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By Stephen Barlas; Anthony Catanach, Jr.; Linda Devonish-Mills; Lance Thompson; Kathy Williams



## Have You Tried IMA's Staff Enrollment Program?

By Linda Devonish-Mills, CPA

As you know, the Institute of Management Accountants (IMA®) began a staff enrollment program (SEP) last year in which controllers and CFOs could have their staffs join IMA at a reduced membership rate. The idea was to increase their awareness of IMA, its programs, and its membership benefits. Under the program, the executives could obtain membership for their staffs at a price lower than the regular rate of \$195 if at least five people from one company signed up. Companies that have accounting and finance staff of five to 49 people can sign their staff up at a fee of \$175 each, and companies with staff of 50 or more people can pay \$165 for each person to join IMA.

An initial article about the program, "Staff Enrollment Program Is Available," appeared in the Streetwise section of the October 2008 issue of *Strategic Finance*. Fifteen companies were enrolled at the time the article ran. Since then, the program has grown to approximately 30, including companies such as Bayer Material Science, IBM, Perdue Farms, Shell Oil, and Walmart, as senior management recognized the value of IMA membership for themselves and their staffs.

The SEP is part of IMA's corporate development program, and its success so far has come from several endeavors. For example, members of the corporate development staff have reached out to members and nonmembers who are controllers or CFOs to let them

know how they can enroll their staff as IMA members through the program. They also have attended a variety of conferences to increase the awareness about IMA among management accounting professionals, and they have reached out to some chapter representatives to let them know how chapters can help tell corporations in their area about IMA. In addition, IMA President and CEO Jeff Thomson made presentations to local college students and corporate employees as a part of a national visit that was organized by one of the chapters in the Chicago area.

For additional information about how controllers and CFOs can sign their staffs up for IMA membership under the staff enrollment program, contact Linda Devonish-Mills at [lmills@imanet.org](mailto:lmills@imanet.org). Chapter presidents and other senior chapter representatives should also contact Linda to determine how chapters can tell local corporations about IMA.



## SOX Rules Still Coming

By Stephen Barlas, Editor

Is it possible that in 2009 the federal government is still turning out proposals related to the 2002 Sarbanes-Oxley Act? The answer, as you might have guessed, is "yes." And the proposals are as controversial as ever. Richard Murray, chair of the U.S. Chamber of Commerce's Center for Capital Markets Competitiveness, calls the Public Company Accounting Oversight Board's (PCAOB) recently published proposed rule dealing with Section 103 of SOX—its second try at a rule, in fact—"a step backward." Section 103 requires auditors to provide a concurring or second partner review and approval of

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each audit report the accounting firm produces. These PCAOB auditing standards can mean big costs to the company being audited. Donald G. DeBuck, vice president and corporate controller at Computer Sciences Corp., says the new proposed Section 103 standard could result in significant costs disproportionate to the resulting benefits.

The first version of the proposed rule came out in February 2008 and was panned, resulting in this new version. Generally it's unusual for a federal agency—although the PCAOB isn't technically a federal agency—to produce a second proposed rule. But that's what the Board has done, though not to applause. Apparently the

second time isn't a charm, according to the Chamber of Commerce and a number of others, such as Arnold C. Hanish, chairman of the Committee on Corporate Reporting at Financial Executives International (FEI). Hanish doesn't think the new April 2009 standard is an improvement over the February 2008 version, which said an audit reviewer couldn't concur with the audit itself if he or she "knows, or should know based on the requirements of the standard" that there were problems with the audit. The "should have known" language was murky, some felt. The new proposal provides that the reviewer "may provide concurring approval of issuance only if, after performing with due professional care the

## LETTERS



### What about Effective Enforcement of Existing Regulations?

Kudos are in order for Curtis C. Verschoor for his April 2009 article ("Should We Just Re-Regulate or Totally Restructure Banks?"). This column is one of the first to suggest that effective enforcement of existing regulations may be the answer to fixing our financial system rather than simply legislating new rules. More importantly, Prof. Verschoor points directly at the accounting and auditing profession for their failure to provide required disclosures and effective audits.

