Sarbanes-Oxley and public reporting on internal control: Hasty reaction or delayed action

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SYNOPSIS

Since its passage, the Sarbanes-Oxley Act of 2002 has been criticized, and praised, by many on numerous grounds and claims. However, no single provision of this law has come under more attack than Section 404, which mandates public reporting of internal control effectiveness by an issuer's management as well as its independent auditors. Even after 10 years, the opposition to the Section 404 internal control requirements has continued to the point where the U.S. Congress through two separate Acts—the 2010 Dodd-Frank Wall Street Reform and Consumer Protection Act, and the 2012 Jump Start Our Business Startups (JOBS) Act—have permanently exempted the non-accelerated SEC filers and the “emerging growth” issuers with revenues of $1 billion or less from Section 404(b) of the Sarbanes-Oxley Act of 2002. Many of those who oppose the Section 404 requirements rest their claim on grounds that the U.S. Congress acted in haste in mandating the public reporting of internal controls by U.S.-listed companies and that the issue was not well thought out or debated. They also contend that the U.S. Congress acted under pressure because of the public outrage over the bankruptcy filings of Enron and WorldCom. To the contrary, this paper shows that the debate over public reporting of internal control by U.S. public companies is more than six decades old, dating back to the McKesson & Robbins fraud. This paper reviews relevant legislative proposals, bills introduced in both the House and the Senate, regulatory efforts by the SEC, and the recommendations of many commissions set up by the private sector to inform the reader how these efforts were the deliberative precursors to what was eventually codified in Section 404 of the Sarbanes-Oxley Act of 2002.
and public accounting firms. A number of provisions of the Act also apply to privately held companies, such as the willful destruction of evidence to impede a federal investigation. The bill, which contains eleven sections, was enacted as a reaction to a number of major corporate and accounting scandals, including Enron and WorldCom. Section 806: Civil action to protect against retaliation in fraud cases. 6 Filing Procedure. The bill was enacted as a reaction to a number of major corporate and accounting scandals, including those affecting Enron, Tyco International, Adelphia, Peregrine Systems, and WorldCom. A report on the adequacy of a company's internal control on financial reporting, is often singled out for analysis. 

==TITLE II—AUDITOR INDEPENDENCE==

(a) PROHIBITED ACTIVITIES—. Section 10A of the Securities Exchange Act of 1934 (15 U.S.C. 78j-1) is amended by adding at the end the following: ``(g) PROHIBITED ACTIVITIES— Except as provided in subsection (h), it shall be unlawful for a registered public accounting firm (and any associated person of that firm, to the extent determined appropriate by the Commission) that performs for any issuer any audit required by this title or the rules of the Commission under in evaluating internal controls for the Sarbanes-Oxley 404 certification process, PwC recommends an implementation plan for management that addresses the following critical tasks: 1. Form a project team to allocate responsibilities, assess resources, decide on an approach, and establish timing. 2. Collect data on the current controls environment, by assessing areas of risk and reviewing existing practices. Report this Document. Description: Sarbanes-Oxley Act, Internal Control, And Management Accounting. Copyright: Attribution Non-Commercial (BY-NC). Available Formats. Download as DOC, PDF, TXT or read online from Scribd. Flag for Inappropriate Content. Download Now. SaveSave Sarbanes-Oxley Act, Internal Control, And Manageme For Later. 0 ratings0% found this document useful (0 votes). 1K views2 pages. D. A company's auditors are required to report on management's assessment of internal controls. E. All of the above statements are true. Answer: E LO: 2 Type: RC T. The provisions of sections 302 and 404 of the Sarbanes-Oxley Act (as originally enacted) have proved especially troublesome for: A. Small businesses.