

# BusIndNews

E-NEWSLETTER FOR AICPA MEMBERS IN BUSINESS & INDUSTRY

January 13, 2006— Issue #89

[PAST ISSUES](#)

## IN THIS ISSUE

### TOP STORIES

[Papers Three and Four in CIMA Series Now Available](#)

[SEC Small Business Committee Proposes SOX 404 Exemptions](#)

[Other SEC News](#)

[Contribute to Profession by Volunteering](#)

[SEC Adopts Accelerated Filer Changes](#)

[Big Four SOX Survey Report Analyses Expected Cost Changes](#)

[SOX Effective at Identifying Fraud, Tone at Top Starting to Fade](#)

[Institute for Fraud Prevention Seeking Participants and Sponsors](#)

[Reigning in Outsourcing Risk](#)

[McKinsey Study Disputes the Influence of Trade in Job Decline](#)

### TECH CENTER

[AICPA Enters Into Marketing Agreement with XBRL Software Provider](#)

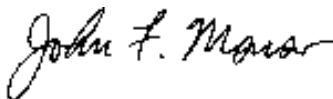
[New! Ask the Tech Expert Service](#)

## DEAR MEMBERS

As I write this message the Holidays have just passed, so I want to make my message short and sweet — I hope you had a great Holiday Season and Happy New Year. May we all have a healthy and successful 2006!

It is also a time to say **THANKS!** Thanks for the great work that you do, for participating in our surveys (more to come), for being on committees and task forces, for providing feedback even when you are not happy, and *Thanks* for being an AICPA member. Thanks to Ken Witt and Emanuela LiMandri, along with the Electronic Publishing Services team, Raylene Panebianco and others for the huge amount of work they do in getting this *BusIndNews* out the door. I hope we have made a difference in your work-life this year, and we hope to continue doing so in 2006.

Best regards,



John F. Morrow, CPA  
AICPA Vice President  
The New Finance

## TOP STORIES

### Papers Three and Four in CIMA Series Now Available

Papers three and four in the ***Developments in Management Accounting Series*** brought to you in collaboration with the Chartered Institute of Management Accountants are now available at [CIMA Developments in Management Accounting Series](#). As we have mentioned in this space before, CIMA is a global management accounting body, based in London, and the preeminent management accounting body in the world. We are pleased to be working with them.

***Multidimensional Performance Management*** provides an overview of several alternatives to traditional performance management systems and also introduces the CIMA Strategic Scorecard, a tool for helping maintain effective board oversight over strategy. ***Multinational Performance Management*** delves into the issues of organizational structure and tackles the complicated issues of transfer pricing and broader control over subsidiaries in multinational enterprises.

These and the two previously released papers - ***Corporate Performance Management***, and ***Financial Performance Measurement***, can be downloaded free by AICPA members from our Financial Management Center website at the

**CAREER CORNER**

[Stewards of the Profession: Supporting the CPA Exam in Business and Industry](#)

[360 Degrees of Financial Literacy CPA Mobilization Kits Available Online](#)

**LEARNING LINKS****WEBCASTS**

[CFO Roundtable Series Q4 2005 — Archive Now Available](#)

[Financial Fraud & the FBI: Small Company Frauds— Archive Now Available](#)

**CONFERENCE SPOTLIGHT**

[National SEC and PCAOB Conference](#)

[Fraud — “ Can Audit Committees Really Make a Difference?”](#)

**Edited and managed by:**

Kenneth W. Witt, CPA  
Technical Manager  
[kwitt@aicpa.org](mailto:kwitt@aicpa.org)

Emanuela LiMandri  
Project Manager  
[elimandri@aicpa.org](mailto:elimandri@aicpa.org)

link above.

We would appreciate any feedback you may have on this Series. Send us an email at [BusIndNews@aicpa.org](mailto:BusIndNews@aicpa.org).

**SEC Small Business Committee Proposes SOX 404 Exemptions**

On December 14, 2005 the Advisory Committee on Small Public Companies, formed by the SEC last Spring, voted to go forward with a number of recommendations formulated by its subcommittees over the course of the past year.

The most significant of these recommendations came out of the internal control over financial reporting subcommittee which recommended:

1. Exempting "Microcap Companies" from the requirements of SOX Section 404.
2. Exempting "Smaller Public Companies" from the external audit requirements of SOX Section 404 (meaning the independent auditors reporting on management's assessment of internal control, as well as the independent auditor's own assessment of internal control).
3. While strongly supporting recommendation 2, the subcommittee recommends the implementation of a new design and implementation audit standard in the event recommendation 2 is not adopted.