However, he might have generated more interest for his cause had he spent less time reviewing "think tank" papers dealing with the restructuring of the financial markets and more discussing the enforcement problems plaguing our current regulatory regime. For example, he might have addressed questions like the following: Does a current-day Big 4 firm public company audit (and the related GAAP compliance opinion) really provide the assurance needed to monitor global banking institution operations? Or should current-day GAAP (either U.S. or IFRS) even provide the basis for an audit opinion on these financial institution giants?

This article should spur debate on an ethical issue that the

accounting profession has been avoiding for decades: the validity of the "expectation gap" argument. The public expects an audit to be exactly that. Why won't accountants and auditors give the public what they want? Since the present day, large public company audit model appears to be flawed, the following simple proposals might offer a solution:

- ◆ Replace the current audit requirement with a detailed, regulatory approved "agreed upon procedure" audit and control review for which all exceptions are posted on the Internet.
- ◆ Increase transaction scrutiny by requiring that these audits be performed on each consolidated entity as well as any off-balance-sheet special-purpose vehicles.

Clearly, more attention to enforcement of existing regulations is warranted, especially the role played by accountants and auditors, before additional financial reporting regulations are pursued.

—Anthony H. Catanach Jr., Ph.D., CMA, CPA

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We welcome all opinions on articles and departments published in *Strategic Finance*.

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## BOOKS



# Using COSO's ERM Framework

**I**n 2004, the Committee of Sponsoring Organizations of the Treadway Commission (COSO) published *Enterprise Risk Management—Integrated Framework* to provide a structure and set of definitions to enable organizations of all types and sizes to better understand and manage their risk environments and ERM programs.

In the book *COSO Enterprise Risk Management*, Robert Moeller aims to help business professionals at all levels—from staff internal auditors to corporate board members—understand risk management and make effective use of the COSO ERM framework. Moeller also discusses how to use “one’s appetite for risk” to help make better business decisions consistent with the organization’s risk tolerances.

COSO defines ERM as “a process, effected by an entity’s board of directors, management and other personnel, applied in a strategy setting and across the enterprise, designed to identify potential events that may affect the entity, and manage risk within its risk appetite, to provide reasonable assurance regarding the achievement of entity objectives.” The COSO ERM framework is a three-dimensional model for understanding enterprise risk, applicable to all industries and encompassing all types of risks. The three dimensions are:

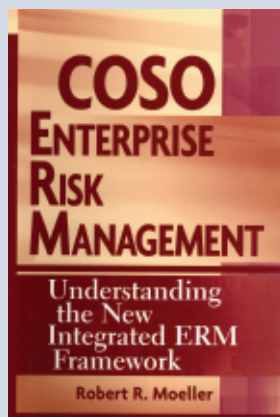
- ◆ The strategic, operational, reporting, and compliance objectives of the enterprise, which are to be evaluated for risk management considerations.

- ◆ The risk components of the model: the internal environment, objective setting, event identification, risk assessment, risk response, control activities, information and communication, and monitoring.

- ◆ The organizational levels of the business entity, from top to bottom: entity, business unit, subsidiary, and division.

According to Moeller, implementing an ERM program requires establishing an effective risk management function with clearly defined roles and responsibilities following the COSO ERM framework. Any implementation of an ERM program should be closely coordinated with Sarbanes-Oxley (SOX) compliance efforts and with internal audit risk assessments and reviews. Moeller recommends having a chief risk officer to ascertain that enterprise risks are understood properly and translated into meaningful business requirements, objectives, and metrics.

