

CONCEPT: SARBANES-OXLEY ACT

- The early 2000s were famous for huge accounting scandals at companies like _____ and _____
 - In response, Congress passed the **Sarbanes-Oxley Act (SOX)** to rebuild confidence in financial information
- The key features of the Sarbanes-Oxley Act include:
 - **PCAOB** – Created the **Public Company Accounting Oversight Board**
 - Basically the auditors of the auditors
 - **Executive accountability** – The CEO and CFO are now required to _____ and certify financial statements
 - **Nonaudit services** – Illegal for auditors to perform _____ services for their client, like _____
 - **Workpaper retention** – Auditors are required to hold onto important documents for seven years
 - **Auditor rotation** – the lead auditor of an engagement must be rotated at least every five years
 - **Conflicts of interest** – Audit firms cannot audit companies where the executives used to work for the auditors
 - **Audit committee** – Audit firms must be hired by an audit committee of the Board of Directors, not management
 - **Internal Controls** – Management must assess the effectiveness of internal controls and the auditors must test
 - **Internal Controls** safeguard assets, make financial information more reliable, and ensure compliance