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## **The Use of Pearl Echo to Assist in Compliance with The Public Accounting Reform and Investor Protection Act a.k.a. Sarbanes-Oxley or SOX**

Sarbanes-Oxley (SOX) was passed into law in 2002. The purpose of SOX is to protect investors by improving the accuracy and reliability of corporate disclosures made pursuant to the securities laws, and for other purposes. In addition to protecting investors, the act also references criminal penalties for altering documents.

Title VIII of SOX, Corporate and Criminal Fraud Accountability, addresses destruction, alteration, or falsification of records and the need to archive records and communications. Proof of wrongdoing can result in a variety of fines and up to 10 years imprisonment for each violation. SOX targets both publicly traded companies as well as the accounting firms that provide financial audits for publicly traded companies. SOX defers the actual rules and regulations relating to the retention of relevant records to the SEC. Interestingly, the SEC extends the retention issue beyond supporting documents to documents that are inconsistent with the auditor's findings. By doing so, it becomes prudent for the audited company to archive communications and documents that both support and refute findings gathered by their auditors.

Pearl Echo supports a public company's compliance with SOX by capturing and archiving communications in order to recall communications and documents so as not to impede or obstruct an investigation by a US agency. The requisite time frame for archival is seven years. Pearl Echo's data capture and archival ability can be called upon to support or refute findings issued by the firm's financial auditors.



REFERENCE:

Law: Sarbanes-Oxley Act  
Bill Number: H.R.3763  
Year: 2002

TITLE VIII--CORPORATE AND CRIMINAL FRAUD ACCOUNTABILITY

SEC. 802. CRIMINAL PENALTIES FOR ALTERING DOCUMENTS.

(a) IN GENERAL- Chapter 73 of title 18, United States Code, is amended by adding at the end the following:

`Sec. 1519. Destruction, alteration, or falsification of records in Federal investigations and bankruptcy

`Whoever knowingly alters, destroys, mutilates, conceals, covers up, falsifies, or makes a false entry in any record, document, or tangible object with the intent to impede, obstruct, or influence the investigation or proper administration of any matter within the jurisdiction of any department or agency of the United States or any case filed under title 11, or in relation to or contemplation of any such matter or case, shall be fined under this title, imprisoned not more than 20 years, or both.

`Sec. 1520. Destruction of corporate audit records

`(a)(1) Any accountant who conducts an audit of an issuer of securities to which section 10A(a) of the Securities Exchange Act of 1934 (15 U.S.C. 78j-1(a)) applies, shall maintain all audit or review workpapers for a period of 5 years from the end of the fiscal period in which the audit or review was concluded.

`(2) The Securities and Exchange Commission shall promulgate, within 180 days, after adequate notice and an opportunity for comment, such rules and regulations, as are reasonably necessary, relating to the retention of relevant records such as workpapers, documents that form the basis of an audit or review, memoranda, correspondence, communications, other documents, and records (*including electronic records*) which are created, sent, or received in connection with an audit or review and contain conclusions, opinions, analyses, or financial data relating to such an audit or review, which is conducted by any accountant who conducts an audit of an issuer of securities to which section 10A(a) of the Securities Exchange Act of 1934 (15 U.S.C. 78j-1(a)) applies.

`(b) Whoever knowingly and willfully violates subsection (a)(1), or any rule or regulation promulgated by the Securities and Exchange Commission under subsection (a)(2), shall be fined under this title, imprisoned not more than 10 years, or both.

## REFERENCE SEC (17 CFR Part 210)

The records to be retained would include those relevant to the audit or review, including workpapers and other documents that form the basis of the audit or review and memoranda, correspondence, communications, other documents, and records (*including electronic records*), which are created, sent or received in connection with the audit or review, and contain conclusions, opinions, analyses, or financial data related to the audit or review. Records described in the rule would be retained whether the conclusions, opinions, analyses, or financial data in the records support the final conclusions reached by the auditor, or contain information or data, relating to a significant matter, that is inconsistent with the final conclusions of the auditor on that matter or the audit or review. The required retention of audit and review records should discourage the destruction, and assist in the availability, of records that may be relevant to investigations conducted under the securities laws, Commission rules or criminal laws.

To coordinate with forthcoming auditing standards concerning the retention of audit documentation, the rule requires that these records be retained for seven years after the auditor concludes the audit or review of the financial statements, rather than the proposed period of five years from the end of the fiscal period in which an audit or review was concluded.