# Types of internal control disclosures - revisited

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**ABSTRACT**

This paper revisits companies utilized by Weisenfeld, Seshi, and Ruf (2012) that restated (2004-2006) financial statements and provides updated information on their internal control disclosures, types of material weaknesses, and remediation activities through 2012. Fifty-eight percent of the companies indicated internal control effective, forty-two percent noted material weaknesses, and one hundred percent of those restating their financial statements concluded material weaknesses. More than half of the companies cited material weaknesses related to failure to follow Generally Accepted Accounting Principles (GAAP) and income taxes, and close to half noted personnel with inadequate knowledge of GAAP. The most commonly cited remediation activities were enhancement of accounting policies and procedures, providing more training and/or continuing education programs, hiring for new positions/replacing existing senior level accounting personnel, utilizing external experts/consultants, hiring additional staff, and expanding required reviews by senior accounting personnel. Of the companies doing material weakness disclosures forty-five percent included multiple years and their remediation activities took for the most part two or three years.

Keywords: publicly traded companies, internal control disclosures, Auditing Standard 2 & 5, types of material weaknesses, remediation activities

## INTRODUCTION

According to the Public Company Accounting Oversight Board's (PCAOB) Auditing Standard (AS) 2[1] the "restatement of previously issued financial statements to reflect the correction of a misstatement due to error or fraud (not a change in accounting principle) should be regarded as at least a significant deficiency and as a strong indicator that a material weakness in internal control over financial reporting exists" (2004 ¶140). Although AS2 clearly indicated the restatement of previously issued financial statements was a strong indicator of a material weakness some in the profession questioned this guidance. For example, "You know, from the profession's viewpoint, every restatement doesn't mean you have a material weakness" (Dzinkowski 2006, 53). That the profession did not consider every restatement to be a material weakness is supported by Weisenfeld et al.'s (2012) study which found only 58 percent of the restatements during 2004-2006 identified a material weakness. In 2007 AS2 was superseded by AS5 which notes "indicators of material weaknesses in internal control … include restatement of previously issued financial statements to reflect the correction of a material misstatement" (2007 ¶69). This study's purpose is to analyze internal control (IC) disclosures by companies from the previous study (Weisenfeld et al. 2012) to determine the type of IC disclosure (effective or material weakness) utilized and their remediation activities in subsequent periods.

## PRIOR RESEARCH

Ge and McVay's (2005) investigation found the most common material weaknesses (MW) involved training of personnel, accounting policies, segregation of duties, account reconciliation, accounts payable, accounts receivable, inventory, income tax, and expense/restructuring. A later study by Hammersley, Myers, and Shakespeare (2008) indicated MW involving management override, closing problems, insufficient documentation, incompetent personnel, inadequate training, internal audit function lacking, revenue, taxes, inventory, and stock-based compensation. Calderon, Wang, and Conrad (2012) suggest the research to date reveals the predominant MW are accounting documentation and policies, accounting personnel, and training. With respect to remediation activities Bedard, Hoitash, Hoitash, and Westermann (2012) reported it took companies longer to remediate MW related to information technology, segregation of duties, account reconciliation, taxes, revenues, and inventory. Hammersley, Myers, and Zhou (2012) noted companies that failed to remediate were more likely to report personnel lacked technical competence and had the same MW reported in consecutive annual reports. Hammersley et al.'s study (2012) also found the more MW a company had the longer it took for remediation, the most difficult areas to remediate were revenue recognition, taxes, and personnel lacking technical competence, and common remediation activities involved changes in accounting personnel, hiring additional personnel, training personnel, utilizing consultants, and bolstering or creating an internal audit department.

## RESEARCH SCOPE AND METHODOLOGY

[1] Although AS2 was superseded by AS5 (2007), the previous study utilized AS2 since that was the guidance in effect for the 2004-2006 period from the PCAOB.

The previous study (Weisenfeld et al., 2012) consisted of publicly traded companies restating their financial statements (FS) during 2004-2006. Of the 92 restatements, 29 concluded IC effective, 10 mentioned a deficiency, and 53 identified MW. Each company's Securities and Exchange Commission's (SEC) filings were examined for the period 2005-2012 to determine the types of IC disclosures made, MW identified, and remediation activities reported. Of the original 28 companies (29 restatements) that concluded IC effective 22 continued to indicate IC effective and 6 reported MW (Table 1-Appendix). For the 10 companies (10 restatements) that noted a deficiency, 7 subsequently indicated IC effective and 3 reported MW (Table 2-Appendix). The 48 companies (53 restatements) that previously cited a MW in the current period were broken down as follows, 2 were no longer listed, 20 noted IC effective, and 26 concluded MW (Table 3-Appendix). These results indicate 58[2] percent of the companies reported IC effective while 42 percent concluded MW. The analysis which follows is based on the 31 companies (4 companies included on Table 3 were also included on Table 1 or 2) that reported MW during the period 2005-2012 regardless of whether or not they restated their FS.

