



*Association for  
Financial Professionals*

**SUBCERTIFICATION:**  
Financial Professionals Taking the Lead  
on Sarbanes-Oxley

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Report of Survey Results

July 2003

## Introduction

The Sarbanes-Oxley Act of 2002 is the most significant business legislation since the Security Acts of 1933 and 1934, which established the modern stock exchanges and created the Securities and Exchange Commission (SEC). Sarbanes-Oxley similarly brings a whole new regimen for corporate America with respect to auditor oversight, accounting and reporting, and corporate governance.

One significant area of change deals with the increased level of accountability shouldered by corporate officers. Section 302 of the Act requires a public company's principal executive officer and principal financial officer to personally certify that, to the best of their knowledge, the company's financial statements filed on SEC Forms 10-K (annual) and 10-Q (quarterly) are accurate and complete. Failure to meet these requirements can lead to significant consequences for a company's CEO and CFO. Section 906 provides penalties for noncompliance as high as \$5 million and 20 years in prison.

Much of the information included in the financial statements, footnotes and *Management's Discussion and Analysis* originates in various departments within finance and other parts of the organization. Because of the significance and legal implications of the certification, public company CEOs and CFOs have sought to ensure that such information is accurate and complete.

One method to help ensure compliance is through "subcertification." Subcertification generally consists of a certification of financial information by those who were responsible for providing it and may include many employees from the company's Treasury and Finance departments. While subcertification is often in the form of a signed written statement, it can also be a verbal acknowledgement of the responsibility for certain financial information included in financial statements filed with the SEC.

## About the Survey

In June 2003, the Association for Financial Professionals surveyed 3,000 of its members on issues related to the providing of financial information used in their company's financial reports. The 13-question survey measured the prevalence of subcertification activity and the level of concern held by financial professionals resulting from this activity. Four hundred and twenty-five AFP corporate practitioner members participated in the survey, producing a response rate of 14 percent. AFP sent an additional 3,000 surveys to other financial professionals generating an additional 130 responses. At a 95 percent confidence level, the survey responses are accurate within a four percentage point interval. The 555 responses to the survey are the basis of this report.

# SURVEY RESULTS

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## Key Findings

Financial professionals play an important role in their company's compliance of Sarbanes-Oxley, particularly in regard to the certification of their company's financial reports. A majority of financial professionals indicate that they provide information that is used in their company's financial reports and nearly a third of these financial professionals have been asked by their company to sign an affidavit vouching for the accuracy of the information. Most financial professionals are at least moderately concerned about the personal liability implications of their providing financial information. However, few have consulted with a company or personal attorney on personal liability issues related to their providing of financial information.

## Provision of Financial Information

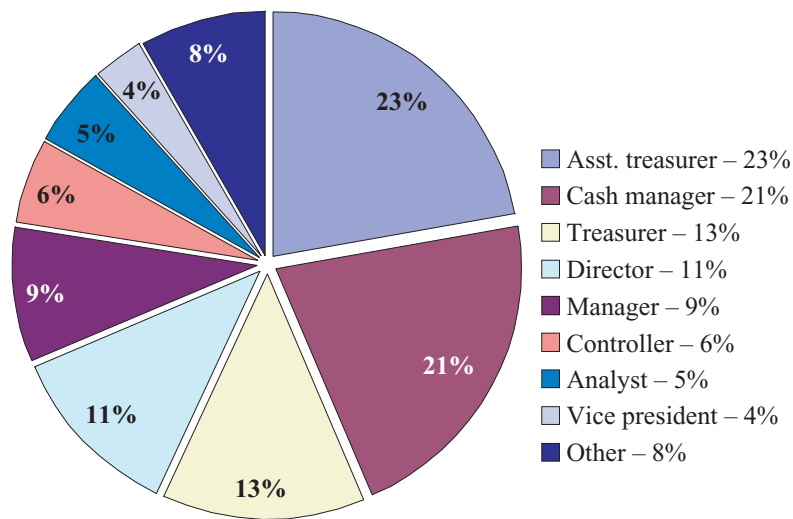
Most financial professionals indicate that they provide information used on their company's financial statements. **Three out of five financial professionals report that they are responsible for providing information that is later incorporated or appended to financial statements certified by their company's CFO and CEO when reported to the SEC.** Sixty-nine percent of financial professionals at publicly traded companies provide information that is later certified by the company's CFO and CEO.

