



NEWSLETTER

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Inside this issue:

Summary of Articles	1
The Sarbanes-Oxley Act of 2002	1
Survey Of Foreign Investments In The U.S	2
Intranets	4



Finding New Ways to Improve

As we continually search for new ways to improve the value our newsletter brings to you each quarter, it is important to know your thoughts as well.

We would like to know your thoughts on our new format as well as any topic ideas or suggestions you might have. Send an email to the newsletter editor at: kaco@kakimoto.com or give us a call. We appreciate any comments you may have and thank you in advance for taking time in sharing them with us.

Summary of Articles

The Sarbanes-Oxley Act of 2002 On July 30, 2002, the Sarbanes-Oxley Act of 2002 (the "Act") was signed by President Bush. It is arguably the most far-reaching reform package enforced on the corporate business world in several decades. While certain provisions took effect immediately with the passage of the Act, final rules for several matters remain under development; most rules should be finalized in early 2003. Although most of the provisions of this legislation apply to public companies and their auditors, it is the beginning of reform which will eventually be contemplated at all levels.

Survey Of Foreign Investments In The U.S. Are you a business enterprise that is at least 10% foreign-owned at the end of your 2002 fiscal year? If so, you will be required to complete a benchmark survey conducted by the U.S. Department of Commerce Bureau of Economic Analysis. The article on page two describes this survey. Please contact us if we can be of further assistance to you.

Intranets Even in the smallest of businesses, effective communication and management of employee administration is essential to keep day-to-day activities running smoothly. Intranets can eliminate the hassles of disseminating information and filling out endless forms. An intranet is an internal network accessed by using a Web browser that allows personnel to share information efficiently. Intranets are a company's private version of the Internet. Ultimately, intranets will reduce costs and improve customer service by decreasing paperwork and having the most current and accurate information available.

The Sarbanes-Oxley Act of 2002 The Restoration of Investor and Consumer Begins

During the past year, the general public was made aware of a series of high profile financial reporting improprieties and corporate scandals. Investor confidence was in a state of extreme unrest; the stock market was becoming marked with increasing volatility. In response to this, Congress passed the Sarbanes-Oxley Act

of 2002 which was signed by President Bush on July 30, 2002. The Sarbanes-Oxley Act (the "Act") contains sweeping measures in its efforts to prevent corporate misdeeds and rebuild the faith of investors. It mandates, among other things, creating an independent regulatory structure for

the accounting industry, establishing an independent Public Company Accounting Oversight Board (PCAOB) which will oversee this function, revising auditor independence rules, modifying corporate governance standards and significantly increasing the criminal

(Continued on page 3)

Survey Of Foreign Investment In The U.S.

The Bureau of Economic Analysis (BEA) U. S. Department of Commerce will be conducting a major benchmark survey for 2002. Every U.S. business enterprise that was 10 percent or more foreign-owned at the end of its 2002 fiscal year is required to complete this survey.

Reporting is required under the International Investment and Trade in Services Survey Act (Public Law 94-472, 22 U.S.C. 3101 - 3108, as amended). This is a comprehensive survey conducted at least once every five years used to collect data that can only be used for analytical and statistical purposes, and, without written permission, cannot disclose the identity of the reporting business enterprise. The purpose of this survey is to provide clear authority for the collection of information on international investment in the United

This is a comprehensive survey conducted at least once every five years ...

States and United States foreign trade in services, including information necessary to assess the impact of such investment and trade, to authorize the collection and use of information on direct investments owned or controlled by foreign governments or persons, and to provide analyses of such information to the Congress, the executive agencies, and the general public. It is

aimed at measuring the effects of international investment on national security, commerce, employment, inflation, general welfare, and foreign policy of the United States. Data on the amount, types, and financial and operating characteristics will also be used to analyze the United States balance of payments, the employment and taxes of the United States parents and affiliates, and the international trade position of the United States.

Survey forms (Form BE-12) will be mailed at the end of February 2003. However, if a form is not received and you are required to respond, you will still be required to complete this survey. Forms will also be available on BEA's website at www.bea.doc.gov/bea/surveys/fdiusurv.htm in February 2003. Reports are due by May 31, 2003. Claims for exemption (from reporting) must be filed within 30 days of receipt.

Survey forms (Form BE-12) will be mailed at the end of February 2003. However, if a form is not received and you are required to respond, you will still be required to complete this survey.

Requests for extensions of more than 30 days must be in writing,

should explain the hardship that is the basis for the request, and must be received by BEA at least 15 days before the due date of the report.

Any company who believes this survey is applicable to their situation should consider filing this report. Penalties may be imposed for non-compliance. A

business enterprise who fails to report can be subject to a civil penalty of \$2,500 to \$25,000, as well as being forced to report. Additionally, a business enterprise who willfully fails to report can be fined up to \$10,000 and, if an individual, may be imprisoned for up to one year, or both. Any officer, director, employee, or agent of a corporation who knowingly participates in violations may be punished similarly.

If you have any questions regarding the application of these requirements to your company or require assistance in preparing the form, please contact us for guidance. ♦



The Sarbanes-Oxley Act of 2002

The Restoration of Investor and Consumer Begins

(Continued from page 1)

penalties for violations of securities laws. Currently, the Act applies, in general, to publicly held (SEC - Securities and Exchange Commission- regulated) companies and their audit firms.