## RESEARCH RESULTS

The following company summaries provide information regarding MW identified and remediation activities disclosed starting with the previous study's restatement date through 2012. Tables 1, 2, and 3 provide company names, ticker symbols, restatement dates (previous study), and types of disclosures (effective or MW) through 2012. The information presented in this section was taken directly from each company's 10K (Annual Report) and/or 10K/A (Amended Report), Item 9A-Internal Controls, utilizing the SEC's website (sec.gov).

### Companies Who Indicated IC Effective and Subsequently Concluded MW (Table 1)

Kroger's (KR) 4/13/05 10K/A restated FS (2002-2004) and reported IC effective. Management concluded the control deficiency (leases) that resulted in the restatement was not a MW because the, 1.) restatement adjustments did not have a material impact on the FS of prior interim or annual periods taken as a whole, 2.) cumulative impact of the restatement adjustments on shareowner's equity was not material on the FS of prior interim or annual periods, and 3.) previously issued FS were restated solely because the cumulative impact of the error, if recorded in the current period, would have been material to the current year's net income. KR's 2005 10K indicated IC ineffective due to a MW related to calculating deferred income tax liabilities in accordance with GAAP and provided no information on remediation activities. KR's 6/3/06 10K/A restated FS (2004-2005) and reported the same MW disclosed in their 2005 10K. KR's 2006 10K concluded IC effective but gave no indication of remediation activities with respect to their 2005 MW. KR's 2007-2012 10K indicate IC effective.

Pep Boys' (PBY) 3/3/05 10K/A restated balance sheets (2003-2004), consolidated statements of operations, stockholders' equity, and cash flows (2002-2004) and concluded IC effective. PBY's 10K for 2005-2007 also reported IC effective. PBY's 11/2/07 10K/A restated FS (2006-2007) and noted IC was ineffective due to MW related to PBY's supplemental guarantor note and statement of cash flows (SCF). PBY's 2008 10K disclosed a new MW with

[2] The denominator utilized was 84 (86-2 companies no longer listed).

respect to the financial close and reporting process. Regarding remediation management indicated they had implemented changes to the financial close and reporting process including, hiring staff, providing additional accounting research resources, improving process documentation, and expanding the review process by senior accounting personnel. PBY's 2009 10K noted IC effective since the MW in the financial close and reporting process had been remediated. PBY's 2010-2012 10K indicate IC effective.

LOEWS's (L) 5/10/05 10K/A restated FS (2002-2004) and concluded IC effective. L's 2005 10K reported IC ineffective due to MW at their 91 percent owned subsidiary, CNA Financial Corporation, 1.) ineffectively designed control process to ensure adequate oversight, analysis, reconciliation, documentation, correct classification in the SCF, and periodic evaluation of businesses' net assets reported as discontinued operations, 2.) inadequate understanding of subsidiary ledger detail, and 3.) failure to eliminate intercompany activity within discontinued operations and between discontinued and continuing operations. Management noted the following remediation efforts, 1.) CNA completed an analysis of discontinued operations and the components of their SCF, and 2.) the control processes surrounding CNA's oversight of discontinued operations and the preparation of the SCF were redesigned and strengthened. L's 2006 10K concluded IC effective since CNA had remediated the two MW from 2005. L's 2007-2012 10K indicate IC effective.

