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Miscellaneous Expenses

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"An organization's biggest threat in the 21st Century is ignorance in corporate governance"

Statistics are an interesting beast to analyze, and basing company projections on another's random survey may be a precarious procedure to say the least. A recent study conducted by CFO Magazine would make an executive question how proper analysis is conducted, and how proper understanding of a questionnaire can result in positive correction of a questionable situation.

CFO Magazine conducted a study, which included 220 senior financial executives from private and public companies regarding the Sarbanes-Oxley Act of 2002. The following data was accumulated:

- 56% of senior financial executives do not track the costs of implementing Sarbanes-Oxley
- 48% of senior financial executives plan to never track the costs of implementing Sarbanes-Oxley
- 48% of senior financial executives estimate the total costs to implement all portions of Sarbanes-Oxley to exceed $500,000 to more than $5 million in the next 5 years
- 33% of projects or incentives have been reported as declined or canceled as a result of Sarbanes-Oxley, as reported by surveyed senior financial executives.

Let us analyze these statistics in the most simplistic of terms. First and foremost, Sarbanes-Oxley was implemented to reduce fraudulent activity to protect shareholders against corporate malfeasance. The second rational behind the Act was to maintain accountability of corporate chieftain's organizational responsibilities to the general public. The glaring error in these reported statistics is obvious: Why would 56% of senior financial executives avoid tracking costs of a law that imposes financial hindrances in excess of $500,000 (up to 5 million), and purportedly decreases projects and incentives by 33 percent? Are the statistics incorrect, or are senior executives clearly lazy? We would assume the later is not true.

It is a corporate executive's responsibility to track costs and maintain a legitimate record of enhanced accountability of compliance directly related to the Sarbanes-Oxley Act. If you fall under the 56 percentile of disregarding tracking responsibilities, you are not only disrespecting your corporate responsibilities, but you are also participating in a great injustice to your shareholders as well. Ignorance is no longer bliss in the world of corporate governance. Compliance is no longer an option, and the accounting records of an organization cannot be misconstrued.

Hopefully your organization is not categorizing the costs of the most important legislation since the 1933/1934 Act under “miscellaneous expenses”.