



[NEWS]

## COSO Releases Internal Control Discussion Document | KATHY WILLIAMS

Last month the Committee of Sponsoring Organizations of the Treadway Commission (COSO) released *Guidance on Monitoring Internal Control Systems*, a discussion document whose information is designed to help organizations monitor the quality of their internal control systems. This guidance more fully develops the monitoring component of COSO's *Internal Control—Integrated Framework* to help companies ensure the effectiveness of their financial, operational, and compliance-related internal controls. It also includes the principles of effective internal control over financial reporting that COSO developed in 2006 and reiterates the importance of those principles to all sizes and kinds of organizations.

You can find the document along with an online feedback portal on the COSO website at [www.coso.org/publications.htm](http://www.coso.org/publications.htm). Those who don't want to use the online tool can also download a Microsoft Word survey from the site and fill it out. IMA members, you are encouraged to read the document and offer feedback regarding the clarity and usefulness of the guidance. You can also offer examples, case studies, and best practices related to effective monitoring. The comment period ends October 31. Input from respondents will be used in developing an exposure draft that will be released later this year, and the final publication is scheduled for release during the first quarter of 2008.

For more information, visit the COSO website at the above address, see the article in the September 18 issue of ION, and read the Breaking News section on the home page of the IMA website at [www.ima.net.org](http://www.ima.net.org). Again, the comment period ends October 31.

### PAIB Publishes Paper on Internal Control

As you can see, internal control continues to be a hot topic for management accountants, especially given today's business climate. Recognizing that strong internal control is an important driver of business performance, the Professional Accountants in Business (PAIB) Committee of the International Federation of Accountants (IFAC) has published *Internal Control from a Risk-Based Perspective*. This information paper features interviews with 10 senior-level professional accountants in business about their experiences and views on establishing effective internal control systems.

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## MORE ACCOUNTANTS ARE AUDIT COMMITTEE CHAIRS

Over the last five years, the number of accountants sitting on audit committees has doubled from 6% to 12%. Also, 23% of audit committee chairs are accountants, up from less than 10% in 2002. But accountants are still three times less likely than finance professionals to sit on an audit committee.

These are a few of the findings from the Huron Consulting Group's Second Annual Audit Committee Research Report, based on a sample of more than 670 audit committee members at 164 public companies from the Nasdaq 100 and *Fortune* 100 listings. The report analyzed patterns of audit committee composition from 2002 through 2006.

In other findings:

- ◆ The number of audit committees with at least one accountant increased from 21% in 2002 to 40% in 2006.
- ◆ Audit committee members who are finance professionals exceeded accountants by less than 3 to 1 in 2006, down from 5 to 1 in 2002.
- ◆ Although the number of accountants and finance professionals

*continued on next page*



## [GOVERNMENT]

# New Rules on Foreign Investments in U.S. Go into Effect

STEPHEN BARLAS, EDITOR

The congressional struggle to fix the federal oversight process for clearing sales of U.S. companies to foreign buyers came to an end this summer with the passage of a CFIUS reform bill. The new rules prescribed by the Foreign Investment and National Security Act of 2007 go into effect this month, and implementing language is due from the Treasury Department in April 2008. CFIUS is the Committee on Foreign Investment in the United States. Established two decades ago under what is known as the Exxon-Florio law, it is composed of representatives of various federal departments and is responsible for reviewing the sales of U.S. companies that may have national security value, in either a military or economic sense, to a foreign buyer.

The new law makes some changes to the composition of CFIUS, but changes to existing law are subtle and modest. CFIUS is now required to report to Congress on each transaction as it is considered. This is intended to ensure that no one gets caught by surprise as was the case with the attempt by Dubai Ports to acquire the American-owned P&O Ports, which exposed the shortcomings of the process in the eyes of Congress. The one major new addition to current law allows CFIUS to cancel a foreign purchase of a U.S. firm if some component of the company “materially breaches” a national security agreement after the deal is done—no matter how long after the fact. In terms of the implementing language due next April, one of the big issues will be which industries are subject to CFIUS review. Treasury is going to have to issue a final list that will undoubtedly get a thorough vetting by business groups.

