SOX: Creating the Public Accounting Oversight Board & Increased Corporate Responsibility- The Sarbanes-Oxley Act (“the Act”) was passed in July 2002 in response to the rash of real and perceived failures in corporate governance and financial disclosure. The Sarbanes-Oxley Act, also known as Sarbox or SOX, was passed in July 2002 in response to the rash of real and perceived failures in corporate governance and financial disclosure.

SOX corporate governance guidelines include:

• An increase in the direct responsibility of senior corporate managers for the quality of their company’s financial reports and disclosures.

• An increase in the audit committee’s independence from the company and its responsibility regarding the company’s auditors.

• Limitations on the types and nature of services that auditors can provide to a publicly traded, audit client.

• The creation of an independent Board to oversee auditing practices regarding publicly traded companies.

While there was an initial corporate outcry, particularly about the expense of compliance which is proving valid, corporate attitudes generally have shifted. As corporations investigated and implemented responses to the Sarbox Act, they are recognizing that compliance can result in improved processes, both financial and operational, increased efficiency better and more timely planning information and that more transparency enhance access to capital and capital at lower cost.

The SOX Act increases the direct responsibility of senor corporate managers for the quality of their company's financial reports and disclosures.

Among other things, the Sarbanes-Oxley Act:

1. Requires the Chief Executive Officer and the Chief Financial Officer to certify that the company’s financials fairly present the company’s financial condition.

2. Requires forfeiture and return to the company of any bonus, stock or option compensation received in the twelve months following a misleading financial statement that subsequently results in a restatement.

3. Requires accelerated reporting by insiders – such transactions must now be reported by the second day following the transaction

4. Requires the company to report all off-balance sheet transactions.

5. Requires that if the financials contain any pro forma disclosures they must be more straight-forward.

6. Requires that all annual reports filed with the SEC include a statement by management asserting that it is responsible for creating and maintaining adequate internal controls and assessing the effectiveness of these controls.

7. Requires a statement as to whether or not the company has adopted an ethics code for senior financial officers and if not, why not.

8. Precludes corporate loans to officers and / or directors.

9. Requires that an attorney who is aware of a material violation of the law must report it to the senior attorney or the company’s Chief Executive Officer. If the person on notice does not move to fix the violation, the attorney must report his findings to the audit committee or the board of directors.

10. Establishes a new federal crime for securities fraud, the Corporate and Criminal Fraud Accountability Act of 2002, which includes a lengthy prison term upon conviction.