Moeller also touches on COSO ERM in relation to SOX. There are some differences in the focus of the two. SOX primarily focuses on accurate financial reporting and related corporate governance issues, whereas COSO ERM takes a broader view and assesses risk from a total enterprise perspective rather than



just by individual risk areas. And while SOX never mentions COSO ERM directly, an effective risk management program following the framework will help an organization comply with the internal control assessment requirements of SOX Section 404.

Moeller also addresses the importance of ERM for the board of directors and audit committee, the role of internal audit, understanding and integrating project management risks, managing information technology risks, and establishing a culture that reflects management’s risk appetite.

No matter how well an ERM process is designed and operated, it provides only reasonable assurance that an organization will achieve its risk-related objectives within management’s established risk philosophy. In *COSO Enterprise Risk Management*, Moeller identifies the processes and guidance required to become better at evaluating, embracing, and managing business uncertainties and risks in order to protect and enhance enterprise value. COSO ERM is becoming increasingly important for today’s organization. Business professionals should understand and use this framework guidance.—Lance A. Thompson, *Thompson Management Consulting Services, LLC*, [lancephx@aol.com](mailto:lancephx@aol.com)

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review required by this standard, he or she is not aware of a significant engagement deficiency.” The change is all well and good, except, the PCAOB says, “the requirement to exercise due professional care imposes on a reviewer essentially the same requirement as the ‘knows, or should know based on the requirements of this standard’ formulation in the Board’s original proposal.” Hanish worries that clarifying sentence could be misinterpreted as contradicting the “due professional care” requirement. Hanish’s day job is vice president and chief accounting officer at Eli Lilly.



## Bill Increases SEC Enforcement Funds and Justice Department Prosecutors

Congress is close to passing legislation that will expand the reach of the criminal fraud statutes to companies illegally spending money from the Troubled Asset Relief Program (TARP)—the so-called bank bailout program passed by Congress last October—and the economic stimulus bill Congress passed in February. The Senate bill, called the Fraud Enforcement and Recovery Act (S.386), passed by a vote of 92-4 on April 28. The House is moving more slowly, with the House Judiciary Committee passing its version of the bill (H.R. 1748) on the same day. The Senate bill contained a provision increasing the enforcement budget at the Securities & Exchange Commission (SEC) by \$10 million in each of the next two fiscal years. The resources allotted by the amendment, added by Charles Schumer (D.-N.Y.) and Richard Shelby (R.-Ala.), would address understaffing at the SEC, which saw a 10% decline in its employee ranks during 2005-2007. Since that time, the modest upticks in the agency’s annual budgets have mostly covered cost-of-living adjustments for the reduced

workforce. Even the 4% budget increase in the current year 2009 budget made only a small dent in getting the SEC back up to 2005 staffing levels, and the SEC’s technology budget is still more than 50% lower than 2005 levels. The Schumer-Shelby amendment also authorizes funding to hire fraud prosecutors and investigators at the Department of Justice, the FBI, and other law enforcement agencies and amends the federal securities statute to cover fraud schemes involving commodities futures and options.



## Sharing Your Story

How do you feel about your experiences in IMA? Would you like to share your story with fellow members? If so, we would welcome your contributions to the new *Strategic Finance* column called “IMA Life.”

As you know, the column was introduced in the January 2009 issue. Written by IMA members, it is designed to be your thoughts about your “life” in the association or as a management accounting or finance professional. We want to hear from all types of members. You can be a student, a young professional, in the middle of your career, or toward the end of your career. You can work in industry, government, or academia. You can have been a member for 50 years or for less than a year. You can be a chapter member or a member-at-large, in a leadership position or not.

We want all types of stories. For example, what does IMA mean to you? Has IMA helped you on your job? Has serving on a chapter board given you experience you wouldn’t have gotten on the job yet? Or you can write about your reflections of the profession and where you think it’s headed, certification, and membership in general.

If you would like to submit an “IMA Life” column or would like to recommend someone to be featured, please contact Kathy Williams at [kwilliams@imanet.org](mailto:kwilliams@imanet.org). **SF**