Additional recommendations were made by the governance, accounting standards and capital formation subcommittees, all of which were approved with very minor modifications. These recommendations will be compiled into formal recommendations that will be exposed for public comment early next year, then submitted to the SEC for consideration. They are available on the SEC website at [Small Business Recommendations](#).

**Other SEC News**

On December 21, 2005 , the SEC issued for exposure the Notice of Filing of Proposed Rule on Auditing Standard No. 4, [Reporting on Whether a Previously Reported Material Weakness Continues to Exist](#) which was filed with the Commission on July 28, 2005. Pursuant to Section 107(b) of the Sarbanes-Oxley Act of 2002, Board rules do not take effect until they have been approved by the Commission. This is an important rule for organizations whose internal control report issued in connection with SOX Section 404 was adverse, and are unable or unwilling to wait for the following year to clear the deficiency. Note that comments are due to the SEC by January 20, 2006 .

**Contribute to the Profession by Volunteering— Apply by May 1, 2006**

An important way for us to know how best to serve you is through our interaction with members that volunteer their time working on projects and committees. If you are interested in contributing to the profession and networking with your peers, consider applying for one of the AICPA's nearly 90 volunteer groups (committees, boards, panels and centers) seeking new volunteers. To find out about the volunteer groups available — and hopefully to apply visit the [Volunteer Services Web site](#). Applications are being accepted from now until May 1, 2006 for the next volunteer year (Oct. 2006 -Oct. 2007). If you have any questions regarding the applications process, or volunteerism in general at the AICPA, please contact our colleague David Ray at 212/596-6030 or via email at [committee@aicpa.org](mailto:committee@aicpa.org).

## SEC Adopts Accelerated Filer Changes

Also on December 14 th the SEC approved a number of previously recommended changes. In addition to approving proposed modifications to the quarterly and annual filing deadlines for accelerated filers, the SEC:

1. Created the new **large accelerated filer** category for companies with greater than \$700 million of public float to be determined on the last business day of its most recently completed second quarter. These companies comprise nearly 95% of US equity market capitalization, but a relatively small portion of the number of registered companies.
2. Raised the threshold requirement for exiting the Exchange Act Reporting System accelerated filer to \$50 million status, making it easier for companies to exit.

These new rules were published on [December 21, 2005](#).

## Big Four SOX Survey Report Analyses Expected Cost Changes

Earlier this year the Big Four commissioned a survey of a sample of their *Fortune 1000* clients analyzing first year SOX 404 implementation costs and expected decreases this year. A recent update of this survey was expanded to separately reflect costs for Large Accelerated Filers (public float greater than \$700 million) and those with market capitalization between \$75 and \$700 million.

According to a PwC summary of the [Big Four SOX Survey](#) results, total implementation costs for the smaller company group are expected to decline an average of 39 percent in the second year from \$1.5 million to \$900,000. Total implementation costs for the larger companies are projected to decline an average of 42 percent in the second year from \$7.3 million to \$4.3 million.

Audit fees represented 35% of the total first year costs for the smaller company group and 26% of the larger company group costs. Reduced documentation, increased efficiency and reduction in remediation efforts were the three most significant sources of expected cost reductions. Interestingly, moving up the learning curve was cited as the *most important* source of cost reduction by 31.5% of the smaller company group. The comparable statistic for the larger company group was only 17.8%.

## SOX Effective at Identifying Fraud, Tone at Top Starting to Fade

According to a survey conducted by [Oversight Systems](#) at this year's Association of Certified Fraud Examiners Conference and Exhibition, most fraud examiners think that SOX is an effective tool for fraud identification, they do not think that the culture of business has changed in any lasting way and many think that vigilance in the area of fraud prevention has already begun to fade. Click on the above link for a summary of the results of this survey. This is distressing *tone at the top* is an essential element of the overall internal control structure.

## Institute for Fraud Prevention Seeking Participants and Sponsors

In our last issue we announced that The Institute for Fraud Prevention (IFP), a consortium of organizations and companies committed to deterring fraud and corruption, is offering academic grants for the study of different aspects of fraud. The AICPA is one of the founders of IFP and is committed to the IFP's mission of improving the ability of business and government to combat fraud and to educate the general public on effective methods for recognizing and deterring it.

If you are interested in being a part of this important endeavor by having your organization become a sponsor of IFP, please contact me at [jmorrow@aicpa.org](mailto:jmorrow@aicpa.org). For more information, visit the [AICPA Anti-Fraud and Corporate Responsibility Center](#).

### Reigning in Outsourcing Risk

For an excellent best practice article entitled *Reigning in Outsourcing Risk*, click on the following link to the [Booz Allen Strategy+Business](#) white paper.

