streetwise

BY STEPHEN BARLAS, LINDA DEVONISH-MILLS, KAREN JETT, RAYMOND NAN, LANDIS PETERSON

[NEWS]

Strategic Plan Update

BY LINDA DEVONISH-MILLS, CPA

IMA's Board of Directors approved a strategic plan for the organization for fiscal years 2009-2012 during their meeting on June 14, 2008, at the Annual Conference. The general theme of the plan is "Creating Value Through Values," and this will be seen in all areas and activities of IMA. "Creating Value Through Values" simply means that the IMA plan focuses on foundational elements necessary to achieve business outcomes or key performance indicators (KPIs). These business outcomes include increasing membership by improving the value proposition and increasing the number of CMA candidates and active CMAs by making the exam and professional development more relevant to target audiences such as CFOs. The foundational elements include treating all stakeholders with an exemplary code of ethics, caring for and growing our many communities (e.g., chapters and councils, small businesses, young professionals) and treating all accountancy functions across the value chain (including external reporting, audit, and tax) as important activities while advancing the differentiated identity and value of management accountants in driving business performance inside organizations.

In keeping with this "values" theme, IMA President and CEO Jeff Thomson referred to the phrase, "Remember the Member" in his speech at the Annual Meeting of Members during the Annual Conference. The phrase is a great reminder that IMA is making sure that products and services developed through our professional development efforts are valuable to members. Value also will be created by community-building efforts, many of which were begun at the Conference. Activities such as committee meetings that focused on small business issues, sessions that addressed the adoption of International Financial Reporting Standards (IFRS), academic activities such as the student case competition, and activities related to IMA chapters and councils are all examples of community building. In addition, efforts will continue to be made to attract young professionals into the management accounting profession and engage them as management accounting advocates.

Engagement with members from these different communities will help IMA develop the right mix of products and services that will benefit them. For example, IMA's new Small Business Financial and Regulatory Affairs Committee (SBC) has created an education subcommittee whose members will share their ideas with the organization's VP of Professional Development about what types of educational products and services would be good to offer. Also, IMA staff members will collaborate with IMA members Bobbi Barnes and Bruce Pounder to determine what type of training should be provided to members regarding International Financial Reporting Standards.

These are just a few bits of information about IMA's strategic plan. Please contact Jeff Thomson at jthomson@imanet.org or Linda Devonish-Mills at lmills@imanet.org for additional information about IMA's strategic plan for fiscal years 2009-2012. ■

ILLUSTRATION: IMAGEZOO

Letters to the Editor

GREAT ARTICLE

I thoroughly enjoyed Steve Spiech's article ["Making More Time for Effective Financial Analysis"] in the June 2008 issue of *Strategic Finance*. In this age of increased corporate governance and compliance, along with the customary tasks of transaction processing, I agree that the accounting profession needs to be more strategically focused on value-added activities that will enhance internal decision making, as well as to potentially give their organization a competitive advantage in their industry or sector. In other words, financial professionals on all levels need to think about how they can add value to their organization, above and beyond what their job title and job description might say. This also enhances leadership skills since leadership should be defined not by one's job title or how many people that one supervises, but rather by a person's ability to motivate others in their work environment to perform at a higher level for the good of the organization. Hence, leadership occurs on all levels of an organization.

As a Financial Analyst myself, I can fully appreciate his advice and hope that all financial professionals on all levels will heed [it]. I look forward to reading more of Steve's articles in the future!

Raymond D. Nan, CMA, CFM

JUST WHAT WE NEED

Steve Spiech's article in the June 2008 edition of *Strategic Finance* is excellent. The principles and ideas he laid out are just what our assistant controller and I have been trying to get across to our accounting team. I work for IM Flash Technologies, a JV company owned by Intel and Micron. Thank you for that excellent article. I want to share it with our internal accounting team.

Landis Peterson

[GOVERNMENT]

Cox Disclosure Initiative: Window Dressing?

STEPHEN BARLAS, EDITOR

Securities & Exchange Commission (SEC) Chairman Chris Cox won't be around when a new President takes office next January 20, so it's reasonable to wonder if some of the financial reporting initiatives he recently announced will ever develop into anything worth talking about. On the plus side, the SEC finally has its full complement of five commissioners, three of whom were confirmed by the Senate in June, meaning they will be at the SEC after Cox departs. The two new Democratic commissioners are Luis Aguilar and Elisse Walter. Tony Paredes takes the seat being vacated by Republican Paul Atkins. Cox and Kathleen Casey are the other two Republicans.

