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Members in Business and Industry, November 2003

American Institute of Certified Public Accountants (AICPA)

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American Institute of Certified Public Accountants

AICPA 2003 Hall of Fame Winners Announced

Highlights

awards

The AICPA and Ajilon Finance (formerly AOC) have announced the winners of the 2003 AICPA Business and Industry Hall of Fame Award. The induction ceremony took place at the AICPA's Fall National Industry Conference in Lake Buena Vista, Fla., on Oct. 14.

Each year, up to five individuals are selected to enter the Hall of Fame. The Hall of Fame honors CPAs who provide insight and vision to their respective organizations, understand all facets of their enterprise, and demonstrate the leadership, commitment and strategic ability necessary to help their organizations meet the challenges of today's dynamic market conditions.

The three winners are: Glen M. Elias, Corporate Controller of CH2M HILL, Englewood, Colo.; Keith L. Jones, Controller of St. Joe's Timberland Company, Port St. Joe, Fla.; and Hubert C. Maddy, III, President and CEO of Summit Financial Group, Moorefield, W. Va.

Glen M. Elias, CPA

Elias led CH2M HILL through a highly successful and innovative international financial systems conversion. In the process, he earned the trust and respect of subordinates, colleagues and executives throughout the company. As corporate controller with international responsibility, his deep respect for the many cultures he interacts with has been instrumental in winning him the trust of local managers throughout the world. Elias received a B.A. in Accounting from William Patterson University, and an MBA from the University of Denver.

Keith L. Jones, CPA

At St. Joe's Timberland, Jones has been successful in building the accounting function from the ground up. Owing to his strong leadership skills, he has been awarded responsibility for planning, budgeting, human resources and risk management in addition to financial accounting and reporting. Jones is active in both his community and profession. He was awarded the Florida Institute of CPAs' Outstanding Chairman's Award during his tenure as chair in 2001/02 and has served two terms as president of the local Kiwanis Club. He is a graduate of Florida State University.

Hubert Charles Maddy, III, CPA

Maddy's leadership is best demonstrated through the growth and financial success of Summit Financial Group. In 1993, at the age of 29, he was named President and CEO of South Branch and its parent holding company, now known as Summit Financial Group. During the fourteen years he has been with Summit, it has gone from a one-bank holding company with $80 million in assets to a multi-bank holding company with assets of over $716 million. His uncompromising values have no doubt played a role in his success: a deep concern for employees, customers and the communities the bank serves. Maddy's civic and professional contributions include service as the Director of the Federal Home Loan Bank of Pittsburgh, Director of the West Virginia Bankers' Association and Director and Founder of the Hardy County Child Care Center. Maddy graduated magna cum laude with a B.S. degree from Concord College, Athens, W. Va.

The winners were selected based on their ability to:

- Create value by managing technology and resources.
- Lead by example and commitment.

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Fraud Detection and Prevention

By John B. Duncan, Ph.D., CPA (inactive)

This is a report on the fraud detection and prevention session at a recent AICPA Business and Industry Conference.

The recent financial scandals involving Enron and WorldCom have brought a renewed interest in fraud detection and prevention to the accounting profession. Users of financial information, now more than ever, are demanding assurance from corporate boards and their management teams that corporate environments include policies to prevent acts of fraud. Although the control environment is the responsibility of management, most managers are not trained in risk management.

Risk management includes dealing with three broad categories of fraud. **Macro** fraud is the Enron-type fraud that can bring down the entire organization. Management must take aggressive action to prevent this category of fraud. **Micro** fraud may involve material items but is less catastrophic. **Micro** fraud is present in most organizations. Management and auditors should attempt to deal with this type of fraud through early detection. **Systemic** fraud includes small, immaterial acts of fraud, which is tolerated and overlooked in many organizations. In order to have an effective control environment, management should define this type of fraud as unacceptable and find and punish offenders.

Fraud experts estimate that fraud costs generally equal 4 to 6 percent of an organization's revenue. Therefore, reducing fraud provides an excellent opportunity to improve profitability without increasing sales.

