

Regulation SAS 99 aimed at curbing company fraud

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Efforts at preventing corporate fraud are affecting many more companies these days with the implementation of stricter accounting industry guidelines aimed at private firms.

Gary Zeune, a certified public accountant in Powell who regularly writes and lectures about fraud, says **Statement of Accounting Standards 99** provides needed guidance to auditors charged with providing assurances that clients have not committed fraud.

"The easiest way to think of SAS 99 is that it's Sarbanes-Oxley for everybody," Zeune says, referring to the federal law that toughened auditing standards for publicly traded companies.

SAS 99 applies to audits of privately held companies as well. It emphasizes skepticism in areas where fraud might be most common, and directs auditors to extend questioning beyond company leadership in investigating susceptible areas. It also encourages what-if scenarios to determine how internal controls might be overridden.

Patty Azallion, a CPA and shareholder in charge of the Columbus office of Hausser + Taylor LLC, says SAS 99 greatly improves the audit process with its built-in skepticism, that can "force people - the staff and the partners and the management on the (audit) engagement - to talk as a group before you even start planning the audit ... in looking for where the misstatements could be, where the misappropriations could be, where the possibility for fraud could be.

"There were fraud standards in place previously (but) this really makes you aware of the documentation process that you need to go through and

focuses on that aspect of it," Azallion says.

Laura A. Hay, a CPA and vice president of finance and technical services for the Ohio Society of CPAs, provides additional guidance to determine if misstatements are the result of fraud.

"The auditor has always had the responsibility to detect material misstatements ... whether those are caused by error or by fraud," Hay says.

"If anything," she says, "this might help the auditor provide more meaningful recommendations to the client, (including) some of the risks they might be exposed to, such as how controls might be overridden."

Hay says companies may be concerned that the extra requirements will make audits longer - increasing audit costs. But she says the trickle-down effects of Sarbanes-Oxley have already added to audit fees for most private and nonprofit entities seeking greater scrutiny, "so SAS 99 doesn't necessarily contribute" to additional costs.

Azallion says Hausser + Taylor has already had "very good discussions" with clients on how SAS 99 can be seen as an added value.

"We've been going, as a firm, on a campaign to make (audit) management and our clients aware that this was out there," Azallion says.

Zeune, who runs a speakers bureau for former white-collar criminals called The Pros and The Cons, says the only clients that should be concerned about SAS 99 are those with something to hide.

Audit firms should be on the lookout for red flags in business relationships, such as getting fired after years of providing assurance on clear financial statements, he says.

"I recommend to accounting firms that if they get fired by a client, that they talk to the firm's attorney and they give real serious thought to sending the bank or the funding source a letter that ... you're not going to be getting an opinion from us this year," Zeune says. "There are going to be a few companies that think they're not going to get a clean opinion or don't want to spend the money ... so they fire their accountants and make their own."

Zeune says that while SAS 99 does not have the power of law, it will likely become legally relevant through case law as lawsuits begin to focus on whether accounting firms followed the outlined procedures.

"Juries rarely hold an accounting firm to a higher level of standards than what the profession requires," he says. "However, if you don't follow our profession's own standards, you're going to get nailed."

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http://www.bizjournals.com/industries/business_services/accounting_consulting/2004/03/15/columbus_focus_4.html