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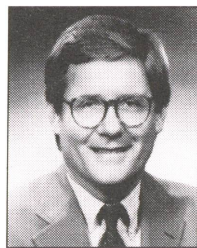
Spring Flagship Program Planned for Dallas

The AICPA Members in Industry Executive Committee is proud to once again sponsor the Spring National Industry Conference. This year's conference will be held April 29, 30 and May 1, 1993 at the Loews Anatole Hotel in Dallas, Texas. You can earn up to 20 CPE credits while attending concurrent sessions on a wide variety of subjects relevant to your role as an industry CPA. In addition, with over 600 financial managers attending the conference, you will have an excellent opportunity to network and share information and knowledge with your peers.

This year's featured speakers will be **The Boston**



Dr. Alan Sinai
The Boston Company



Fred Barnes
The New Republic

Company's Dr. Alan Sinai on *The Changing Global Economy*, **Fred Barnes of the New Republic** and TV's *McLaughlin Group* with *A View from Washington*, and a return visit by **Jim Hennig** who will describe *Winning Strategies for Today's Competitive Marketplace*.

The varied program will also include sessions on individual and corporate tax updates, a FASB update, sessions on business valuations, personal financial planning, worker's compensation, sexual harassment and the Civil Rights Act of 1991, and two on doing business internationally, plus much more. In addition, in response to your requests, the conference will feature networking breakfasts, where participants can share information with colleagues employed in the same industry. At press time, brochures are on their way to all AICPA industry members.

Registration Information — Fee: \$495, includes general and concurrent sessions, handout materials, three continental breakfasts, two luncheons, a cocktail reception, and refreshment breaks. For more information, contact: AICPA Meetings and Travel Division, Harborside Financial Center, 201 Plaza Three, Jersey City, NJ 07311-3881 (201-938-3232).

Small Businesses Have Two New Options to Raise Capital

By Gary D. Zeune, CPA, CPC

The SEC recently adopted a new set of rules, regulations and forms, generally known as the Small Business Initiatives, which allow small companies access to the equity markets at substantially reduced cost. Regulation A has been substantially revised and Regulation S-B has been adopted.

REGULATION A

Exempt offerings under Regulation A have been rare in recent years, despite an average cost of only \$38,000. Only 42 were filed in 1991. Why? Primarily, because the maximum that could be raised was \$1.5 million. Now, that has been increased to \$5 million during any 12-month period. As reported in a recent *Wall Street Journal* article, in the five months since the

adoption of the changes, 30 companies have floated offerings under Reg. A of \$68 million as compared with 18 companies and only \$21 million in a comparable period one year before. The changes, therefore, are already having a significant impact.

Although Reg. A is an exemption from registration, securities issued under it are freely tradeable, providing the potential for liquidity to the investors. Although there is no limit as to the number of investors in Reg. A offering, the company does *not* have to become an SEC reporting company under Section 12(g) unless it exceeds 500 shareholders and \$5,000,000 in assets. Even then, the company may be able to ease its reporting burden by qualifying as a "small business" under Regulation SB (see below).

Availability — Reg. A is available to private U.S. (continued on page 3)

Number Please — Beware of Remote Access Fraud

By William Leinheiser

Business has been booming lately for those who steal telephone access codes and sell them to others. Quite a few companies have experienced the sting of what telephone companies are calling *remote access fraud* and, as a result, have been required to pay thousands of dollars to the telephone company.

Remote access fraud is being perpetrated by computer hackers who access company switchboards by way of an 800 number. Then, using specialized computer software, they search for and transmit one access code after another until the correct code is struck to place the call through the switchboard.

Many of these access codes are sold for about \$10 on street corners in major cities and used to make international calls to friends and relatives. If you ever see a lot of similar looking people hanging around a pay phone in a major city waiting to talk, there is a good chance an illegal phone call to relatives and friends in a foreign country is in progress. There are reported instances where the cost of unauthorized calls has approached \$250,000. It appears that the victimized companies are unable to escape liability. The telephone companies have demanded payment although they have made efforts to assist their customers. For example, MCI has several employees who devote their entire work day to tracking offenders and notify up to 50 customers per week of such fraud.

