

Sarbanes-oxley
act conclusion
argumentative essay



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Oxley Act Article Analysis University of Phoenix Internal controls mandated by the Sarbanes - Oxley act have proven to be a difficult hurdle for publicly held companies to comply with. (Barnes & Thornburg, 2004) The internal control requirements of the Sarbanes - Oxley act have laid the responsibility of internal audits, effectiveness and efficiency of internal auditing controls squarely on the shoulders of senior management, audit committees they employ and external auditors.

The compliance responsibility includes certification and consent forms to be filed by all involved parties. The Sarbanes - Oxley internal control requirements have been " widely considered to be the most difficult, time-consuming, and expensive burden imposed the legislation.. " (Barnes & Thornburg, p. Internal controls over financial reporting include maintaining accurate records, 2) providing assurance that transactions are recorded correctly, and assurance that a company's prevention or detection of fraudulent activity is reported on financial statements. Barnes ; Thornburg, 2004) Companies are required to file statements regarding the " effectiveness of the company's internal control over financial reporting. (Barnes & Thornburg, p. 3) If a weakness is detected or identified in the internal control process a company must also report the information. Senior management is responsible for providing " reasonable assurance of the reliability of the company's financial reporting. " (Barnes & Thornburg, 2004, p. 3) Senior management is responsible to oversee or create the internal controls of a company to ensure accurate financial reporting.

Management must create annual reports divulging the company's internal controls and any weaknesses identified. Management is required to report

and disclose, on a quarterly basis, any information pertaining to internal control process weaknesses or internal controls that may effect financial reporting. Senior management is required to spend more time and effort in the area of audit. Senior management is more accountable for the accuracy of financial statements due to the Sarbanes - Oxley legislation.

Internal audit committees have been saddled with additional responsibilities to be in compliance with the Sarbanes - Oxley act. Audit committees are scrutinized for involvement, interaction, effectiveness, and their overall understanding of their role as a committee. Audit committees also bare the burden for the appointment, compensation, retention and oversight of all work performed by any registered public accounting firm retained to prepare or issue an audit report or perform an audit. Barnes ; Thornburg, 2004, p. 3) The role of an external auditor has also been impacted by the Sarbanes - Oxley legislation as the role now includes the auditing of a company's financial statements and an audit of a company's internal control of the audit committee. " (Barnes & Thornburg, 2004, p. 4) The working relationship between senior management, audit committees and external auditors as evolved into a relationship that requires communication with different levels of management.

Prior to the Sarbanes - Oxley legislation senior management might not have taken the responsibility to take the time to review company internal control measures. The new requirement is time consuming and expensive however, because the legislation dictates responsibility to specific individuals it has proven to be a useful tool in protecting against fraudulent activity and

accurate financial reporting. Placing responsibility on multiple members of a company ensures the necessary attention of all parties is garnered.

Shared responsibility, separation of duties and federal regulations have been put in place to protect investors and employees from financial devastation and to hold companies responsible for their financial reporting. Although time consuming and expensive the past has sadly shown a need for the Sarbanes - Oxley legislation. Reference Barnes, & Thornburg, (2004).

Internal Controls: The highest Sarbanes - Oxley Hurdle. Barnes & Thornburg, 1-7. Retrieved from <http://web.ebscohost.com/ehost/pdf?> Bagranoff, N. A. (2009). Core Concepts of Accounting Information Systems. [University of Phoenix Custom Edition e-Text]. . , . Retrieved March 22, 2009