Telephone and Data Systems' (TDS) 5/14/04 10K/A restated FS (2002-2003) and concluded IC effective. TDS's 2005 10K reported IC ineffective and identified the same MW as in their 4/26/06 10K/A (restated FS 2002-2004), personnel with insufficient knowledge, experience, and training in GAAP and ineffective controls for vendor contracts and income taxes, and reported one new MW related to leases. Remediation activities included, 1.) engaged external consultants to assist in, a.) the development and enhancement of written accounting policies and procedures, b.) developing and implementing a training program, c.) improving controls related to income taxes; this project encompasses the TDS enterprise-wide basis which includes U.S. Cellular (USM), and d.) implementing tax provisioning software on a TDS enterprise-wide basis, 2.) recruiting personnel to increase the overall level of expertise, 3.) commencement of a Financial Infrastructure Initiative focused on long-term improvements in key financial processes and support systems, 4.) improved controls related to contract activity including, additional monitoring procedures and enhanced review processes, and 5.) implementation of a new real estate management system to increase controls over the administration, accounting, and reporting of leases. TDS's 2/23/07 10K/A restated FS (2003-2005), identified the same MW and remediation efforts as in their 4/26/06 10K/A, and added two new MW, ineffective controls to assess hedge effectiveness and ensure accurate recording for equipment transfers and disposals. Management's remediation plans included, engaging external consultants to provide expertise related to derivative instruments and hedge accounting and implementation of a new fixed assets management system to improve controls over property, plant and equipment (including disposals and transfers of decommissioned assets). TDS's 2006 10K concluded IC ineffective, reported the same MW and remediation plans as in their 2/23/07 10K/A, and indicated two MW (vendor contract activity and leases) had been remediated. TDS's 2007 10K reported remediation of MW related to, personnel and accounting policies, property, plant and equipment, and derivative instruments, and the continuation of MW related to income taxes. New remediation activities involved reorganizing the tax department to provide a separate group responsible for income tax accounting and hiring a Director of Tax Accounting to lead this group. TDS's 2008 10K concluded IC effective since the MW associated with income taxes had been remediated. TD's 2009-2012 10K indicate IC effective.

Due to its close association with TDS United States Cellular's (USM) MW disclosures, and remediation efforts parallel those of TDS. For example, USM's 5/14/04 10K/A restated FS (2002-2003) and noted IC effective. USM's 4/26/06 10K/A restated FS (2002-2004), concluded IC ineffective, and identified MW related to, 1.) personnel with an appropriate level of accounting knowledge, experience, and training in the application GAAP, and 2.) income taxes. USM's remediation plans are the same as TDS's with respect to personnel and income taxes. For example, USM indicated TDS, 1.) provides shared services to USM including assistance with income taxes, 2.) has engaged external tax advisors to assist in enhancing controls with respect to monitoring and reconciling the difference between the income tax basis and financial reporting basis, and 3.) is in the process of implementing tax provisioning software which will improve IC related to income taxes on a TDS enterprise-wide basis, including USM. USM's 2005 10K, again, like TDS identified the same MW as in their 4/26/06 10K/A and reported one new item, ineffective controls over leases. USM's remediation plans, like TDS, included the same activities as their 4/26/06 10K/A, and introduced one additional effort to address the MW related to leases (implementation of a new real estate management system). USM's 2/23/07 10K/A restated FS (2003-2005), concluded IC ineffective, and identified the same MW and remediation activities as TDS. For example, USM noted, TDS provides shared services to USM including assistance with derivative instruments and USM has begun implementation of a new fixed assets management system. USM's 2006 10K indicated management identified the same MW and remediation activities as in their 4/26/06 10K/A and concluded the MW associated with leases was remediated. USM's 2007 10K, like that of TDS, reported IC ineffective and cited a continuing MW related to income taxes. With respect to remediation USM noted TDS provides shared services to USM including assistance with income taxes and listed the same remediation activities as TDS. USM, like TDS, reported MW associated with property, plant, and equipment, derivative instruments, and personnel and accounting policies and procedures had been remediated. USM's 2008 10K indicated IC effective because the MW associated with income taxes had been remediated. USM's 2009-2012 10K, like those of TDS, report IC effective.

Shaw Group's (SHAW) 7/11/05 10K/A restated FS (2004) and noted IC effective. SHAW's 2005 10K restated FS (2001-2004), reported IC effective, and management considered the restatements and concluded the control deficiencies had been remediated as of 2005. SHAW's 2006 10K indicated IC ineffective due to the following MW, revenue on one contract was overstated and misapplied consolidation accounting under Financial Accounting Standards Board (FASB) Interpretation Number (FIN) 46(R) and compensation expense under Accounting Principles Board Opinion Number (APB) 25. Remediation efforts included, 1.) standardized the revenue recognition policy for contracts under the percentage of completion method and enhanced training for personnel, and 2.) initiated additional controls related to GAAP under FIN 46(R) and a plan to train personnel on GAAP related to APB 25. SHAW's 9/27/07 10K/A restated FS (2004-2006), reported IC ineffective, noted the same MW as in their 2006 10K, and identified three new MW, 1.) E&C Segment Control Environment Deficiency due to inadequate emphasis on IC and communication, 2.) E&C Segment Project Reporting Deficiency due to inadequate policies and procedures to ensure reasonable estimates on contracts, and 3.) insufficient accounting resources to properly analyze, record, and disclose accounting matters. SHAW added the following new remedial measures, 1.) hired experienced accounting professionals and engaged external experts to assist in accounting for complex transactions, 2.)

replaced the E&C segment's senior executive and other members of management, hired additional outside resources, and re-emphasized the foundation and framework for IC, and 3.) E&C Division will enhance policies and procedures to provide a rigorous process for establishing and maintaining realistic cost estimates.