Financial Professionals Responsible for Providing Financial Information  
That Is Later Incorporated Into or Appended to Financial Statements  
Certified by Company's CFO and CEO When Reported to the SEC  
*(Percentage of respondents)*

	All	Publicly traded companies	Privately held companies
Provides financial information that is incorporated in company's reports	59%	69%	34%
Does not provide financial information that is incorporated in company's reports	41	31	66

Financial professionals across many job titles — from middle management to senior level executives — provide information used in their company's financial reports that is later certified by senior management. **Nearly a quarter of financial professionals providing such information are assistant treasurers, 21 percent are cash managers, 13 percent are treasurers, and 20 percent are corporate practitioners holding either a director or manager job title.**

Job Titles Held by Financial Professionals that Provide Information  
Used in Financial Reports to the SEC  
(Percentage of respondents)



## Affidavits

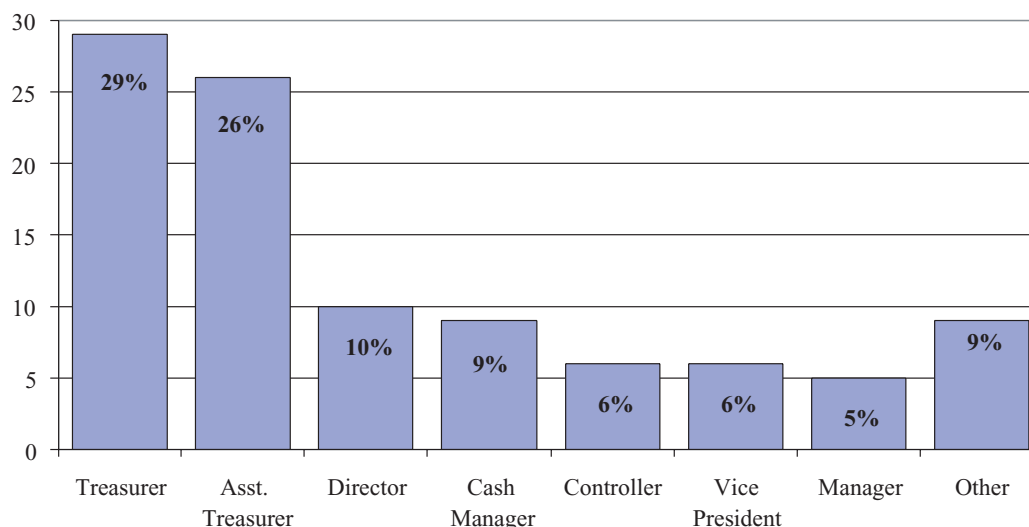
Sarbanes-Oxley requires CEOs and CFOs to certify their company’s financial reports. In turn, many companies are requesting their staffs to certify numbers that they provide to senior management. **A third of financial professionals providing such information are asked by their company to sign an affidavit vouching for, or certifying, the accuracy of the financial information that they provide.** Nearly all corporate practitioners report that when presented with an affidavit, they had signed the document.

Financial Professionals Asked to Sign an Affidavit Vouching for or Certifying  
the Accuracy of Financial Information Submitted for the Company’s SEC Filings  
(Percentage of respondents who indicated that they provide financial information)

	All	Publicly traded companies	Privately held companies
Asked to sign affidavit	34%	37%	20%
Not asked to sign affidavit	66	63	80

While financial professionals of many job titles provide information that is used in their company’s financial reports, the requirement for subcertification is most likely in a few job titles. **More than half of the financial professionals asked to sign affidavits are either a treasurer or assistant treasurer.** Directors and cash managers represent nearly another 20 percent of financial professionals asked to sign affidavits.