Call your local phone company to find out if your telephone system is susceptible to this type of theft and who is responsible for the resulting charges. Generally, if you own the equipment, the telephone company takes the position that you are responsible for the charges. These types of losses are not covered in most policies of insurance today unless it can be proven an employee was involved. Several insurance companies have

recently introduced insurance policies specifically created to insure telephone theft, however, the cost and deductible are usually high. The combination of a large insurance premium and large deductible negates the value of purchasing coverage. It is generally more desirable to eliminate or reduce the possibility of loss. There are several things that can be done to reduce the possibility of telephone fraud from occurring. These are as follows:

1. Program the switchboard to disconnect callers using unauthorized access numbers after two or three attempts. This, coupled with step 2 will be a major deterrent to computer hackers trying to access your switchboard code.
2. The longer the switchboard access code, the less likely the chances are of it being discovered. Many access codes are only four digits. As an additional digit is added to the access code, the chances for hackers to determine the longer code is exponentially more difficult.
3. Most calls of this nature are made to foreign countries. Some switchboards can be programmed to limit calls to specific countries. If you only have international business in one or two countries, calls should be limited to those countries. If you do not have international business, block all international calls.
4. When employees are terminated, their access code should be deleted from the system or the system access code changed.
5. Where possible, monitor your international calls more frequently than monthly.

William Leinheiser is Senior Vice President of Risk Resources in Westchester, Illinois. He will be presenting "Worker's Compensation or How to Stop the Bleeding" at the Spring National Industry Conference.

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Small Businesses Have Two New Options to Raise Capital (continued from page 1)

or Canadian companies. It is not available to development stage companies or for “blank check” offerings. The Rule 262 “bad boy” provisions also apply.

Financial Statements — Audited financial statements are required *only if* they are otherwise available. If unaudited statements are used, however, they must be prepared in accordance with GAAP.

Testing the Waters — This new concept allows the use of advertising materials to see if there is any interest in an offering, before the company spends thousands of dollars preparing a formal offering document. The company can solicit interest in the print media, or on TV or radio. However, most states have not yet updated their securities laws to allow Testing the Waters. Until they do so, using any such materials could be considered an offer and subject you to liability under state securities law. Check with your securities attorney.

REGULATION S-B

The second major initiative is the adoption of Regulation S-B, which can be used by “small companies” to raise capital and to reduce reporting requirements. Reg. S-B sets no cap on the amount to be raised and allows primary and repeat offerings, and primary and secondary shares to be offered.

Small Business — The SEC has defined small companies as those with revenues and “public float” of less than \$25 million. Public float is the market value of the shares held by non-affiliates (i.e., shares not held by officers, directors, insiders or control persons). For IPOs, the public float is computed as the number of shares outstanding before the offering times the public offering price. Further, The SEC has estimated that

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- We’d like to remind industry members who wish to receive **single copies of exposure drafts of AICPA pronouncements** that you need to write to the AICPA Circulation Department, Harborside Financial Center, 201 Plaza Three, Jersey City, NJ 07311-3881. You must provide your AICPA Membership No. and appropriate mailing address and be asked to have your name placed on the new mailing lists (existing lists are being discarded). If you desire multiple copies contact the Order Department at the same address.
- The new **Corporate Accounting and Finance Catalog** was mailed to many AICPA industry members in February. This is the most comprehensive catalog of self-study courses relevant to the work of industry CPAs that the Institute has ever developed. Among the new or newly revised courses described in the catalog

35% of all public companies could qualify, and thus “step down” to Regulation S-B status.

Reduced Reporting — For the most part, under Regulation S-B, companies do not have to comply with Regulation S-X. Only audited GAAP statements have to be filed, including a one year (not two) balance sheet and two years (not three) of income statements, statements of cash flow and shareholders’ equity. The Management Discussion and Analysis (MD&A) requirements have been imported from Regulation S-K substantially intact except that, if the company has not had operating revenues for the last two years, it is permitted to file a plan of operations in lieu of an MD&A.

CONCLUSION

A few caveats to keep in mind:

- The national and larger regional investment bankers will tend to shy away from small dollar capitalizations, but the smaller regional and local broker dealers are often willing to step in.
- The SEC’s anti-fraud statutes always apply, even in exempt offerings.
- Becoming a public company, even one with limited reporting requirements, does mean that previously private business matters come under more scrutiny.