Highlighting business processes that have privacy and security considerations, the article outlines three primary sources of outsourcing risk:

1. **Operational Risk** those unintentional breakdowns in processes that create time, cost and quality problems.
2. **Strategic Risk** characterized by the article as the more intentional and opportunistic threats such as intellectual property theft, compromises resulting from cost cutting, and extortionate price increases made possible by dependence on the provider.
3. **Composite Risk** resulting from the inability for a company to implement a process itself after an extended period of outsourcing.

Suggested best practices for managing these risks included:

- Supply-chain type analysis of interdependencies
- Tracking systems and project management processes
- Documentation requirements
- Periodic audits (trust, but verify)
- Stringent background check

Zero-tolerance policies for security violations and underperformance

### McKinsey Study Disputes the Influence of Trade in Job Decline

A [McKinsey Quarterly.com](#) research report disputes the widely-held belief that trade has been a major factor in the decline in jobs in the post-2000 manufacturing recession and the subsequent recovery period that has been more sluggish than the "jobless recovery" of the early 1990s. Contending that what observers have missed is the subtle relationship among productivity growth, domestic demand, exports, and imports", the McKinsey research argues that the influence of trade has been minor. Increasing US productivity has played a big role in the decline in jobs, and that an export slump, rather than an import boom, has actually been the greater culprit. The research also indicates that offshoring has also not had the impact that many claim.

The point about increasing US productivity and the dual impact on job loss is one of the important subtleties explained by the article and one of the keys to the McKinsey analysis. This dual impact is that while increasing US productivity results in fewer jobs needed to meet orders for domestic demand, these productivity gains also serve to reduce the actual number of jobs displaced by any given level of imports.

In terms of policy implications, McKinsey points out that these findings would suggest that since trade and offshoring weren't the primary reasons for the weak post-2000 US employment performance, they shouldn't be the focus of policies to create or restore jobs. Instead, policy makers should focus on stimulating domestic demand, letting expansionary fiscal and monetary policies

aid in the economy's natural recovery. Also, reducing the federal deficit would help to lower interest rates and reduce the overvaluation of the dollar.

[Back to Top](#)

## TECH CENTER

### **AICPA Enters Into Marketing Agreement with XBRL Software Provider**

XBRL Extensible Business Reporting Language a software tool that will make your life easier, has taken a big next step. To continue XBRL support and learning for members, the AICPA has entered into a marketing agreement with Rivet Software. This agreement allows you to order Rivet's Dragon Tag and Dragon View via an AICPA-specific email address ([aicpa@rivetsoftware.com](mailto:aicpa@rivetsoftware.com)).

As an AICPA member you receive a free support incident phone call valued at \$120 when you purchase Dragon Tag for \$295. You can also try Dragon Tag before you buy with a free, 30-day trial period. Dragon View is available in "preview" format at no charge. Free trial versions are available at Rivet's web site ([www.rivetsoftware.com](http://www.rivetsoftware.com)). When you are ready to order, please send an email to [aicpa@rivetsoftware.com](mailto:aicpa@rivetsoftware.com) with your contact information.

### **XBRL Preparers Survey**

Recently the Chairman of the SEC, Christopher Cox, has articulated the major improvements that can be made by using interactive data for business reporting.

The AICPA is conducting a short survey in order to gain information about the considerations company management assesses when preparing business reporting, and to identify the areas that will benefit the most from working with interactive data.

Information provided from this survey will help the AICPA in their efforts to enhance business reporting, and support developments that streamline business reporting and related analysis, through the use of interactive data. Please take a few minutes and complete the [XBRL Preparers Survey](#).

### **New! Ask the Tech Expert Service**

Rich Lanza has started an Ask the Expert service on the CPA2Biz's Store home page which allows you to direct specific questions to him at [rlanza@cpa2biz.com](mailto:rlanza@cpa2biz.com). Rich has significant experience in the corporate world and stands ready to help you. Reach out to him with your technology questions.

## CAREER CORNER

### **Stewards of the Profession: Supporting the CPA Exam in Business and Industry**

While many of us joke that the "CPA" in CPA exam stands for *Couldn't Pass Again*, passing the CPA Exam remains an achievement that we continue to be proud of throughout our careers, whether we practice our profession in business and industry, public accounting, not-for-profit, government or academia. It is our unifying, threshold accomplishment. Through the CPA Exam we gain access to the profession that binds us together, committed to the values that our CPA credential represents.

As part of the continuing effort on the part of our team to support and provide value to our members in business and industry, we are planning a number of things that we hope will foster the all-important process of mentoring young

people who work in business and industry and encouraging them to pursue the CPA credential.