In order to effectively reduce fraud, management must create an antifraud environment. Creating an antifraud environment involves the following ten steps:

1. Defining acceptable behavior.
2. Ensuring that expectations are stated and understood.
3. Having leaders in the organization set the example.
4. Including in corporate codes of conduct a requirement to report any known fraud.
5. Having a fraud policy statement.
6. Taking action to eliminate weaknesses in internal control.
7. Actively monitoring exposure areas.
8. Quantifying and tracking fraud losses.
9. Making sure employees understand that wrongdoers will be punished.
10. Improving the prevention and detection skills of managers.

Having a clear fraud policy may be the most important element of an antifraud environment. Unfortunately, many organizations do not have a fraud policy statement. The fraud policy sets forth requirements for all members of the organization with respect to fraud prevention and detection. The purpose of this document is to get members of the organization to take action when appropriate. The fraud policy should be a separate document from the corporate code of conduct, which typically deals with acceptable and unacceptable behavior in business transactions and other activities.

A good fraud policy statement should include the following:

1. An introduction that states that the organization's goal is to maintain an environment of fair and honest ethical conduct, and that the organization is committed to the deterrence, detection, and correction of dishonesty.
2. A statement that the purpose of the document is to communicate company policy regarding the deterrence and investigation of suspected dishonesty, and to provide instructions in case of suspected violations.
3. Definitions of misconduct and dishonesty.
4. Organizational policy and responsibilities regarding reporting suspected misconduct.
5. Deterrence and detection responsibilities of individuals with supervisory or review responsibility.
6. Policy specifying the responsibility and authority related to the investigation of incidents of misconduct and dishonesty.
7. General procedures for the follow up and investigation of reported incidents.
8. A statement that questions or other clarifications of the fraud policy and its related responsibilities should be addressed to the corporation's Chief Counsel.
9. The approval of the policy by the CEO or other designated executive.

All employees should be required to sign a statement acknowledging their understanding of the responsibilities related to the prevention, detection, and reporting of suspected dishonesty.

Some may not recognize the need for a fraud policy because they believe that fraud is not a problem in the organization. High-level sponsorship of the fraud policy helps increase the acceptance of the policy. Therefore, the fraud policy should come from the CEO. The policy should be introduced in a positive way. One possible approach would be to prepare an inventory of known fraud risks and some suggested methods for dealing with these risks.

By taking steps to prevent and detect fraud, the accounting profession can help to improve the reliability of the accounting and reporting process. Developing a fraud policy statement is a significant step an organization can take to improve the perception and reliability of financial information.

John B. Duncan, Ph.D., CPA (inactive), is the Professor of Accounting at the University of Louisiana at Monroe.

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Ajilon Finance's Tips for Reducing Stress

practice management

To help you alleviate some of the pressures of work and everyday life, here are some simple tips for reducing stress. Just take a moment to step away from what you're doing, sit back, relax and read these over — they're easy to do and they really do work!

Stop being a perfectionist

You don't have to accept shoddy work, but pick a couple of things you can let slide. Don't let your quest for perfection and fear of failure paralyze you with anxiety. People who strive to be all things to all people are prime candidates for this type of stress.

Whenever you're angry, ask yourself three questions: "Is the issue important?", "Is my anger justified?" and "Can I do anything to fix the situation?" If the answer to any of these is "no," the only appropriate action is to calm yourself down.

If, on the other hand, you answer "yes" to the three questions, you need to turn your anger into assertive action.

Don't procrastinate

When something has to be done, tackle it immediately. This, of course, is easier said than done. But, the fact is, you'll perform better if you avoid caffeine-charged, all-night super-sessions. If you're a procrastinator, think of your project as a stalled car that needs to be pushed — it takes work to get the car going, but when it develops momentum it's easy to keep it moving. Quit making excuses and just start pushing.

Clean off your desk

Most people waste the better part of an hour a day looking for things on their desk. Five seconds here, two minutes there — it's subtle, but it really adds up. Banish those piles. Go through each one and dump every unnecessary paper. Throw it out or pass it on. As for the papers you need to keep, make sure each one fits into an appropriate folder. Create new folders right away and file all related papers together. Make use of those file cabinets your company assigned to you.

Want to learn more about relieving stress on the job and in your life away from work? Contact your local Ajilon Finance branch and ask how you can get a free copy of "Rules for Reducing Stress." This booklet features 30 practical tips just like the ones mentioned above that you can use to combat stress for the rest of your life.

