

HOME

MAGAZINE

eNEWSLETTERS

LIVE EVENTS

WEB EVENTS

SUBSCRIPTIONS

[Treasury and Risk Magazine](#) [T & R Express](#)

09-19-2008

SMALL COMPANIES ON SOX: WHAT—ME WORRY

Postponements didn't lead to improved 404(a) compliance. What's more, most small businesses aren't even concerned

After a seemingly endless series of postponements in deadlines designed to help smaller public companies prepare for Sarbanes-Oxley Section 404(a) compliance, a new study of 3,321 smaller companies finds little evidence that they are any better prepared now than when the delays first began. More than a third of the companies reviewed by SOX research and compliance firm Lord & Benoit, gave little or no consideration to the delays and completed assessments at the last minute—or not at all.

More disturbing is smaller companies' attitude. "About 700 companies were completely noncompliant or they issued statements with poor segregation of duties," says Robert Benoit, Lord & Benoit president, noting that segregation of duties is not a control problem but, rather, a way to forestall financial reporting abuses. Even with just two people in a company, accounting and check signing duties can be divided. "These companies just decided they weren't going to do it," Benoit says.

Good compliance at smaller companies is the exception, rather than the rule, agrees Peter Nelson, a partner at LBB & Associates Ltd., based in Houston, an audit firm specializing in smaller developing companies. One out of 40 client companies is prepared for 404, and a few are addressing it. As for the others? "I'm not sure what they're doing, but they're not worrying about it, that's for sure," says Nelson. LBB advises the companies to start worrying about 404 (a) compliance, but he adds: "It's not our job to act as the management of the company."

The bottom line is that no one knows which companies still have ineffective disclosure and financial reporting controls, notes Mark Cheffers, CEO of Audit Analytics, a research firm based in Sutton, Mass. "Imagine all the small produce companies telling the FDA that they should be excluded from e. coli testing because they're small and testing is a burden," he says. "If you want to see a market destroyed, just let e. coli be picked up."

Lord & Benoit, which examined filers with fiscal years ending Dec. 15, 2007 and Jan. 31, 2008, found that 34% of companies that filed shrugged off any sense of urgency to assess internal controls, leaving things to the last minute. Some 12% were noncompliant, filing faulty reports or not indicating how they planned to become compliant, while another 7% did not bother filing. And there's no indication their boards are about to push them: 19% of audit committees are noncompliant.

Costs should not be a deterrent: The average costs of 404(a) and 404(b) compliance are \$53,724 and \$24,750, respectively, according to an earlier Lord & Benoit study on SOX investment—less than the salary of a full-time accountant. Company sales averaged about \$59 million annually. "The CEOs of many of these small companies are often the original founders, and they're used to getting their way," Benoit says.

PEOPLE ON THE MOVE

Joseph D. Ragan III is the new CFO at Boart Longyear Ltd.

Joseph D. Ragan III is the new CFO at Boart Longyear Ltd., the \$1.6 billion integrated drilling services provider and minerals industry products manufacturer, based in Salt Lake City, Utah. Ragan, 47, replaces **Donald Newman**, who added interim CFO to his titles of vice president and controller in October 2007 when **Ronald Sellwood**, retired. Ragan was previously senior vice president and CFO at GTSI Inc. August 2006 to September 2008. Succeeding Ragan at the \$723.5 million technology solutions provider based in Chantilly, Va. is **Peter Whitfield**, 49, who will serve as interim CFO while continuing as vice president of financial planning, analysis and internal audit.

J. Eric Bjornholt will be the new vice president and CFO on Dec. 31 at Microchip Technology Inc., the \$1 billion semiconductor maker based in Chandler, Ariz. Bjornholt, 38, replaces **Gordon W. Parnell**, 58, who will retire after almost 20 years with the company. Bjornholt joined the company in 1995 from KPMG LLP and served as director of financial reporting and tax from August 2003 to April 2008, when he

was promoted to his current position of vice president of finance.

