This course explores the Sarbanes-Oxley Act of 2002 - the history leading up to its passage, key provisions of the Act, and its impact on affected companies. The course also studies internal control systems and the efforts involved in attaining compliance - including objectives, design, implementation, assessment, documentation, and monitoring. Emphasis is on principal business processes such as the revenue and expenditure cycles, inventory, payroll, and financial reporting. The role of information technology in achieving internal control objectives and integration of technology controls into internal control systems are also covered.
PROGRAM LEVEL LEARNING OUTCOME(S) Supported by this course:

Analyze results of financial information via ratios, relationships, and variance analysis to aid management decision making.

Identify, analyze, and solve a variety of business problems.

Develop an understanding of business issues to make informed business decisions.

COURSE LEVEL STUDENT LEARNING OUTCOME(S) Supported by this course:

1. Define internal control, its purpose, structure and components. Demonstrate an understanding of the historical events, financial scandals, and regulatory issues surrounding internal control compliance.

2. Identify the three dimensions of the COSO Integrated Framework and specify how they relate to one another within an internal control system. COSO stands for the Committee of Sponsoring Organizations of the Treadway Commission, an organization that developed the original COSO Framework in 1992. Outline the components of the original framework published in 1992, detail the expanded components of the framework updated in 2004 and again in 2013.

3. Attain an understanding of the key provisions of the Sarbanes-Oxley Act of 2002 (SOX). Evaluate the impact of Disclosure Controls and Procedures as prescribed by Section 302 and Internal Control Over Financial Reporting as prescribed Section 404 on entities.

4. Explore common business processes such as sales, accounts receivable, accounts payable, procurement, payroll, etc. Devise internal control systems for these business processes which include designing and implementing controls, testing controls, documenting the results of testing to comply with Sarbanes-Oxley, and monitoring controls on an ongoing basis.

5. Recognize the role of information technology in achieving internal control objectives and integrate technology controls into internal control systems.

COURSE OBJECTIVES:

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COURSE CONTENT:

LECTURE CONTENT:

A. History and background leading up to the Sarbanes-Oxley Act (SOX)

1. U.S. financial reporting environment
2. Securities Exchange Act
3. Foreign Corrupt Practices Act
4. Gramm–Leach–Bliley Act
5. Regulatory and rule-making organizations
   a. SEC
   b. FASB
   c. PCAOB
   d. COSO
   e. The Treadway Commission

6. Enron, Worldcom, and other financial scandals
   a. Impact of scandals on businesses, the regulatory environment, the economy, and society

B. Internal control overview

1. Types of controls
2. Levels of controls
3. Control objectives
4. Control activities
   a. key controls
5. Testing of internal controls
6. Monitoring of internal controls
7. Significant deficiencies and material weaknesses

C. The COSO Framework

1. 17 principles of internal control
2. COSO Integrated Framework
3. Enterprise Risk Management Framework
4. 3 dimensions of the Integrated Framework
   a. Organizational objectives
   b. Internal control objectives
   c. Organizational levels

D. Key provisions of the Sarbanes-Oxley Act

1. Section 302 - Corporate Responsibility For Financial Reports
   a. Disclosure controls and procedures (DCP)
2. Section 404 - Management Assessment of Internal Control
   a. Internal control over financial reporting (ICFR)
3. Section 906 - Corporate Responsibility For Financial Reports

E. Business processes

1. Inter-relationship between business processes and accounting information systems
2. Financial statement assertions
   a. Authorization, accuracy, completeness, comparison, existence, valuation, classification, cutoff, segregation of duties, safeguarding of assets
3. Corporate governance
4. Ethics in business
5. Documentation methods
Role of internal audit
7. The audit committee
8. Information technology and security
9. Fraud prevention

F. Revenue and cash receipts cycle
1. Credit approval and management
2. Pricing
3. Sales order processing
4. Shipping / cutoff
5. Billing
6. Collections
7. Receivables management
8. Proper segregation of duties
9. Revenue recognition

G. Expense and cash disbursements cycle
1. Purchase requisitions and purchase orders
2. Vendor selection
3. Voucher package
4. Accounts payable processing
5. Check signing
6. Search for unrecorded liabilities
7. Custody of checks

H. Inventory cycle
1. Procurement
2. Inventory management
3. Physical security, access control
4. Quality control
5. Cost accounting
6. Valuation

I. Capital expenditures cycle
1. Authorization of purchases

J. Payroll cycle
1. Timekeeping measures
2. Approval and management review
3. Accuracy in recording
4. Funding
5. Reconciliation of payroll register to financial ledgers

K. General ledger/financial reporting cycle
1. General ledger access
2. Approval of journal entry posting
3. Management review, variance analysis
4. Reconciliation of accounts

L. Informational technology
1. Access control
2. Software compatibility
3. Improper manual intervention
4. Mission critical functions
5. Data backup and retention
6. Version control
7. Uncontrolled user data
8. Spreadsheet control

M. Investments cycle
1. Authorization of trades
2. Cash management
3. Recording of transactions
METHODS OF INSTRUCTION:

A. Lecture:
B. Online:
C. Independent Study:
D. Hybrid:

INSTRUCTIONAL TECHNIQUES:

COURSE ASSIGNMENTS:

Reading Assignments
Textbook
Industry reading materials

Out-of-class Assignments
Chapter homework
Internal control project

Writing Assignments
Discussion assignments

METHODS OF STUDENT EVALUATION:

Midterm Exam
Final Exam
Short Quizzes
Written Assignments
Essay Examinations
Objective Examinations
Report
Projects (ind/group)
Problem Solving Exercises
Oral Presentations
Skills Demonstration

Demonstration of Critical Thinking:

Creation of internal control systems for various business cycles, mitigation of risks in a business environment or organization, formulation of corrective action to address internal control weaknesses.

Required Writing, Problem Solving, Skills Demonstration:

Documentation of internal control systems through narratives, checklists, flowcharts, etc.

Conduct periodic testing of internal controls, document results of such testing, report on effectiveness of internal control, monitor controls on a regular basis.

TEXTS, READINGS, AND RESOURCES:

TextBooks:

Periodicals: