



GENERAL SECTION

The Sarbanes-Oxley Act of 2002: Impact on Environmental, Health and Safety Managers

BACKGROUND

The Sarbanes-Oxley Act was passed by Congress following highly publicized incidences of corporate fraud in 2001 and 2002. The Act is considered the most sweeping changes to public company financial reporting since the Securities Exchange Act of 1934. The objective of the Sarbanes-Oxley Act is to “protect investors by improving the accuracy and reliability of corporate disclosures.”

Section 302 of the Act requires the company financial officers to certify financial reports since August 29, 2002. The officers are required to certify that:

- The certifier has reviewed the report,
- Based on his knowledge the report is accurate and complete, and
- The report fairly presents all relevant information.

Furthermore, the certifying officers:

- Are responsible for establishing and maintaining disclosure controls and procedures
- Have designed disclosure controls to ensure that material information is made known to them,
- Have evaluated the disclosure controls and procedures within 90 days of the date of the report,
- Indicated in the report whether there were changes in the internal controls,
- Have presented in the report their conclusions about the controls and procedures, and
- Have disclosed to auditors:
 - All significant deficiencies and weaknesses in disclosure controls and procedures, and
 - Any fraud, material or not.

Section 404 of the Act requires annual internal control reports stating the responsibility for establishing and maintaining internal control structures and an assessment of the control structure and procedures.

IMPORTANCE TO EH&S MANAGERS

The reliability of environmental information is important for the disclosures to be accurate. The flow of information related to EH&S matters generally starts with plant level or corporate environmental, health and safety managers. These managers prepare reports concerning on-going or new matters. Their reports may be status reports, annual budget requests, or estimates of financial liabilities. The information in these reports are compiled and evaluated to determine what issues are material and included in financial disclosures. The uncertainty and constant potential change in extent of environmental liabilities make estimating future liability difficult, but do not support a decision to avoid disclosure.

The AICPA Statement of Position 96-1 Environmental Remediation Liabilities sets standards for when and how these estimates should be made. Refer to Environmental Edge EE02-121 for more information.

CONCLUSION

The Payne Firm has assisted at different levels of the corporation in this regard by reviewing the estimation of the environmental liabilities, so that the highest quality information is provided to the CEO/CFO for disclosure. For more information concerning estimating environmental liabilities, feel free to contact Mike Saul or Dan Weed at (513) 489-2255 or via e-mail at mts@paynefirm.com or ddw@paynefirm.com. You may visit our web site at www.paynefirm.com.