

Sarbanes-Oxley Act Checklist: Are You Ready?

The Sarbanes-Oxley Act is designed to raise standards of corporate accountability and prevent wrongdoing. The new standards will be strictly enforced and include criminal penalties of up to 25 years in prison and substantially increased fines for those found guilty of violating the law.

The deadline for compliance is April of 2003.

- Is at least one member of your audit committee a "financial expert"? (Someone with experience as a CPA or CFO who understands generally accepted accounting principles, financial statements, accounting controls, and audit committee functions)
- Is your Board's audit committee made up of "independent" board members? (Board members who are not employed by the company and who receive no compensation from the company other than for board duties)
- Has your audit committee established a procedure for handling complaints about accounting and auditing matters, including the anonymous, confidential submission of complaints from employees?
- Make sure your auditing firm is truly independent"? Independent auditing firms should not provide any other non-audit services while performing the audit; the audit partner should be rotated within 5 years; your CEO, CFO or other senior financial officer should not have been employed by the firm or have participated in immediate prior audits; firm should report directly to your audit committee.
- Do your financial disclosures reflect all material correcting adjustments and all material off-balance sheet transactions?
- Does your CEO personally review and sign all annual and quarterly reports to the SEC? (Although not specifically required, the legislation also encourages CEO signature of tax returns)
- Has your company committed to making no further loans to executives, except for home improvement, consumer credit, and other limited purposes?
- Are your insider stock transactions disclosed within 2 business days?
- Has management assessed the effectiveness of your internal controls and procedures for financial reporting, and have these procedures been certified by public accountants?
- Has your company adopted a code of ethics for its senior financial officers?

If you answered "no" to any of these questions, or if you aren't sure, talk to corporate counsel immediately about what action you should take to come into compliance.