



Tips for Innovative Meetings and Events (T.I.M.E.)

Topic: Transparent and Ethical Meetings

Date: March 2005

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U. S. Library of Congress ISSN: 1539-1833

Welcome

Bernard Ebbers, who built WorldCom from a humble Mississippi long-distance concern into a telecommunications giant, was convicted this month of engineering the colossal accounting fraud that sank the company. The actions of senior executives from WorldCom, Enron, and Tyco became the impetus for the Sarbanes-Oxley Act of 2002.

Sarbanes-Oxley or SOX was designed to protect investors by requiring accuracy, reliability and accountability in all corporate information - especially financial information. That proper conduct extends to meetings and the management of meetings.

Corporations have had to jump all over SOX to insure compliance. You can keep your socks on and learn more about SOX and meetings in this issue of Tips for Innovative Meetings and Events.

Sue

[Sue Tinnish](#)

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Sarbanes-Oxley Overview

Sarbanes-Oxley is a long and complex law and even when referred to by its nickname, SOX, may seem a bit overwhelming. This introduction, while by no means constitutes legal or accounting advice, pares down SOX into manageable chunks.

First the overview. The 2002 Sarbanes-Oxley Act became a law as Congress' attempt to rebuild public confidence in the way corporate America governs its business activities. The backdrop to the act was many corporate and accounting scandals including Enron and WorldCom. The Sarbanes-Oxley Act was the answer to concerns about ethical and legal issues in corporate America. This new law, passed by Congress in 2002, sets a new precedent for the way in which public companies function and insists that they comply with rigorous corporate governance requirements.

There are two areas of the law that are worth understanding: Section 302 and Section 404.

Section 302 imposes much greater responsibility on top executives at public companies. Section 302 has the most profound impact for upper levels of management of public companies. CEOs and CFOs are now required to certify the financial statements as well as the internal controls of their company not just annually, but quarterly. This means they must take much greater responsibility than before to ensure that the company's annual and interim financial statements are fairly represented.

Section 404 requires companies to gain an intimate understanding of their internal controls and their effectiveness. Companies are required to disclose publicly all significant deficiencies and material weaknesses relating to their internal controls in their periodic financial reports.

SOX Implications

Overall Impact:

Senior management is accountable for financial reporting. CEOs and CFOs are now required to certify the financial statements as well as the internal controls of their company not just annually, but quarterly. If CEOs or CFOs misrepresent financial statements or the internal control environment, their personal assets are at risk, and they may face fines and/or imprisonment.

Companies must also publicly attest to their internal controls and their effectiveness. Companies are required to disclose publicly all significant deficiencies and material weaknesses relating to their internal controls in their financial reports. Companies must show that they establish, maintain and evaluate controls. Internal controls must be documented, tested, approved

Meeting and Travel Impact:

1. Companies must demonstrate the 'business purpose' behind travel, meetings and even meals in restaurants. This requires much tighter documentation.
2. Contracts and obligations related to future meetings will be reported. One corporate meeting planner must report all contacts over a certain level for inclusion in the company financial statements. Also the potential expense of canceling contracts must be factored into the financial forecasts.
3. Purchasing departments will face much tighter controls on how they procure

meeting space, hotel rooms, airline tickets, food and drink, and other related services.

4. Watch for innovation on the part of travel, hospitality and other companies to provide new ways to deliver key information such as bookings, confirmations and receipts. Watch for more customized reporting so information can be tailored to the precise reporting needs of each customer.

I saw a recent ad for a company that read "Sleep tight and avoid a Sarbanes-Oxley nightmare by running your promotions with Valassis. Our free-standing insert process is SysTrust certified for accuracy and security."

5. Potentially longer decision times as new approval levels are added into the corporate approval cycle. Some companies are now requiring more/multiple signatures on a contract . Signing authority may be established for certain dollar levels for meeting expenditures.
6. The concept of "internal controls" is embodied in a standard meeting policy. A study by Windward Marketing Group found that 42% of companies surveyed intend to create a meetings policy with 20% citing "reduced exposure to financial and security risk" as the reason. (Meetings & Conventions, January 2005)
7. Renewed reasons to manage the outcomes and output of meetings. SOX offers meeting planners yet another reason to follow the cycle of measurement: Set appropriate outcomes. Measure results. Communicate those results. This creates transparency and accountability around meeting expenditures.
8. Due to their unique owner/manager split, many hotel companies will review their management contracts insuring transparency of their own internal controls.
9. Hotels and leisure businesses must properly account for fixed assets under the new Act. These assets include real estate to beds, linen and crockery and companies must closely manage and document .
10. Hotels, as a corporate entity, must also conform to SOX. The contracts booked with them are shown on their books as revenue. This means that hotel may be less willing to grant a cancellation without incurring a cancellation fee.

Meetings a Tool for Transparency

One of the underlying principles of SOX is to create a more transparent environment. Companies should not "hide" information. Many managers have committed to a new level of transparency in their business practices. Prompted by SOX and greater concern for business ethics, they've vowed to be open and offer full disclosure.

Meetings are one conduit for transparency. The challenge is what to convey and how. Sometimes information isn't fully formed. Information may be missing, incomplete or not verified.

Sales & Marketing Management's E-newsletter contained some ideas for creating

transparency.

