

CONTACT: Marc Gerrone
IMA
(201) 474-1502
mgerrone@imanet.org

Laina Minervino
Stern + Associates
(908) 276-4344
laina@sternassociates.com

FOR IMMEDIATE RELEASE

IMA Supports COSO Small Business Guidance

-- Advocates Management Assessment Guidance to Address Root Causes of SOX Compliance Issues for Organizations of All Sizes--

Montvale, N.J., July 11, 2006 – The Institute of Management Accountants (IMA®), the world’s leading organization representing the management accounting profession, today affirmed support for the just-released COSO small business guidance, but reiterated the need for more optimal management assessment guidance that allows organizations of all sizes to realize the value in their compliance programs while driving improved business performance.

“IMA continues to support any guidance which, directly or indirectly, enables smaller publicly traded companies to implement high standards of internal control, comply with regulation, and drive growth in the U.S. economy,” said Paul A. Sharman, IMA president and CEO.

In addition to being a founding sponsor of COSO, during the past two years, IMA has devoted significant time and resources to analyzing and suggesting practical solutions associated with the massive economic costs and inefficiencies plaguing organizations of all sizes attempting to comply with SOX 404 regulations.

“The COSO small business guidance, much like the underlying 1992 control framework, is a comprehensive framework containing principles that define elements of ‘good’ internal control. From this perspective, COSO 1992 has stood the test of time and has clearly achieved the original objectives of the Treadway Commission 15 years ago,” said Jeff Thomson, IMA vice president of research and COSO board member. “Additionally, the small business guidance contains many real world examples as a starting point for small businesses to design and implement their own assessment processes in alignment with the broad principles-based COSO 1992 framework.”

According to Mr. Thomson, however, more work is necessary in enabling organizations to assess the effectiveness of their internal controls, which company CEOs and CFOs must attest to in writing per SOX provisions. “We have stated that the principles-based COSO 1992 framework by itself does not currently provide the cost effective, top-down and risk-based assessment guidance necessary for decision-support CFOs, business process owners and others working inside organizations who are in the best position to affect a positive audit outcome and drive business performance,” continued Thomson. “In short, cost effective management guidance should include a control model and a practical risk-based assessment methodology which addresses the key question of ‘how much control is enough?’ ”

In addition to IMA's continued calls during the past year for more optimal management guidance, others who have more recently pushed for management guidance to supplant PCAOB Auditing Standard 2 (which unfortunately has become the de facto standard for management assessments of its internal controls over financial reporting) include SEC Chairman Cox, the SEC (in its announcement of a concept release which followed the May 10 roundtable), the SEC small business advisory task force, and scores of practitioners including those surveyed in a major IMA SOX research study.

Making SOX Work for Business: The Path Forward

"IMA is in favor of SOX legislation because it formally recognizes that CEOs and CFOs are accountable for business performance, ethical reporting and restoring shareholder confidence," added Mr. Sharman. "But, studies show that although organizations are complying, the cost of compliance is not materially declining if at all and no one, including well funded large corporations, are claiming they have achieved positive cost-benefit compliance."

IMA has taken two major actions to help make SOX work for business and allow organizations of all sizes to realize the value in their compliance programs. IMA commissioned a landmark study to identify SOX root cause issues conducted by Dr. Parveen Gupta, Professor at Lehigh University. Preliminary results of the study revealed that a lack of management implementation guidance is a significant cost driver for companies complying with Section 404 requirements. IMA is also developing, for comment later this year, a risk-based assessment methodology called CARD ME (Collaborative Assurance and Risk Design – Management Edition), which will allow organizations of all sizes to cost effectively comply with regulation and focus on value-creating initiatives in accordance with the principles underlying the COSO 1992 internal control framework.

"We will continue to work with the COSO Board, the SEC and all other interested parties – including global organizations – to implement the management implementation guidance so desperately needed to get SOX costs under control and get on with the business of doing business," Sharman concluded.

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