James C. Reagan is the new senior vice president and CFO at Vangent Inc., the \$669.6 million provider of information management and business process outsourcing services based in Arlington, Va. Reagan, 50, replaces **Lori L. Becker**, 47, who became acting CFO in addition to vice president and controller after **Christine M. Bailey**, 51, resigned in August for personal reasons. Reagan joins the company from Deltek, where he was executive vice president and CFO from March 2005 to May 2008. From December 2004 to September 2005, Reagan held that position at Aspect Communications.

Greggory Kalvin has added the title of interim CFO to vice president and controller at DineEquity Inc., the \$484.6 million franchisor and operator of Applebee's Neighborhood Grill & Bar and IHOP Restaurants based in Glendale, Calif. Kalvin, 49, succeeds **Thomas G. Conforti**, 50, who resigned to pursue other opportunities. Kalvin joins DineEquity as controller in July 2007. Previously, he held a number of financial positions at J2 Global Communications, including chief accounting officer from 2003 to 2007.

Brian A. Lutes is the new vice president and CFO at Sypris Solutions, the \$435.9 million provider of technology-based outsourced services and specialty products based in Louisville, Ky. Lutes, 44, takes over from **Anthony C. Allen**, 49, who became acting CFO in addition to treasurer and assistant secretary after **T. Scott Hatton**, 41, resigned in July to become CFO of Portfolio Operations at a private-equity fund. Since August 2008, Lutes served as chairman for MAG Americas and vice chairman of finance and administration for MAG Global, a subsidiary of MAG Industrial Automation Systems. From 2005 to 2007, Lutes was vice president of finance and administration and CFO at the Wornick Co.

IBM COGNOS UPGRADES BPM TECHNOLOGY

Checker's Drive-In sees gains with financial performance management tool

The just released IBM Cognos TM1 9.4 financial performance management (FPM) tool aims at large and middle-market companies and covers a range of FPM solutions—from basic planning and reporting to advanced forecasting and analysis. Described by some as Excel on steroids, key strengths—according to the company—include the ability to leverage end-users' spreadsheet skills to create budgeting/forecasting models and analytical applications; a flexible multi-cube architecture that allows users to distribute information easily; and an in-memory "calc-on-demand" engine for storage and speed.

An early adopter of the TM1 technology, Checker's Drive-In Restaurants, a \$225 million company with 800 restaurants nationwide (including franchise locations) faced gyrating commodity prices. "Our input costs had reached record changes," says Joe Furmanek, Checker's director of finances. "Being able to measure that at a unit level and at a location level and estimate that as quickly as possible was of paramount consideration."

Finance was also able to dig deeper into labor planning and budgeting. And by generating Excel spreadsheets out of TM1 with sales forecast numbers and variances, finance has achieved efficiencies for location managers. "That's not necessarily a cost savings," says Furmanek, "but that's four to five hours where [managers] don't have to stay up doing administrative stuff." That helps a lot since Checker's restaurants are open until 1 a.m. Next up: better granularity and understanding of Checker's food costs.

"The appeal of the TM1 9.4 solution is that power users can build and use these analytical and modeling capabilities, without depending on IT programmers," says Forrester Research analyst Paul Hamerman.

The TM1 comes in enterprise and midmarket versions. "I've worked at larger organizations where I'd have loved to have this tool," says Furmanek. "The updates on the TM1 are measured in seconds, vs. hours. This thing flies."

Other features on the first software upgrade since IBM acquired Cognos last year include: a flexible approach to model design and data access; presenting users with information in a familiar format; the ability to express complex business rules; and built-in data integration capabilities to centralized IT-managed data centers.



(c) 2008 Treasury & Risk. A Summit Business Media publication. All rights reserved. www.summitbusinessmedia.com
 Contact Treasury & Risk | About Us | Advertise | Site Map