## No Room for Compromise on Shareholder Access

The Securities & Exchange Commission (SEC) is expected to make a decision this month in regard to the two very conflicting shareholder access proposals it made in late July. This has been a very controversial issue for four years. SEC Chairman Chris Cox has given himself an “out” of sorts. One alternative the SEC held open is to keep things just as they are: Shareholders can nominate candidates for a board of directors, but they can’t get those dissident nominees on the proxy cards sent out by the board of directors. The other alternative is to give access to the board’s proxy to shareholders who have in total 5% of the company’s shares. There is almost no compromise position between those two alternatives, meaning either the public interest/shareholder/pension fund groups or corporate America will ultimately be displeased by the SEC’s final dictate.

Tom Lehner, director of public policy for the Business Roundtable, says establishing a 5% threshold for getting outside nominees on the corporate proxy would lead to interest groups—whether they are unions, environmental, or public interest—nominating their own candidates for the board, thereby turning board elections into “political elections.” He thinks that *continued on page 19*

[COMMITTEES] *cont’d from p. 15*

on audit committees increased from 34% in 2002 to 47% in 2006, audit committee members in the “other” category were still more than half of all audit committee members.

In the report, the term “accountant” was categorized by title and experience, which included controllers/comptrollers, certified public accountants, accounting professors, and those who served on accounting standards or similar oversight boards. “Other” members were those who weren’t accountants by training or experience and weren’t finance professionals such as a CFO, treasurer, or financial professor.

If you want a copy of the report, visit [www.huronconsultinggroup.com](http://www.huronconsultinggroup.com), or contact Jennifer Frost Hennagir at (312) 880-3260 or [jfrost-hennagir@huronconsultinggroup.com](mailto:jfrost-hennagir@huronconsultinggroup.com). ■

## QUICK NOTE

We hope we didn’t mislead anyone who was reading the Strategic Plan insert in the September issue. Under the “China Market Development” section, we said there were no locally based accounting training and certification programs available in China. We should have said “management accounting” programs since the CPA Program and the Accountant Program are available. ■



## [BOOKS]

## Managing the Supply Chain

Supply chain management (SCM) encompasses the many tasks of sourcing, routing, assembling, and delivering a product or service to the right place at the right time in the right amount. SCM incorporates key business processes from across the entire organization, and successful SCM is an important factor in business performance. As David Blanchard concisely explains in his book, *Supply Chain Management Best Practices*, “When you are out of stock, you’re out of business.” This simple, clear statement kept reverberating in my mind as Blanchard illustrated the successes and failures from real-life business scenarios in order to present various lessons and best practices for SCM.

As I read through the various scenarios Blanchard discusses, one thing that stood out above the rest was his emphasis on taking responsible action and preventing anyone along the supply chain from becoming complacent. Complacency creates delay, waste, and other problems—all of which are not only detrimental to effective supply chain management, but also to achieving a company’s overall business objectives.

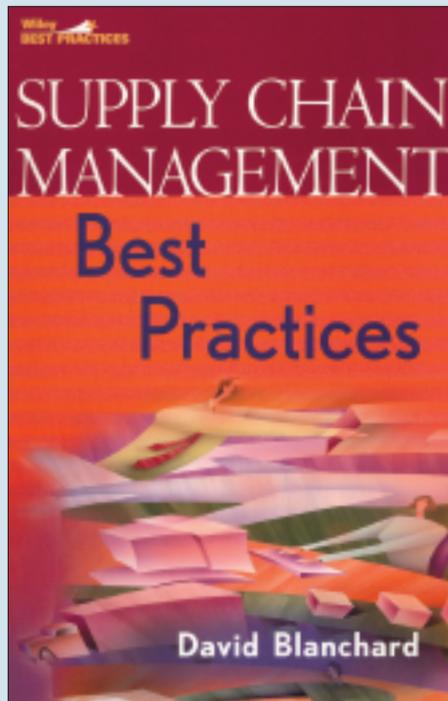
Customer relations are critical to successful supply chain management. Who are the customers to the SCM organization? They include logistics, manufacturing, sales, services, users, senior management, shareholders, etc.—practically anyone who may be touched by the supply chain, including those internal and, to a great degree, external to the organization. Serving such a large, diverse constituency requires people who understand the importance of proactively managing relationships to keep information flowing among the various stakeholders.

Technology lends itself to improving information flows inside and outside organizations by keeping the various players informed and involved. Blanchard devotes attention to this concept throughout, illustrating how information technology can assist the SCM leader in communication, coordination, control, and management of the entire chain of interrelated processes to move goods. He even devotes a chapter to Radio Frequency Identification (RFID).

