

**Contact: Lyne Noella**  
Chief Marketing Officer  
Stonefield Josephson, Inc.  
Tel: 310.566.4327  
[lnoella@sjaccounting.com](mailto:lnoella@sjaccounting.com)

1620 26<sup>th</sup> Street, Suite 400 South  
Santa Monica, California 90404  
[www.sjaccounting.com](http://www.sjaccounting.com)

## Can Your Auditor Still Be a Business Advisor in a SOX Environment?

*For immediate release*

San Francisco—November 09, 2004—“The communication between auditors and the executives of public companies has increased due to the Sarbanes-Oxley Act (SOX), but the topics under discussion are more restricted than in the past,” says Officer Marjorie Bailey of Stonefield Josephson, a California-based certified public accounting firm. SOX regulations have left many public company executives confused about what can and cannot be discussed with their auditors, according to Bailey. “If you have stopped asking your auditor’s advice, you are missing an important opportunity.”

Bailey says that some public company executives complain of a sudden lack of access to their auditors. “Auditors are increasingly concerned about maintaining their independence as a result of SOX. This has left many auditors gun-shy about providing information that can be valuable to the executives of public companies,” says Bailey. “Nevertheless, public company executives and their auditors must make an effort to communicate to produce an environment that is conducive to sharing ideas and information.” If you are the executive or board member of a public company, Bailey offers these three tips for making the most of the relationship with your audit firm.

**Tip #1: Don’t be afraid to ask questions.** Bailey says that executives and board members should not hesitate to ask questions of their auditors, even if they are unsure whether an answer

is permitted. “Your auditor is aware of what can and cannot be asked and will respond accordingly,” says Bailey. “You can broach issues dealing with revenue recognition, valuations and the interpretation of a transaction, for instance. If the auditor cannot help you with specifics, he or she can point you in the right direction. The auditor is likely to be connected with excellent sources for helping you with ‘off-limit’ areas. He or she can recommend a terrific support team of attorneys, bankers, management consultants and other professionals.”

**Tip #2: Learn about new pronouncements.** “We suggest to board members and executives that they ask their auditors about new pronouncements on a regular basis,” says Bailey. She says the discussion should go beyond simply understanding the new rules. “Your auditor may have ideas on how to respond to the pronouncements—ideas that can reduce frustration and save time. Ask how new pronouncements may affect loan covenants and operating results. Explore how the pronouncements may affect the business going forward.” Bailey further advises that you ask about pending rules. “Consider the early adoption of pending legislation if it results in better management.”

**Tip #3: Discover new ways to improve management and operations.** Bailey says that auditors know how to improve corporate governance, reduce the risk of fraud and lower operating costs. “Auditors can tell you how companies in your industry deal with sticky corporate governance issues. They can tell you how other firms operate efficiently, from back-office operations to inventory control.” Bailey says that while auditors may be restricted from helping clients develop internal control policies, they can tell you how others are tackling SOX challenges. “Progressive companies view the SOX environment as an opportunity to develop better management and tighter operations.”

Bailey says that SOX legislation should not mean the end of open communication

## Can Your Auditor Still Be a Business Advisor in a SOX Environment?

Page 3

November 09, 2004

among the executives of public companies and auditors. "Sharing ideas and information leads to the development of higher standards for the business community as a whole. Better business practices are at the heart of SOX legislation," says Bailey. For additional information on making the most of the relationship with your audit firm, contact Officer Marjorie Bailey at 415-981-9400 or [mbailey@sjaccounting.com](mailto:mbailey@sjaccounting.com)

Stonefield Josephson Inc. ([www.sjaccounting.com](http://www.sjaccounting.com)) is a California-based certified public accounting and business advisory firm founded in 1975. The 100-person firm serves public and privately held clients throughout the United States and internationally from four California locations: Santa Monica, Irvine, San Francisco and Walnut Creek. Services include assurance/accounting; business consulting (profit enhancement; finance sourcing; mergers and acquisitions; family-owned business; succession planning; executive incentive compensation; business plans and budgeting); business valuation; financial recovery; forensic services; litigation support; public companies services; and tax services.

(###)