How Sarbanes Oxley Can Affect Your Organization

The late 90's and early part of this century found the country rocked by corporate scandals of an unprecedented nature. The collapse of publicly trade companies, the extraordinary personal enrichment of corporate executives through fraudulent behavior, and the wiping-out of pensions and life-savings of untold thousands of workers and investors left the country angry and reeling.

Congress mobilized to meet the crisis of shaken investor confidence and to protect employees. The Sarbanes-Oxley Act of 2002 (SOX) profoundly changed the landscape for publicly traded companies and forced them to adopt certain policies and procedures with respect to fraudulent activity. Following is a summary of the key provisions.

Sarbanes Oxley Act

On July 30, 2002, President George W. Bush signed into law the "Sarbanes-Oxley Act of 2002," which applies to U.S. and non-US public companies that have registered securities with the SEC. The act installs laws and regulation around corporate governance including the regulation of accounting firms who audit public companies, laws regarding the responsibilities of officers and directors of those companies, and laws regarding corporate reporting and enforcement. Following is a summary of the Corporate Code of Conduct and Ethics components of the Act.

SOX Section 301 – Reporting Mechanism

The Audit Committee of a public company must provide procedures for the "receipt, retention and treatment of complaints regarding questionable accounting or auditing matters."

The Audit Committee of a public company must provide a confidential mechanism for employees to remain anonymous when reporting concerns about accounting or audit irregularities.

SOX Section 404 – Annual Report Disclosure

The Annual Report must contain a statement regarding the effectiveness of internal controls.

SOX Section 406 – Financial Officers Code of Ethics

Public companies must disclose whether the company has adopted a written code of ethics for the company's principal executive officer, principal financial officer, principal accounting officer or controller, or persons performing similar functions. If the company does not have a code of ethics it must explain why it does not have such a code. The rules state that the company must make the code of conduct available publicly using one of the following methods:

- As an exhibit to the company's annual report.
- As a posting on the Company Web site, providing the Web site address is provided in the annual report.
- Through offering a copy of the Code of Ethics in its annual report free of charge to anyone requesting it.

SOX Section 806 – Employee Whistleblower Protection

Prohibits a public company from discharging, demoting, suspending, threatening, harassing, or in any other manner discriminating against any officer, employee, contractor, subcontractor, or agent who provides information or assists in an investigation regarding an alleged violation.

SOX Section 1107 – Criminal Sanctions

Prohibits managers from retaliating or taking any harmful action against an employee who takes action. Managers found guilty of retaliation face fines and up to 10 years in prison.

Ethical Advocate will assist you in meeting SOX requirements and create a culture of ethics and accountability

Ethical Advocate will work with your company to ensure the highest level, easy to use procedures are effectively developed to meet SOX requirements and more.

Ethical Advocate... the right place to do the right thing