Nonpublic Companies/State Ramifications

While the Act represents an enormous change in Federal regulation of the public accounting profession, state boards, such as the California Board of Accountancy, remain the regulatory bodies that have jurisdiction over the issuance of public accounting licenses. Furthermore, these state boards have the responsibility to oversee the auditors of nonpublic companies. It was Congress' intent that the State regulatory authorities should make an independent determination of the



investor and public confidence and in the spirit of the Act itself, state legislature and top elected officials are contemplating that some changes need to be made. This is primarily known as the "cascade effect". It is the effect that new or present legislation by Congress could become a template for parallel state legislation or rule changes that directly affect

both nonpublic companies and the accounting firms that provide services to them. Because of the immense ramifications that could result from this, the AICPA (American Institute of Certified Public Accountants) has been closely monitoring and working with state societies and key persons. The AICPA has assisted in the development of several of the reform ideas encompassed in the Act and will work closely with the new PCAOB. The cascade effect is one of the top concerns

amount of access to their business advisors, who are most likely their auditors, this will definitely be adverse to the public interest; careful consideration should be given to the ramifications and consequences by any state adopting the Act. At this time, California has not passed a similar act, although certain items of reform were signed into law by California Governor Davis in August, 2002 (effective January 1, 2003), which includes the enhancement of standards for audit documentation and the establishment of a seven-year document retention standard. The California Board of Accountancy (CBA) also addressed the auditor independence and objectivity issue in conjunction with the auditor performance of certain non-audit services. At this time, the CBA believes it is in the best interest of the public for it

The Sarbanes-Oxley Act contains sweeping measures in its efforts to prevent corporate misdeeds and rebuild the faith of investors.

regulations that should be complied with. Specifically, each state should consider the size and nature of the business of the accounting firms supervised and the size and nature of the business of the clients that these firms service. However, the necessity for certain reform in response to the rebuilding of



of the AICPA/PCPS division. Their belief and message are that nonpublic companies have a different make-up and if they are not allowed a certain

The "cascade effect"...is the effect that new or present legislation by Congress could become a template for parallel state legislation or rule changes that directly affect both nonpublic companies and the accounting firms that provide services to them.

to focus its attention on the scope of service issues related to the audits of public companies; when these issues have been satisfactorily resolved, the CBA can determine whether further study on non-audit services by the auditors of private companies is appropriate.

(Continued on page 4)

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Intranets

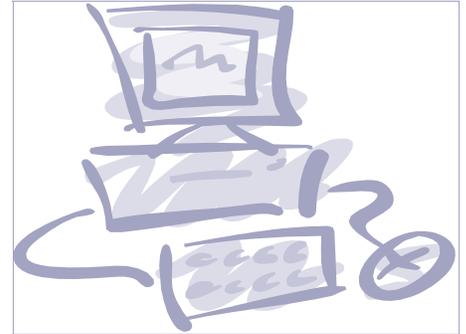
By now most of us are familiar with the Internet, but probably are unaware of the benefits of an "intranet". An intranet is an internal network accessed by using a Web browser, allowing users within an organization to access information efficiently. Intranets are a company's private version of the Internet. Intranets offer both strategic and tactical advantages, including streamlining business processes, improving communications, enhancing collaboration and reducing the cost of information technology ownership.

Because intranets are both flexible and customizable, the bene-

fits of intranets to a small business do not differ substantially from the benefits obtained by larger firms. These days all businesses are challenged to keep abreast with the frequent changes within their organizations. Much time is spent updating employee and customer information, documents and forms, and scheduling, only to find out they are obsolete soon after they are distributed. Storing the latest forms, documents and schedules on your intranet, will ensure the most recent information is readily available. Online news, secure document sharing, and time-sensitive documents are some other examples of intranet applications.

Depending on how large a business plans to make their intranet, most businesses will already have most of the necessary hardware and software. Adding a PC with a Web server to an existing network is all that is necessary to create a simple intranet. Although, this intranet structure will not support large number of employees, it is a good start. An investment in a larger, more expensive server will expand intranet capabilities,

but it will also require someone to maintain and support it. If a company does not have the resources to support an intranet in-house, outsourcing is also available. For a monthly fee, some Internet service providers (ISP) offer intranet hosting.

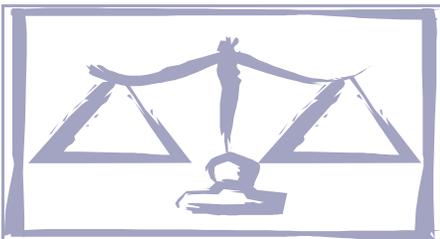


Intranets provide a common user platform and environment, allowing businesses to react quickly to changes. In addition, intranets increase employee productivity, reduce paper usage, centralize information, and improve communication. Employees can find updated information easily and quickly, leaving more time to focus on company goals. Whatever the scope – company wide, departmental or workgroup, intranets facilitates knowledge and increases employee effectiveness. ♦

The Sarbanes-Oxley Act of 2002

(Continued from page 3)

The Act was designed to restore the trust of investors and reform corporate financial reporting. Because it was essential for Congress to respond quickly to this



situation, the Act was assembled with the utmost sense of urgency; it contains broad provisions that will take time to understand and implement. In practice, the assessment and integration of certain provisions will be complicated. We will inform your company of any new developments and will be able to discuss and advise you if such developments will have a direct impact on your business. This is the first step in what is expected to be a rapidly evolving period of reform. ♦

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Excellence
and
Quality"*