Gary D. Zeune, Columbus, Ohio, is the author of the forthcoming Going Public: What the CFO Needs to Know to be published by the Institute and conducts the executive training course Accessing the Capital Markets. For further information, contact the author at (614) 221-6228 or 100 South Third Street, Suite 413, Columbus, Ohio 43215.

are: *Evaluating Internal Control—The COSO Report*, *Leading the Controller’s Department*, and *The Role of the Internal Auditor*.

For more information on CPE for industry members or to request brochures on these or other courses, call 1-800-862-4272, Department 3.

- Join the over 900 individuals who have purchased **Selected Readings for Financial Executives**, a self-study course based on a collection of forty-six articles from leading business and professional journals. **SRFE (product # 731450CL)** is available for only \$79, for which you can earn **8 credit hours of CPE**. If you are a resident of Florida, Missouri or New York, please order by calling your state CPA society: Florida (904) 224-2727, Missouri (314) 997-7966, or New York (212)973-8300. **AICPA Order Dept. 1-800-862-4272.**

Sexual Harassment — Do You “Get” It?

By Nancy E. Lasater, Esq.

Ever since the Clarence Thomas hearings, American employers have had to learn what women mean by “sexual harassment,” for those who don’t “get” it are likely to “get” something else — sued.

Anyone employing more than 15 workers must know how the law defines sexual harassment, for ignorance is costly. Under the new Civil Rights Act, a victim of harassment can win as much as \$300,000 in damages, as well as payment of attorney’s fees, job reinstatement, and back pay.

Just what is sexual harassment? Sexual harassment fits into either one of two legal descriptions. Federal regulations define “quid pro quo” harassment as demanding sexual favors in exchange for any “job benefits or opportunities.” This phrase includes every aspect of someone’s employment, from salary to work assignments.

The second, much broader category is called “hostile environment.” This type of conduct is not a showing of romantic interest but rather a reflection of hostility toward the opposite sex. The same regulations define “hostile environment” discrimination as “unwelcome sexual advances, requests for sexual favors, or verbal conduct of a sexual nature” that “pervades the workplace to such an extent that it unreasonably interferes with work performance, or creates a hostile, abusive, or offensive work atmosphere.” This definition is *very broad* and can be even be manifested by the presence of “girlie posters,” obscene graffiti or pornographic magazines. It protects not just the workers who are propositioned by their bosses but also the workers who are not, if their job performance is affected by what is going on around them.

What if she plays along? In some cases, the employer argues that the “victim” enjoyed the atmosphere and acted like “one of the boys.” Of course, if the company can show the woman truly welcomed the conduct, there is no liability for sexual harassment. In other cases, though, the courts have found that the victim’s own conduct is just one factor to consider when reviewing the whole workplace environment.

What If The “Harasser” Was Only Joking? In the past, courts considered conduct from a “reasonable man” standard. In sexual harassment cases, though, judges now use a “reasonable woman” standard that looks at the behavior in question from the *victim’s* perspective. So, even if a wise-cracking supervisor didn’t mean to offend, his employer may still be liable for sexual harassment if a reasonable woman would have been offended by his behavior.

How Expansive Is An Employer’s Liability? Very, very expansive. Employers are liable when their supervisors harass subordinates, even if top management doesn’t know about the misconduct. Companies are also liable when co-workers create a hostile environment for another employee at the same level. Perhaps more important, an employer can also be responsible for the conduct of *outsiders*, such as vendors and customers, if the employer had reason to know about the harassment but did nothing to stop it.

How Can An Employer Minimize Sexual Harassment Claims?

1. Establish, maintain, and enforce a strong written anti-harassment policy and a well-defined internal complaint procedure.
2. Inform employees of their rights. Make absolutely clear that there will be no retaliation against anyone asserting a claim.
3. Caution employees about work-related “social” events. Conduct that seems okay after a few drinks may be grounds for a lawsuit later.
4. Take complaints seriously and follow up immediately.
5. Carefully document all problems with an employee’s performance, since a worker who is fired may try to sue for harassment. If the employer can demonstrate the non-discriminatory reasons for the discharge, such as poor performance, bad attitude, etc., a strong defense can be mounted against a harassment claim.

Nancy E. Lasater is an employment lawyer in Washington, D.C. She will be speaking on the topic of “Sexual Harassment and the Civil Rights Act of 1991” at the Spring National Industry Conference.