




**A Financial Markets &
Institutions Presentation**

December 22, 2016 

Understanding the Sarbanes-Oxley Act and Its Impact

TheCaseSolutions.com



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Group Members

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- Enron Scandal
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Enron Scandal

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- American energy company based in Houston, Texas.
- Formed in 1985 by Kenneth Lay.
- A Houston Natural Gas and InterNorth merger.
- The scandal was publicized in October 2001.
- Dissolution of Arthur Andersen.
- Largest Corporate Bankruptcy (\$63.4 Billion in assets) and Biggest Audit Failure in history.

Specifics

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- Jeffrey Skilling's (CEO) hidden agenda.
- Used accounting loopholes, special purpose entities, and poor financial reporting.
- Inflated profits by hiding debts from failed deals and projects.
- Andrew Fastow (CFO) misled Enron's BOD and Andersen.
- From US \$90.75/ share (mid-2000) to US \$1/ share (Nov 2001).

- US SEC began an investigation.
- The implications of the investigation.
- Jeffrey Skilling is incarcerated at Federal Prison Camp (FPC) in Montgomery, Alabama.
- New Regulations and Legislation
- enhance accuracy of financial reporting for public companies i.e Sarbanes-Oxley Act.

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Sarbanes-Oxley Act 2002

Key Elements:

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- **Section 302**
senior management to certify accuracy of financial reports.
- **Section 404**
Management and auditors establish internal controls.
- **IT Department**
- **Records and time period**
- **Section 802**
Destruction & falsification of records
Retention period
Types of business

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- Workiva Inc.
- Cloud-based productivity platform.
- Links data & builds internal controls.
- Integrated DNA Technologies, Inc.