

August 2007

Operational Risk—Sarbanes Oxley, Five Years Later

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Today's Risk eNews



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CIO.com explored the aftermath of the act that transformed the industry less than a decade ago and found that although the journey wasn't easy, US companies have now gotten to a pretty good place with Sarbanes-Oxley compliance. After years of bearing the headaches of having to compile massive IT reports about how software projects affect data and being forced to work alongside both internal and external auditors, many companies are beginning to see the pros of coexisting with this once-dreaded law.

As Lee Dittman, a principal at Deloitte Consulting, explains, many senior executives are quickly beginning to realize that "what happens in IT is strategic."

"This conversation in many cases opened the door for CIOs to get more airtime in budget and planning decisions, which is vital if they want to have an impact," noted Patty Azzarello, a CIO careers consultant in California.

Doing some research of its own on the matter, Financial Executives International (FEI) found that the total average cost of Sarbanes-Oxley compliance, mainly Section 404 (which regulates internal controls), was \$2.9 million last year. The figure was a 23 percent drop from 2005 and points to a financial world that is learning to deal with the rigorous nature of Sarbanes-Oxley.

Insiders at American International Group (AIG) estimate that the firm is now spending anywhere from 30 to 40 percent less on compliance than it did in 2003. The explanation here is much simpler than one might imagine; creating and maintaining clean controls is simply becoming a part of the regular work day. In essence, people are simply getting used to it and adapting to the changing times.

When Sarbanes-Oxley was still in its infancy stages, firms would generally hire external consultants and auditors. Today, this type of outsourcing is simple not necessary.

Tom Basilo, CEO and chairman of WithumSmith+Brown Global Assurance, says that the regulations are a necessary component of the new financial world we've been forced to exist in. After the scandals surrounding Enron, WorldCom and Tyco, Basilo says that Sarbanes-Oxley compliance is essential to restoring public confidence in corporate America. And according to him, so far, the 2002 act has done exactly that.

"Last year, we had record investment in U.S. stock markets and this year we'll probably have another record," Basilo says. "Good, strong companies are staying here and doing quite well."



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