March 2005

Sarbanes-Oxley Safeguards Against Corporate Terrorism

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The egregious acts conducted by organizational leaders in large public companies such as Enron, Tyco, MCI WorldCom, Global Crossing, and Arthur Andersen have served to demonstrate a critical need for the creation of the Sarbanes-Oxley Act of 2002 (The Act). The primary intention of this new federal law is to protect individual investors from fraudulent activities of publicly traded entities. The Act will not eliminate corporate fraud in its entirety, but it will monitor the fiscal responsibility through all management levels within publicly traded entities. Most of the reporting requirements in the Sarbanes-Oxley Act will come into full effect on or before April 15, 2005.

Although corporate terrorism was not the original intention of the Act, some unintended results on publicly traded companies may have been implemented that may have a positive affect to the business culture and organizational safety of these entities in safeguarding themselves against acts of terrorism.

Between the years of 1998 through 2001, the Securities and Exchange Commission (SEC) reported 1,596 securities professionals, under Section 703(a)(1) of the Sarbanes-Oxley Act of 2002, aided or abetted in violations of the Federal securities laws. The most frequently abused violation made by securities professionals were identified as violations under the antifraud provisions of the Securities Act of 1933 and the Exchange Act of 1934   Those included in the report were public accounting firms, public accountants, securities brokers, dealers, investment advisors and investment bankers who practice before the SEC. These are potential areas a terrorist will use to penetrate a corporation's financial longevity through bribery and monetary pay-offs.

Chief executives were found responsible for inflating corporate financial statements to shareholders and Wall Street analysts, when in reality the organizations were fraudulently concealing large amounts of debt and financial inaccuracies; a terrorists play field. The Sarbanes-Oxley Act adopted by Congress and signed by President George W. Bush on July 30th, 2002, was enacted, in which to require all entities operating within the realms of the Commission's jurisdiction must comply "To protect investors by improving the accuracy and reliability of corporate disclosures made pursuant to the securities laws, and for other purposes".

As a result of this new law, the following changes have been imposed on publicly traded firms, which include, but are not limited to:

1. Auditor Independence: The practice and scope of auditing, pre-approval requirements, auditor rotation, reporting, conforming standards, conflicts, and regulatory authorities considerations.
2. Corporate Responsibility: Audit committees, conduct, bonuses and profits, penalties, insider trading, responsibilities of attorneys and investor funds.
3. Enhanced Financial Disclosures: Periodic reports, conflict of interest, principle stock holders, internal controls, ethics, and disclosures.
4. Analysts Conflict of Interest: Security analyst treatment by regulatory and self-regulatory agencies.

5. Commission Resources and Authority: Appropriateness, authorization, appearance before the Commission, penny stocks, qualifications of broker and dealers.
6. Studies and Reports: Public accounting consolidation, credit rating agencies, violators and violations, enforcement actions, and investment banks
7. Corporate and Criminal Fraud Accountability: Alteration of documents and criminal penalties, debts, securities fraud statute of limitations, obstruction of justice, protection of employees, and criminal penalties.
8. White Collar Crime Penalty Enhancements: Conspiracy, mail and wire fraud, Employee Retirement Income, and corporate responsibility.
9. Corporate Tax Returns: Corporate tax returns and signatory rights of chief executive officers.
10. Corporate Fraud and Accountability: Tampering of records, temporary freeze of documents, sentencing guidelines, criminal penalties, and informant retaliation.

Most areas addressed in the Sarbanes-Oxley Act will not only protect a public company from corporate malfeasance, but the safeguards imposed will also tighten the organizations internal threats against corporate terrorism. Plan to make Sarbanes-Oxley your #1 issue for implementation.