- What are your key interests? In many cases, a company has a duty to both its staff and its business.
- What are the interests of the audiences who will hear this information? When it comes to staff, they'll want to know most concretely how the news might affect their livelihood. As much as is possible, they'll want to know what the future holds.
- What are some options for meeting those interests?
- What are your standards of legitimacy? There are many possible guidelines, such as regulatory requirements.

Paul Michaelman, editor of Harvard Management Update and author of the article "Sharing News That Might Be Bad" offers this advice, "If you don't take the offensive and word gets out on its own (and you know one day it will), you'll destroy all the trust and goodwill you've built."

Be transparent in all your meetings and you will manage your organization well for the long-term.

Building a Better Board/Board Meeting

The Sarbanes-Oxley Act has also redefined the role of the board directors. But a study by RHR International and The Directorship Search Group shows that implementing these new roles will take time and effort. Despite regulations laying out new and stricter responsibilities for board directors, many are still exhibiting pre-Enron behaviors.

"It's clear that not all board directors are fully engaged," says J.P. Donlon, editor-in-chief of Directorship. "For example, almost one-fourth do not visit with employees, customer or suppliers, which means their only source of information is what management tells them."

In many ways, the boardroom remains closed and clubby. Some examples from the survey:

- 94% of board members surveyed say they are confident in the judgment of their fellow directors. Just two-thirds say they do any evaluation of individual board members. And only 34% of directors report any intense dissent at regular board meetings.
- Only 30% of board members feel they have adequate time to prepare for meetings.
- Less than one third of board members meet four times per year without the CEO of the company present.

- 95% of board members say they are "mostly" or "absolutely" confident in the current CEO and nearly half say they have no succession plan in place.

Implications for Board Meetings:

- Encourage discussion and candor. Avoid Groupthink.
- Allow Board Members adequate time to prepare.
- Create an evaluation process of Board Meetings.
- Schedule open and closed Board Meetings so that the CEO or in the case of associations, Executive Director, is not present.

You may also be interested in the June 2004 issue of Tips for Innovative Meetings on Board Meetings or July 2004 on Leadership. Email me your request [Sue Tinnish](#)

Creeping SOX

Although Sarbanes-Oxley governs only public companies (those registered with the Securities and Exchange Commission), the push for more process testing will soon evolve into a best practice for all companies. A new study by Foley & Lardner finds private firms are feeling the pressure to conform to the new standards.

"From 2004 to 2005, we're seeing a continued focus by private organizations to balance self-imposed corporate governance reforms with the related costs," says Paul Broude, study co-director and partner with Foley & Lardner. "We are also seeing that customers and insurance companies are two emerging stakeholders influencing companies' decisions about adopting corporate governance reforms."

The SOX effect:

- 78% have self-imposed company governance reforms, up from 60 percent in 2004.
- Private organizations estimate they spend \$138,000 to meet these new standards. That's 34 percent more than they spent on meeting corporate governance rules before SOX.
- 97% of non-profit organizations plan to implement audit committee oversight.
- 59% of non-profits plan to implement restrictions on executive compensation.

New Ways of Working

A survey from Accenture suggests that more firms are beginning to outsource their finance functions—with positive results.

"The findings show that executives increasingly believe that the outsourcing of the finance function can enhance an organization's ability to ensure effective governance and compliance," says Barbara Duganier, vice president at Accenture Finance Solutions. "We believe that this significant shift in mindset is led by companies that have already outsourced their finance functions. As companies seek to achieve high performance in their business, we expect that trend to continue."

Hotels may be changing operational practices. Those hotel companies who have implemented a 'shared service center' model to manage activities such as accounts payable and receivable, and cash management are already starting to reap the rewards, not simply in terms of cost savings, but also in their ability to demonstrate Sarbanes-Oxley compliance.

Freebies: Control your Controls

Freebies: Control Ideas

If you are writing a Meetings Management Policy, adapt the 'Internal Control Integrated Framework' from The Committee of Sponsoring Organizations (COSO). This group publishes a generally accepted universal framework for assessing controls.

The COSO framework identifies five components of control, which when integrated and operating within an organization, will help achieve internal control objectives:

1. Monitoring
2. Information and communication
3. Control activities
4. Risk assessment
5. The control environment

It also categorizes internal control objectives into:

- Efficiency and effectiveness of operations
- Financial reporting
- Compliance with laws and regulations

More Freebies: Tell me your issues with SOX Compliance. I will assemble an anonymously list for release. Email me at stinnish@ameritech.net or click here [Sue Tinnish](#)

In the spirit of full disclosure, I must acknowledge my many sources including Sales & Marketing Management publications and Meetings and Conventions.

Future T.I.M.E.

Four dates to add to your calendar. I will be speaking at

[Affordable Meetings, Chicago, April 7, 2005](#)

[MPI Southern California Chapter, April 12, 2005](#)

[MPI New Mexico Chapter, April 19, 2005](#)

And I am involved in organizing [AmaZing Meetings - Discover the Magic](#) for the International Association of Conference Centers. If you want to hold AmaZing Meetings, you will want to attend this one day event on [Thursday, May 26, 2005 at the Eaglewood Conference Resort & Spa](#). Email me so I can insure we send you an invitation! Sue Tinnish

I love to see familiar faces in the audience. Please come and see me!

Finally, I only grow through word of mouth of my subscribers. I would really appreciate it if you would forward T.I.M.E. onto your colleagues, associates, and clients. Just press the forward button at the end of the newsletter. I will be speaking at the following conferences:

T.I.M.E. Gone By

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