High court ruling only tweaks sarbanes-oxley act

Law, Court

ARTICLE SYNOPSIS

The " High Court Ruling Only Tweaks Sarbanes-Oxley Act" article is about the Supreme Court ruling in Free Enterprise Fund vs. PCAOB indicating that Sarbanes-Oxley (SOX) will remain " fully operative as a law" with the exception to remove members of the Public Company Accounting Oversight Board. Prior to the SOX Act, the removal of member was said to violate the appointments clause of the Constitution. In addition to discussing the ruling, the following will explain how the Sarbanes-Oxley act affects ethical decisions in today's business and the criminal penalties that it provides.

ETHICAL DECISION

The process of making decisions consists of ethical attribute that include integrity, transparency, andaccountability. The Sarbanes-Oxley Act has the effect of ensuring investor confidence through the existence of regulatory provisions effective in enhancing ethical standards. In the case of Free Enterprise Fund v. PCAOB shows the extent to which the issue of separation of powers is upheld. The main argument in the case was the excess power granted to the board as it was appointed by Securities and Exchange Commission (SEC) other than the president. This means that the board had regulatory non-restricted power by the executive. According to the ruling, PCAOB has the power to continue overseeing public company audits with the intention of protecting investors interest (Jaeger, 2010).

This is a major development as it relates to ensuring that proper measures supports the scope of executives ensuring that proper decisions are effective in protecting the interests of investors. The court's ruling indicated that

PCAOB board members will be removed from office by SEC at will other than for good cause (Jaeger, 2010). However, other programs of PCAOB remain unaffected by the decision of the court.

It is important to note that the enactment of the SOX Act is a major development that has ensured integrity in decision-making process essential in protecting the integrity of investors. As a result of maintaining proper books of accounts and ensuring proper internal controls are in place, the SOX Act ensures ethical decisions are made enhancing the integrity and transparency. Ultimately, the impact of the SOX Act is to protect the interest of investors through prevention of accounting frauds.

CRIMINAL PENALTIES

The SOX Act provides for various criminal penalties under certain sections. Section 802 of the SOX Act provides criminal penalties for influencing the United States agency investigation, which is also known as proper administration. The criminal penalty punishes any person who knowingly falsifies information or document with the intention of obstructing a particular investigation. An individual can be put in jail if found guilty of this criminal offense for a period not exceeding 20 years. Another criminal penalty under the SOX Act is retaliation against whistleblowers (Jaeger, 2010).

This relates to any person who takes harmful action against another person with the intention to retaliate. A fine or imprisonment for a period not exceeding 10 years can be placed if a person is found guilty for this criminal offense. Section 906 of the SOX Act provides for criminal penalties for CEO or

CFOfinancial statementcertification. According to this section, any corporate officer who fails to certify financial reports is liable for a jail term not exceeding 20 years.

Reference

Jaeger, J. (2010). High Court Ruling Only Tweaks Sarbanes-Oxley Act. Accessed