Ajilon Finance is the fastest-growing staffing service in the world, specializing in the temporary and permanent placement of premier accounting and finance professionals. Visit their Web site at www.ajilonfinance.com for more helpful career advice or to check out their job postings.

Florida Corporate Taxpayers Can Help Educate Kids at No Extra Cost

scholarships

The Florida Corporate Income Tax Credit Scholarship program allows corporations to redirect up to 75% of their Florida corporate state income tax liability every fiscal year to non-profit scholarship funding organizations that award K-12 scholarships to low-income students. Participating corporations receive a dollar-for-dollar tax credit for every dollar transferred to fund scholarships. The program went into effect Jan. 1, 2002, for tax years beginning on or after that date. The program is capped at $88 million with available tax credits being approved on a first-come, first-served basis. Information about how to participate in the program is on the Florida Department of Revenue Web site at https://taxapp2.state.fl.us/gta/cit-sfo.

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- Provide vision using knowledge of broad business issues.
- Understand business issues beyond the numbers.
- Effectively manage shareholder and customer expectations.
- Champion new methods and solutions.
- Inspire and motivate others to excellence.

All nominees must be a CPA and nominated by someone in their peer group. The panel of judges who selected the winners were: David Blansfield, Publisher, Business Finance Magazine; Don Blankenship, Chairman, President and CEO, Massey Energy (one of last year's winners); and Bob Mahan, CFO Ajilon Finance.

Ajilon Finance has sponsored the Hall of Fame for the past four years. They are a leading financial staffing and recruiting specialist with more than 500 offices throughout North America, Europe and Asia Pacific. For more information about the AICPA Business and Industry Hall of Fame:

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CFOs See Value in Adopting New Accounting Standards

Should privately held companies apply corporate governance standards that are mandated for publicly traded companies to their own businesses? Many financial executives from nonpublic companies say yes. In a new survey, 38 percent of chief financial officers (CFOs) said private companies would benefit from implementing the same practices as are required of public companies under the Sarbanes-Oxley Act of 2002; 38 percent of respondents were undecided.

Robert Half International Inc. (RHI), the world's first and largest provider of specialized staffing in the fields of accounting and finance, recently released a white paper on this subject: *The Impact of Sarbanes-Oxley on Private Business*. The report summarizes lessons learned in the wake of corporate scandals, as well as information on which types of private organizations could be most affected by accounting reforms and how some privately held companies are more closely examining their own financial disclosure processes.

RHI recently commissioned a survey of 1,356 CFOs from privately held companies to address the issue of governance. The results of the survey support the findings in the white paper.

CFOs were asked, "Do you agree or disagree that private companies should implement the same type of governance and control practices that the Sarbanes-Oxley Act of 2002 requires of publicly held companies?" Their responses:

Agree strongly	12%
Agree somewhat	26%
Disagree somewhat	17%
Disagree strongly	7%
Don't know/no answer	38%
	100%

The survey was conducted by an independent research firm and is based on a stratified random sample of private U.S. companies with 20 or more employees. Executives surveyed at the largest firms were more likely to believe accounting regulations should also apply to the private sector. Fifty-two percent of CFOs from companies with 500 or more employees agree that nonpublic companies should take action in response to Sarbanes-Oxley, while 37 percent of CFOs from companies with 99 employees or less advocate change.

Some private companies are already moving forward with implementing new corporate governance practices, according to the white paper. In an RHI survey released in Mar. 2003, 58 percent of CFOs from private companies said they were taking measures such as reviewing or altering their current accounting procedures, expanding their internal audit functions, and hiring outside consultants for internal audit work.

"A growing number of private entities are using the Sarbanes-Oxley Act as a model for creating stronger accounting and governance practices," said Paul McDonald, executive director of Robert Half Management Resources. "While not all aspects of the legislation apply to every company, the concepts Sarbanes-Oxley addresses promote better financial management for any company."

Research for the white paper also revealed additional practices private companies are adopting to enhance their corporate governance and internal control processes. These include certifying financial statements to external parties, adopting a formal code of ethics, and separating professional services provided by external accounting firms to avoid potential conflicts of interest.

"Companies that are proactively improving their financial processes will have the ability to detect errors or fraud early on, enhance their credibility with key stakeholders and be in a better position to establish credit," McDonald said.

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