SHAW's 2007 10K restated FS (2005-2006), concluded IC ineffective, two MW (compensation expense and contract error for revenue recognition) had been remediated, and the following MW existed, 1.) lacked, a.) adequate training programs and job descriptions for IC, b.) formal policies and procedures and an effective assignment of authority and responsibility in key areas of IC, and c.) a sufficient number of accounting, tax, and finance professionals, 2.) insufficient expertise to evaluate complex or non-routine accounting matters, and 3.) ineffective controls over period-end reporting process. SHAW indicated the following new remediation activities, 1.) develop and implement robust accounting policies and procedures to ensure compliance with GAAP, 2.) implement additional training and development programs, and 3.) implement improved controls over the review of journal entries, balance sheet reconciliations, accrual processes, and contract costs. SHAW's 2008 10K reported IC ineffective, four MW (inadequate control environment, insufficient expertise for complex or non-routine accounting matters, ineffective controls over the period-end reporting process, and E&C Segment Control Environment Deficiency) had been remediated, and the following MW existed, 1.) ineffective control over estimates of cost at completion (EAC) on engineering, procurement, and construction (EPC) fixed-price contracts, and 2.) insufficient number of tax professionals with adequate experience in the application of Statement of Financial Accounting Standard Number (SFAS) 109 (Accounting for Income Taxes). SHAW noted their remedial measures included, 1.) enhancing policies and procedures regarding the development, reporting, and review of EACs, and 2.) hired a new Vice President (VP) of Tax to lead the global tax function. SHAW's 2009 10K reported IC effective and remediation of the two remaining MW (ineffective control over EAC on EPC fixed price-contracts and insufficient number for tax professionals). SHAW's 2010-2012 10K indicate IC effective.

**Companies Who Indicated IC Deficiency and Subsequently Concluded MW (Table 2)**

CEC Entertainment's (CEC) 3/21/05 10K/A restated FS (2001-2003) and concluded IC for leases was insufficient. In connection with correcting its lease accounting methodology, CEC reported instituting the following procedures, 1.) use of a consistent lease period, 2.) the lease term and straight-line rent expense commences on the date when CEC takes possession of the leased premises, and 3.) record funds received from the lessor as a deferred credit from a lease incentive and amortize it over the lease term. CEC's 2004 10K indicated IC ineffective and cited the same MW (formerly identified as a deficiency) and remediation activities as in their 3/21/05 10K/A. CEC's 2005 10K noted IC effective but makes no mention regarding remediation of MW described in their 2004 10K. CEC's 2006 10K noted the following MW, ineffective controls to ensure stock option grants were determined in accordance with GAAP. With respect to remediation efforts CEC reported, 1.) engaging a consultant to review existing equity based compensation plans and to assist with compliance matters, and 2.) adoption of a written policy for equity-based compensation awards, including requirements that the Board of Directors (BOD), or their committee, meet after each quarterly earnings release and awards will only be made at these four meetings. CEC's 4/23/07 10K/A restated FS (2003-2005), concluded IC ineffective, and noted the same MW and remediation efforts as in their 2006 10K. CEC's

2007 10K reported IC effective and the MW related to stock option grants had been remediated. CEC's 2008-2012 10K indicate IC effective.

Dynegy's (DYN) 1/25/05 10K/A restated FS (2003) and noted income tax deficiencies related to, 1.) system access and implementation controls, 2.) segregation of duties and documentation of controls and procedures, and 3.) reconciliation of controls and processes. To address these deficiencies, management indicated the following, 1.) increased levels of review in the preparation of the quarterly and annual taxes, 2.) formalized processes, procedures, and documentation standards, and 3.) restructured the Tax Department to assure segregation of duties regarding preparation and review of the quarterly and annual taxes. DYN's 2004 10K reported IC ineffective, restated FS (2002-2003), and identified the same MW (formerly identified as a deficiency) and remediation efforts as in their 1/25/05 10K/A. DYN's 2005 10K noted IC ineffective and cited the same MW and remediation activities as in their 1/25/05 10K/A. DYN's 2006 10K concluded IC effective and the MW related to income taxes had been remediated. DYN's 2007-2012 10K indicate IC effective.