That means at least four of those commissioners will be around to see the completion of the *21st Century Disclosure Initiative*, which Cox announced in June—that is, if it's ever completed. One wonders whether Cox is simply trying to look busy. He already has recommendations from the Advisory Committee on Improvements to Financial Reporting (the Pozen Committee), made last February, sitting in his lap. Why not act on those rather than start this new study, upon whose completion Cox said a new advisory committee would be appointed?

Effort to Improve Corporate Bond Ratings

The SEC proposed three separate rules in June altering its requirements concerning credit rating agencies. The one likely to have the most impact on corporate financial executives would require rating agencies to differentiate between structured products and corporate bonds, disclose past ratings, and prohibit anyone who participates in determining a credit rating from negotiating the fee that the issuer pays for it. Some have argued that the ratings agencies give bonds higher ratings than deserved because the ratings agency is being paid by the same company asking for the rating.

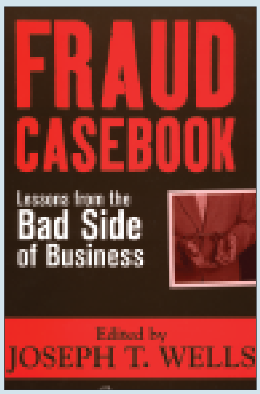
It was just two years ago that Congress passed the Credit Rating Agency Reform Act (CRARA), which created the Nationally Recognized Statistical Rating Organization (NRSRO) designation—bestowed by the SEC—in hopes of both investing the three major credit rating agencies with additional credibility and also opening the door to competition for Moody's, Standard & Poor's, and Fitch Ratings. The three agencies were blamed in some quarters for the Enron-era corporate debacles. The SEC subsequently designated those three plus a handful of others as NRSROs. But that designation didn't prevent the mortgage-backed security ratings debacle that unfolded long after CRARA passed. ■

[BOOKS]

Shedding Light on Fraud

As I read the 62 cases presented in *Fraud Casebook: Lessons from the Bad Side of Business*, edited by Joseph T. Wells, I was faced with the reality that fraudsters are hard to spot because they frequently look just like you and me. While some of the perpetrators described were arrogant and obviously into owning the most toys, many were quiet, unassuming people whom you would never suspect.

I know this to be true from my own experience. I once had the responsibility of researching a coworker's suspected fraudulent activity. The suspected individual was a long-term employee with almost 20 years of seniority, a trusted staff member, and an ordained minister who was frequently consulted for his ideas and recommendations. Therefore, when we were contacted by a vendor with a tip that this employee was involved in some complex transactions that didn't seem quite right, I was certain that I would find out that there was an innocent explanation. I was wrong. Sadly, I spent several weeks tracking down an ever-widening circle of fraud. I was shocked and reassured to discover that a majority of the cases in *Fraud Casebook* begin very similarly.



As I read these cases, it quickly became apparent that there are definite patterns to the way frauds are committed. By understanding these patterns you are better prepared to prevent fraud in your own company.

If you are tempted to dismiss this as irrelevant to you because your staff has been with you a long time and you trust them implicitly, don't be too hasty. As my experience and many others in this book illustrate, trusted employees have the most opportunity and ability to commit the largest frauds. In many companies, internal controls may be more lax for these staff members. And since they are long-term employees, they probably have greater knowledge of how to get around existing controls.

Another important fact is that "those who commit fraud usually do so without a grand plan; instead, they make bad decisions, one after the other." Long-term employees may think they will do something just this one time to get them by in a tight spot. And then, when their actions aren't noticed, they do it again, and again, and again.

Don't be complacent if your staff is mostly new, either. A fair number of frauds described were committed by employees within weeks or even days after starting their employment with the company. These cases will have you verifying the thoroughness of the background checks you perform on prospective hires.

While one side effect of reading this book was to make me more suspicious, it also offers hope that fraud is avoidable. The following paragraph at the end of the "Skim Sisters" case succinctly summarizes this additional theme: "The best recommendation for managers to prevent fraud in the future is to always be visible, attentive, and involved. Businesses that have managers who espouse ethical behaviors throughout the organization will have less occurrences of fraud than organizations that do not have these individuals. Potential fraudsters are less inclined to act on fraud opportunities in organizations where management emphasizes and enforces ethical behavior standards both internally and externally."

Fraud Casebook is broken down into four sections: asset misappropriation, corruption schemes, financial statement fraud schemes, and other fraud schemes. Each case is written in an engaging and detailed manner that draws you into that particular story. The narratives describe the exact events and personalities of those involved as well as two other pieces of valuable information: lessons learned and preventing future occurrences.

Don't just read this book. Read it and then look at your organization and evaluate your company's risks. Implement the lessons learned and the recommendations to prevent future occurrences so that you won't have to go through what I and the other people in this book experienced.—*Karen L. Jett, CMA, Jett Excellence, Kjett@JettExcellence.com*