For those of you who may not have seen it, last July the AICPA Board approved a white paper developed by the AICPA Business and Industry Executive Committee entitled [CPAs as CFOs: Why You Should Have a CPA in Your C-Suite](#). Under the [Membership](#) tab of the [Financial Management Center](#) we have added links to the CPA Exam Website and the resource page for an AICPA associate status for CPA Exam Candidates' a tremendous value at \$35 per year for recent graduates who are preparing for the Exam.

We will also be highlighting some of the practices and policies of companies that are "best in class" in terms of providing a culture of support for the financial people in their organizations who are interested in pursuing the CPA credential. This will come in future issues' and I expect we will get some great ideas.

AccountingWeb.com recently featured two articles of interest related to the CPA Exam and mentoring young professionals in our field. In [Computerized CPA Exam](#), Arleen Thomas, the AICPA Sr. VP that our team reports to, points out the significant role that senior professionals play in helping younger staff members understand the increasingly important content covered by the Business Environment and Concepts section of the new Exam. [Benefits of Professional Associations](#) highlights a new AICPA initiative called the Young CPA Network, unveiled by AICPA Chair Leslie Murphy in her inauguration speech given at the October AICPA Council meeting.

### **360 Degrees of Financial Literacy CPA Mobilization Kits Available Online**

In past issues we talked about the Financial Literacy Campaign which is putting tools into the hands of CPAs to help educate people in our various communities about financial literacy issues they face. The program identifies eleven life stages that we all experience and the financial issues inherent in each of these stages; mobilization kits have been developed for each stage.

The Couples & Marriage, Home Ownership, Life Crisis and Retirement mobilization kits are now available for download from the CPA Financial Literacy Resource Center. Mobilization kits for each life stage of the 360 Degrees of Financial Literacy program, from Childhood to Retirement, have resources to support CPAs and State Societies in their volunteer outreach efforts. The eleven mobilization kits were developed in partnership with the California Society of CPAs. To view the kits, visit [http://www.aicpa.org/financialliteracy/life\\_cycle\\_resources.asp](http://www.aicpa.org/financialliteracy/life_cycle_resources.asp).

[Back to Top](#)

## **LEARNING LINKS**

**Financial Training Decision-Makers:** For information on in-house training and tools to manage professional development, go to [AICPA Learning](#) or call 1-800-634-6780, Option 1

[Back to Top](#)

## WEBCASTS

### **CFO Roundtable Series Q4 2005 —Archive Available Now**

If you missed the live webcast, a CD-Rom is available at "[Year End Accounting Roundup.](#)"

### **Financial Fraud & the FBI: Small Company Frauds —Archive Available Now**

If you missed this interesting webcast focusing on fraud in smaller companies, a CD-Rom is available at [CPA2Biz.com](#). Also, stay tuned for the sequel coming this Spring focusing on fraud in larger companies.

All webcast information can be accessed at [AICPA Learning](#).

[Back to Top](#)

## CONFERENCE SPOTLIGHT

### **National SEC and PCAOB Conference**

On December 5<sup>th</sup>, 6<sup>th</sup> and 7<sup>th</sup>, the AICPA held our annual *AICPA Conference on Current SEC and PCAOB Developments* in Washington, D.C. The conference was a remarkable success this year with attendance of approximately 2,500 professionals from business, industry, and public accounting in Washington, D. C., including those attending live video simulcasts in New York, Rosemont, Illinois, and San Francisco.

Our colleagues at the Center for Public Company Audit firms have prepared a comprehensive summary of the highlights of the conference which includes links to many of the speeches presentations and supporting materials. View the [CPCAF Summary of AICPA SEC and PCAOB Conference](#).

### **Fraud — "Can Audit Committees Really Make a Difference?"**

This one day briefing at the **Princeton Club in New York City on January 31** affords you the opportunity to hear from the experts, understand the Audit Committee's responsibilities, ask the difficult questions and have these addressed by the subject matter authorities.

Take this opportunity to network with your peers —discover where they position themselves regarding their company's audit committee and gain knowledge of how they prevent, deter and detect management override of internal controls. Register today at [Fraud Conference for Audit Committees](#).

[Back to Top](#)

If *BusIndNews* is not viewable, please e-mail [busindnews@aicpa.org](mailto:busindnews@aicpa.org) with subject line "Send Text". We will send a text version.

If you would like to unsubscribe to future mailings of this newsletter, [please click here.](#)

© 2006 AICPA, All Rights Reserved. [LEGAL NOTICE](#)

**ISO Certified**