One of the ways Blanchard presents information is by embedding various action plans throughout the book. In the chapter on Supply Chain Metrics, for example, he introduces readers to the Supply Chain Operations Reference (SCOR) processes. These processes provide “a supply chain score-card...that companies can use to set and manage supply chain performance targets.” The SCOR processes are:

1. Plan
2. Source
3. Make
4. Deliver
5. Return

In the final chapter, Blanchard reveals the secret to effective supply chain management. It essentially boils down to the idea that top-performing companies have top-performing people. The successful SCM person is one who utilizes his or her leadership and management skills to ensure that, when a piece or part is needed, it is on the shelf at just the right time and in the right quantity to meet the customer’s need. In his book, Blanchard provides valuable ideas and potential solutions to the problems that regularly occur that might prevent SCM leaders from achieving their objectives.—*Paul L. Shillam, CMA, CPA*



## [ADVOCACY]

## XBRL-US Market Outreach Working Group

BY LINDA DEVONISH-MILLS, CPA

As part of IMA's professional advocacy efforts, staff has attended conferences and participated in webinars in order to inform members about eXtensible Business Reporting Language (XBRL). As many of you know, XBRL is a royalty-free, open specification that uses XML data tags to describe financial information for public and private companies and other organizations. It benefits all members of the financial information supply chain by utilizing a standards-based method with which users can prepare and publish financial statements in a variety of formats. Some of the world's leading accounting, financial, government, and software organizations are involved in the adoption and use of XBRL in the U.S.

IMA has received an invitation to appoint a member as a representative to the XBRL-US Market Outreach Working Group. The objectives of the Working Group are to (1) get stakeholder involvement in taxonomies and preparer guidance and (2) target influential individuals within organizations who can help educate and build awareness about XBRL to the appropriate audience. Although the drivers behind XBRL adoption today are SEC initiatives and external reporting for public audiences, XBRL can also benefit internal reporting users. IMA can play a critical role in assisting the XBRL-US Market Outreach Working Group to build awareness since some of the key roles within positions held by IMA members involve internal reporting functions.

Currently there are nine members of the XBRL-US Market Outreach Working Group representing external and internal reporting users, professional organizations, and software vendors. IMA staff is attending and participating in meetings conducted by the Working



Group until a member can be identified to fill the role as IMA representative. It would be helpful for the IMA representative to have experience with internal reporting functions in order to give technical feedback to the group on how XBRL should be set up to benefit internal reporting users. Please contact Linda Devonish-Mills, IMA's director of professional advocacy, at [lmills@imanet.org](mailto:lmills@imanet.org) if you would like to be considered to serve as IMA's representative on the XBRL-US Market Outreach Working Group.

For more information about XBRL, visit the IMA website at [www.imanet.org](http://www.imanet.org). Under the Publications section, you can read Gianluca Garbellotto's monthly XBRL column in *Strategic Finance*. In our archived files is a webinar that took place on August 16, 2007, that discussed the benefits internal reporting users would have with the adoption of the XBRL Global Ledger framework (XBRL GL). Material related to the webinar can be found in our webinar library under the Professional Development section of the website. Live demonstrations that illustrate the XBRL GL mechanism can be found at [gl.iphix.net](http://gl.iphix.net). ■

**[NEWS]** *cont'd from p. 15*

IFAC and PAIB say the interviews help to demonstrate the importance of a risk-based approach to internal control in helping an organization manage its overall risk. They cover such topics as the nature of risk in organizations, how to establish an internal control system focused on driving performance and supporting the delivery of strategic objectives, and success stories that can help organizations consider improvements to their approach to internal control.

The paper is part of a larger PAIB Committee project on internal con-

trol. In 2006, the Committee published *Internal Controls—A Review of Current Developments*, which reviewed some of the latest thinking about internal control. The two publications mentioned here form the basis for the development of “principles-based good practice” guidance on internal control, which the PAIB Committee plans to issue in 2008.

You can download the new paper for free from the IFAC website at [www.ifac.org](http://www.ifac.org). Look for it in the Latest News section on the IFAC home page or in the IFAC Bookstore on the left-hand side of the page. ■

**[GOV'T]** *cont'd from p. 16*

those groups might also be able to argue that they deserve corporate funds to run election campaigns on behalf of their nominees.

Jeff Mahoney, general counsel for Council for Institutional Investors, a group that has long sought liberalized shareholder access to proxies, says the 5% threshold is too high. “Our preliminary research indicates that even if the 10 largest public pension funds were to aggregate their holdings of a single public company’s securities, those funds combined would likely be unable to clear the 5% hurdle,” he says. ■



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