its implementation by the corporate bodies deliver the most transparent and factual financial records for the company.

Earl Powers, US Lawyer and Sarbanes Oxley Compliance expert at Aquest Group LLC (

http://www.404−sarbanes−oxley.info

) publishes other articles related to Sarbanes Oxley Compliance at

http://www.sarbanes−oaxley.info

and

http://www.sarbanes−oxley−training.info

Sarbanes Oxley Training

By Earl Powers

The Sarbanes Oxley Act is incredibly complex and affects several different parts of your corporation in different ways. In order to comply properly with it, you will probably need specific targeted training for what your CEO and CFO need to know about the Sarbanes Oxley training; what your IT department will need to do; what your Board of Directors should be reviewing; and how to oversee Sarbanes Oxley training in its entirety in your business.

That's a lot of Sarbanes Oxley training. Small and large corporations both should be concerned about getting training targeted to addressing Sarbanes Oxley. With smaller companies, generalized Sarbanes Oxley training for everyone along with perhaps a specialized class or two for the IT department on SOX 404, and a class for the accounting department on how auditing and accounting procedures are affected. For larger corporations, more specialized classes may be necessary.

Suggested classes for Sarbanes Oxley training

All affected personnel in the executive, accounting, and IT departments, as well as key middle management, should get overview training on the Sarbanes Oxley Act. You might consider having this sort of class before starting specialized Sarbanes Oxley training, and following up at the end of all classes with a debriefing meeting for the same personnel, so that special concerns can be brought up and addressed at the same time for everyone.

A course on understanding section 302 of the Sarbanes Oxley Act is a must for executive management. A good course on this section will teach you the following:

What you're really certifying. What disclosure controls and procedures are, and how they differ from internal controls. What steps you should take immediately to implement Sarbanes Oxley. What you should do long−term for Sarbanes Oxley. What you should do prior to signing off on financial reports.

Your IT department will need some serious training on SOX 404, the part about your internal controls over financial reporting. IT departments have proven to be critical to providing these controls, and they will need to understand what controls they should provide, what they need to change about their current IT practices, and what new software they may need to implement.

Your accounting department will probably need Sarbanes Oxley training in a variety of different areas, including SOX 404 and intensive instruction on what kind of auditing procedures they need to implement. In addition, you should consider having a full review of your accounting and auditing practices by a professional trained in Sarbanes Oxley requirements who can examine your entire financial management procedures and determine what Sarbanes Oxley training your company will need in order to comply with these new laws.

After Sarbanes Oxley Training

As you have gathered by now, the Sarbanes Oxley Act is a very complex piece of legislation that will have a real impact on the way you do business for many years yet to come. After your initial implementation of [Sarbanes Oxley training], you should have someone in your organization taxed with keeping up with new developments, and at least consider followup training every year. The full effects of the Sarbanes Oxley Act are impossible to predict, but if you get the best Sarbanes Oxley training available right now, it should have a minimal impact on your business.

Earl Powers, US Lawyer and Sarbanes Oxley Training expert at Aquest Group LLC (

http://www.sarbanes−oxley−training.info

) publishes other articles related to Sarbanes Oxley Training at

http://www.sarbanes−oakley.info

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