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{EXCLUSIVE}

When The SEC Comes Calling

Dealing With Inquiries And Formal Investigations

By Harvey Pitt
Compliance Week Columnist

Unfortunately (at least in the view of public companies), the Securities and Exchange Commission has been very successful in its mission to create the illusion of three dimensions, or seemingly being everywhere at once. Its enforcement prowess is undeniable, and its tenacity is not to be underestimated. This means that many companies will (not may), at some point in the not-too-distant future, confront an SEC inquiry or investigation. How companies prepare for and



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respond to that unwanted attention can spell the difference between:

- » a modest diversion and a major crisis;
- » senior executives keeping their jobs or potentially forfeiting them; and
- » quickly disposing of nettlesome class action and derivative litigation, or enduring protracted proceedings where legal fees alone inflict serious and very real punishment.

In the context of responding to an SEC inquiry or investigation, there are three discrete periods to consider—before a problem has been detected; once a problem has been identified but before the SEC is involved;

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404 Guidance Unveiled On Risk-Based, Scalable Audits

By Melissa Klein Aguilar and Tammy Whitehouse

Just in time for the new year, the Securities and Exchange Commission has presented its long-awaited guidance to help companies improve compliance with Section 404 of Sarbanes-Oxley.

A text of the specific proposal was not immediately available, but on Dec. 13 the Commission voted to issue new interpretive guidance to help corporations conduct evaluations of their internal controls over financial reporting, as required by Section 404. The SEC proposal also makes clear that companies evaluating their internal controls in accordance with the new guidance will satisfy Sarbanes-Oxley's an-

nual evaluation requirement, and clarifies the auditor's reporting requirement under Section 404.

The SEC says its proposed guidance will allow companies to focus only on the controls needed to address the risk of material misstatements in their financial statements—in step with the much-touted “top down, risk-based” approach to audits that regulators would like to see. While all companies will be able to take advantage of the flexibility and scalability of the approach under the guidance, the SEC says small companies in particular will be able to scale their

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Oracle VP's Pointers For Risk-Based Auditing

By Christine Dunn

This interview with Scott Rae, vice president of business assessment and audit at Oracle Corp., is the latest in a series of regular conversations with executives at public companies who are currently involved in establishing and developing compliance programs.

Compliance Week: How long have you been with Oracle?

Scott Rae: I've been with Oracle for two-and-a-half years. I have 18 years of consulting and risk-management consulting

experience and was a prior partner with Arthur Andersen. I made the move to Oracle to help expand their risk-management program while learning more about their business.

So tell us about the internal-audit function there.

The business assessment and audit function at Oracle has been a unique and challenging opportunity. Our goal has been to create a function that addresses the company's needs for progressive risk management

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Executive Compensation Trends In '07

Three stories look at how compensation policies are likely to change in the upcoming year.

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Foldout: The Technology For GRC

In this month's GRC Illustrated feature, we examine how IT systems can foster GRC efforts.

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