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Sarbanes Oxley Compliance – Will Tighter Controls Work?

By Earl Powers

Sarbanes Oxley act had been levied for tighter controls and stricter regulations for company's

internal controls. According to the Sarbanes Oxley compliance companies with market capitalization of more than \$75 million need to file their financial reports by the June 15th. This date was alter amended up to 15th November. All other companies need to files their financial return for any fiscal year by 15th July.

Sarbanes Oxley compliance with section 302 requires any CEO or CFO to certify the accuracy of annual or quarterly financial reports for the company. Any inaccurate or falsified facts are subject to penalty under law. This section also makes a CEO or CFO to establish and maintain internal controls. It also makes them eligible to evaluate these controls and measure their effectiveness. As per Sarbanes Oxley compliance, a CEO or a CFO is eligible to report any deficiency in the design and operations of internal controls. They can report any fraud and rectify any errors in the system of internal controls.

Sarbanes Oxley compliance with section 404 requires the company's annual report to carry a report on internal controls of the company. This report on internal controls as per the Sarbanes Oxley compliance should state the role of management in maintaining and establishing total internal controls in the financial system of the company.

In case of IT companies, they are also required to be in Sarbanes Oxley compliance while filing their financial reports for any fiscal year. An IT person with business perspective can spearhead the compliance effort of any IT project. IN case of IT companies the internal controls need to be broken up in to two categories of general controls and applications controls. As per the Sarbanes Oxley compliance for an IT company it is required to evaluate the systems processes that end up effecting key controls over financial reporting.

A good idea to implement Sarbanes Oxley compliance is to begin with simple and normal Sarbanes Oxley compliance controls. Then one should work backwards to determine the systems and processes that need to be documented in the financial report.

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In case of companies where the work is outsourced the Sarbanes Oxley compliance needs to be documented in differently. This is because the total work is done by an external agency. This is also especially important because any external agency would never give any document or certificate like SAS70 Type II or similar report. In such a case the company is required to document the whole process that has been outsourced as if the whole process has been done internally and state all the internal controls and regulation applied on that process which has been outsourced.

In some cases it is suggested that as per Sarbanes Oxley compliance that the IT department is required to hold the keys to maintaining logs, usernames and passwords for the financial controls. This is not mandatory for all companies. Usually an IT department is required to create the roles and finance department directs as to who would hold the keys to those roles specified. But some times it is risky to implement such a practice. This is because if the IT department reviews the logs and holds the key to manage them it might be possible that some important records would be deleted. Thus in such a case the Sarbanes Oxley compliance states that the usernames and passwords etc should be with the

IT department and finance department should have the last word on the same.

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

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Sarbanes Oxley Section 404 Or Was That Page Not Found 404!

By Earl Powers

Sarbanes Oxley 404 refers to the section 404 of the Sarbanes Oxley act according to which it entitles to have stricter internal controls while documenting the financial status of the company. Most of the senior executive in the top corporate world emphasize on compliance with Sarbanes Oxley 404 section.

Sarbanes Oxley 404 is directed towards management, members of corporate teams working toward assessment of internal controls over financial reporting and audit committee members. It resolves a number of important issues that pertain to the Sarbanes Oxley 404 compliance of management's assessment process.

Sarbanes Oxley 404 relates to management's overall responsibilities, over financial reporting. It gives

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management to have stringent controls over the total process of assessment and documentation of company's financial status. Although several help guides and complete illustrations of the Act are available in the market but the management should consult with auditors or professionals like a legal counsel to understand the total compliance with the Sarbanes Oxley 404 section.

Sarbanes Oxley 404 also illustrates information that helps in assistance of audit committee members and company management to understand their individual roles. It also points an overview to the added new responsibilities of the key executives in helping the total process of documentation as per the compliance of Sarbanes Oxley Act.

Sarbanes Oxley 404 also helps audit committee members to understand their broader duties, and to clarify the issues faced by senior executives. After the signing of the Sarbanes Oxley act in 2002 the senior executives are faced with greater potential exposure to personal liability towards the total documentation process of the financial status of the company.

There are several vendors that offer Sarbanes Oxley software which specially deals with particular section of the act. Software offered by OpenPages especially refers to Sarbanes Oxley 404. It allows the company to automate the quarterly test and review of internal controls to lower the costs associated with compliance to the act over each quarter. This software offered by OpenPages has user-specific home pages. It also contain various other features that make is more friendly to use. These features are mainly easy navigation, capability to create interactive report, integration of email feature. This software also holds key areas of functionality. These issues refer to issue management and monitoring, management of the project, documentation and compliance automation.

After the compliance with Sarbanes Oxley 404 many executives feel that there has been a lot of improvement in company's documentation procedure after using the Sarbanes Oxley software offered by various vendors. Majority of key executives felt the need to have compliance with the law as it provides more transparent results and financial status of the company. It also offers more controls to key executives over documentation procedures.

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

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