**Corporate Accountability: A Summary of the Sarbanes-Oxley Act**

Sarbanes-Oxley has been called by many the most far-reaching U.S. securities legislation in years. Now, all companies required to file periodic reports with the Securities and Exchange Commission (SEC) have new duties for reporting and corporate obligation. Non-compliance comes with significant penalties.

Within this article, we'll take a closer look at six main areas of the Act:

(1.) the oversight board

(2.) increased auditor independence

(3.) Greater financial disclosures

(4.) Conflict of interest disclosures for analysts

(5.) Corporate and criminal fraud accountability and

(6.) Sharpened responsibilities for attorneys.

**Oversight Board:** The Public Company Accounting Oversight Board was created to oversee the audit of public companies. This board sets standards and rules for audit reports. All accounting firms that audit public companies must register with the Oversight Board. It also inspects, investigates, and enforces compliance from these registered firms.

**Auditor Independence:** Auditors now have a list of non-audit services they can't perform during an audit. The Act also imposes a one-year waiting period for audit firm employees who leave an accounting firm to become an executive for a former client. In addition, the former firm must wait one year before performing any audit services for the new employer.

**Greater Financial Disclosures:** Transactions and relationships that are off-balance sheet but that may affect financial status now must be disclosed. Personal loans from a corporation to its executives are now largely prohibited. Annual reports must include a report stating the management is responsible for the internal control structure and procedures for financial reporting.

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**Conflict of Interest Disclosures for Analysts:** Conflict of interest disclosures now need to be made by research analysts who make public appearances or offer research reports. These disclosures need to contain certain information about the company that is the subject of the appearance or report. The analyst has to report whether he or she holds any securities in the company or received corporate compensation. Brokers and dealers have to disclose if the public company is a client.

**Corporate and Criminal Fraud Accountability:**Altering, destroying, concealing or falsifying records or documents with the intent to influence a federal investigation or bankruptcy case is subject to fines and up to 20 years imprisonment. New audit workpapers must be retained for five years. Any person who knowingly defrauds shareholders of publicly traded companies is subject to fines or imprisonment.

**Attorneys' Responsibilities:** There are now minimum standards of professional conduct for attorneys representing public companies before the SEC. These include a rule requiring an attorney to report securities violations to the CEO.