Job Titles Held by Financial Professionals Asked to Sign Affidavit Vouching for or Certifying the Accuracy of Financial Information Submitted for the Company's SEC Filings  
(Percent of Respondents Who Have Been Asked to Sign Affidavits)



When presented with an affidavit to sign, financial professionals are asked to certify a wide variety of information. **Respondents also indicate that they have to certify a median of three items in their company's financial reports.** Sixty-three percent of these financial professionals are asked to certify specific disclosures in *Management's Discussion and Analysis* or footnotes. Three out of five respondents indicate they certify specific account balances or that they — or their department — are in compliance with company policies and procedures. Fifty-eight percent of respondents indicate that they were asked to certify the adequacy of internal controls in the department that they manage.

Information That Financial Professionals Are Asked to Vouch for or Certify  
(Percentage of respondents who were asked to sign an affidavit)

	All	Publicly traded companies	Privately held companies
Specific disclosures in <i>Management's Discussion and Analysis</i> or footnotes	63%	63%	67%
Specific account balances	60	60	56
Compliance with company policies and procedures	60	60	56
Adequacy of internal controls in department/area	58	59	56
Compliance with company code of conduct	46	46	44
Financial results of department	23	21	33
Financial results of a subsidiary	21	21	22

## Level of Concern Held by Financial Professionals

Nearly 70 percent of financial professionals who provide financial information used in their company's financial reports are at least moderately concerned about the personal liability implications of providing the information. Financial professionals who have been asked to sign affidavits are more likely to be concerned about their liability. Seventy-nine percent of financial professionals that have been asked to sign an affidavit are at least moderately concerned about the personal implications of signing such a document. Even financial professionals that have not been asked to sign an affidavit are concerned about the personal liability implications of their providing of financial information. Sixty-one percent of financial professionals who have not been asked to sign an affidavit indicate that they are at least moderately concerned of the personal liability implications of their providing of financial information.

Level of Concern Regarding the Personal Liability Implications  
of Providing Financial Information Used in Company's SEC Filings  
(Percentage of respondents who indicated that they provide financial information)

	All	Corporate practitioners asked to sign an affidavit	Corporate practitioners who provide information but have not signed an affidavit
High level of concern	20%	20%	18%
Moderate level of concern	49	59	43
Little/no concern	32	21	39

While most financial professionals are concerned about possible personal liability issues related to providing financial information, few are receiving legal advice from their employer or a personal attorney. **Only 12 percent of these financial professionals indicate that their employer advised them on the personal implications related to providing financial information.** Even fewer (five percent) of these financial professionals has consulted with a personal attorney.

Where Corporate Practitioners Seek Legal Advice Regarding Their Providing of  
Financial Information Used in Company's SEC Filings  
(Percentage of respondents who indicated that they provide financial information)

	Company Provides Legal Advice	Advice from a Personal Attorney
Financial professional receives legal advice from resource	12%	5%
Financial professional did not receive legal advice from resource	88	95

When presented with an affidavit to certify the financial information they provide, financial professionals are still unlikely to consult with an attorney before signing the document. **Three-quarters of financial professionals that were asked to sign an affidavit did not consult with legal counsel.** If a financial professional did consult with an attorney, it was most likely with an attorney from the company. Only two percent of corporate practitioners asked to sign an affidavit consulted with a personal attorney before signing the document.

**Where Financial Professionals Seek Legal Counsel  
After Being Asked to Sign Affidavit**  
*(Percentage of respondents who were asked to sign an affidavit)*

	All	Publicly traded companies	Privately held companies
From company attorney	21%	21%	22%
From a personal attorney	2	1	11
Has not sought legal counsel	76	78	67

## Conclusions

Financial professionals play an important role in their company's compliance of Sarbanes-Oxley, particularly in their role in their company's financial report certifications. Nearly sixty percent of financial professionals indicate that they provide information that is used in their company's financial reports and a third of them have been asked by their employer to sign an affidavit vouching for or certifying the accuracy of such information. While treasurers and assistant treasurers represent a majority of the corporate practitioners that have been asked to sign affidavits, financial professionals of all job titles are playing a key role in their company's financial reporting. While most corporate practitioners are at least moderately concerned about personal liability implications, few have consulted with a company or personal attorney.