

Sarbanes-Oxley: What it Means to Your Filing System



In the wake of numerous corporate scandals, congress passed the Sarbanes-Oxley Act of 2002; sweeping legislation that mandates publicly held companies maintain clear financial controls and proper corporate governance. Senior executives are held personally accountable for the accuracy of their companies' financial reporting and accounting practices.

At the heart of any company's financial data are its records. Sarbanes-Oxley, with its stiff penalties for non-compliance, have raised the importance of sound recordkeeping practices and placed senior management as the driving force behind implementation of clearly defined records management practices.

Accuracy And Transparency

Sarbanes-Oxley is a complex piece of legislation with numerous implications for the accounting and recordkeeping practices of most public organizations. The intent of the law is to make sure that a company's financial reporting is accurate and reliable. Clearly, the document management controls and filing systems of an organization are central to providing reliable data from which accurate financial data can be derived.

CEOs and Boards of Directors are held responsible for the processes used to keep and report financial information. Sarbanes-Oxley puts emphasis on the "internal controls" by which a company scrutinizes its own processes and accurately documents any changes in its recordkeeping procedures. Implications of the act on a company's document management processes include:

- Timely and accurate recording of all business transactions
- Accounting of all acquisitions and dispositions of company assets
- Clearly defined and documented recordkeeping practices
- Development of proper retention schedules and guidelines
- Thorough training of all employees
- Routine assessment and reporting on procedures

"Whistleblower" Process



A provision of the act requires that companies have a “whistleblower” process where any employee can put forth a concern or complaint of wrongdoing. In addition to heightening the attention and scrutiny of financial recordkeeping practices, the provision requires new documentation programs for keeping track of the complaints themselves.

Retention Practices

Sarbanes-Oxley imposes severe prison penalties for willful destruction of company documents. The legislation warrants that companies take a new look at their document retention practices. Clearly defined retention programs must be formally documented and strictly adhered to. Many companies are keeping records longer than before in order to protect themselves.

An assessment of all aspects of how records are used, retained and kept secure is a critical element of achieving compliance with the Sarbanes-Oxley legislation. Smead can help you with a comprehensive review of your document management systems. In addition to bringing your recordkeeping processes into compliance, a better filing system can also benefit your company by saving time, reducing labor costs and minimizing storage space.