Macromedia's (MACR) 6/10/05 10K/A restated FS and selected data (1999-2004) and noted control deficiencies related to foreign exchange rate changes' impact on net tax liabilities and the sabbatical leave program. Management reported they implemented additional procedures to ensure foreign denominated tax assets and liabilities were properly re-measured to US dollars and corrected the sabbatical leave program methodology to make sure the liability was properly recorded. MACR's 2005 10K concluded IC ineffective and identified the following MW, inadequate management oversight and review of income taxes. MACR' s remediation steps included the following, implementing enhanced control processes over income taxes and utilizing third party professionals to assist in the preparation and review of income taxes. No 10K exist for MACR after 2005 and its registration was terminated on 12/5/05.

**Companies Who Indicated IC MW and Subsequently Concluded MW (Table 3)**

Abercrombie and Fitch's (ANF) 4/12/05 10K/A restated FS (2002-2004), concluded IC ineffective, and identified the following MW, 1.) ineffective lease accounting policies to ensure accordance with GAAP, and 2.) failed to identify, properly classify, and account for property and equipment, deferred lease credits from landlords, rent expense, depreciation expense, and the related impact on the SCF. ANF reported they implemented controls to assure all leases are accounted for in accordance with SFAS 13 (Accounting for Leases), FASB Technical Bulletin (TB) 88-1 (Issues Relating to Accounting for Leases), and FASB TB 85-3 (Accounting for Operating Leases with Scheduled Rent Increases). ANF's 2005 10K concluded IC ineffective and reported the same MW and remediation activities as in their 4/12/05 10K/A. ANF's 2006 10K noted IC effective and the MW related to leases had been remediated. ANF's 10K for 2007-2012 indicate IC effective.

Amkor's (AMKR) 6/6/05 10K/A restated FS (2002-2004), concluded IC ineffective, and noted the following MW, ineffective controls over the SCF to exclude capital expenditures that were unpaid and included in accounts payable or accrued expenses (capital expenditures had been reported on an accrual rather than cash basis). With respect to remediation, AMKR reported it implemented a process to identify unpaid capital expenditures at the end of the reporting period to make sure the SCF is in accordance with SFAS 95. AMKR's 10/6/06 10K/A restated FS (2003-2005), indicated IC ineffective, and identified the following MW, ineffective controls, 1.) to prevent or detect management override and 2.) over stock-based compensation.

Remedial actions included, 1.) creation and implementation of stock option grant procedures and practices to assure systematic approval, execution, and proper recording, 2.) additional training for personnel in areas associated with the stock option granting processes and other compensation practices to increase competency levels, and 3.) improvement in documenting the Compensation Committee's (CC) actions and ensuring timely reporting of CC actions to the BOD. AMKR's 2006 10K noted IC ineffective and referred to the same MW and remedial actions as in their 10/6/06 10K/A. AMKR's 2007 10K concluded IC effective and reported MW related to preventing or detecting management override and stock based compensation had been remediated. AMKR's 2008-2012 10K indicate IC effective.

Advent Software Inc.'s (ADVS) 11/30/05 10K/A restated FS (2002-2004), concluded IC ineffective, and identified the following MW, ineffective controls over property and equipment, income taxes, and stock-based compensation to assure conformity with GAAP. Management indicated the following remediation plans, 1.) document proper accounting standards related to the termination or abandonment of building leases, 2.) improve skills, knowledge, and experience by hiring additional tax accounting personnel and utilizing outside tax consultants, 3.) improve the process, procedures, documentation, and increase the level of review for income tax calculations, and 4.) improve skills, knowledge, and experience by utilizing outside consultants and increase the level of review for stock-based compensation. ADVS's 2005 10K reported IC ineffective, noted MW related to property and equipment had been remediated, and reported continuing MW for income taxes and stock-based compensation. With respect to remediation activities ADVS noted it, 1.) utilized external consultants to assist in creating an employee options database, 2.) applied internal resources to prepare calculations for the tax impact related to employee option exercises, 3.) continued to use a detailed review process for income tax calculations, and 4.) utilized outside tax consultants in preparing and reviewing income taxes. ADVS's 2006 10K concluded IC effective because the MW related to stock-based compensation and income taxes had been remediated. ADVS's 2007-2012 10K indicate IC effective.

Mercury Interactive's (MERQ) 7/3/06 10K/A restated FS (2002-2004), concluded IC ineffective, and noted the following MW, 1.) inadequate, a.) controls to prevent or detect intentional override or misconduct by former members of senior management, and b.) attention to identifying and responding to such instances, 2.) the BOD's CC mistakenly relied on former members of senior management to appropriately discharge their duties, 3.) did not adequately monitor control practices, demonstrate a commitment to integrity and objectivity, and foster a consistent and open flow of information, and 4.) ineffective controls over stock-based compensation. Management identified the following remediation activities, 1.) the BOD accepted resignations from the Chief Executive Officer (CEO), Chief Financial Officer (CFO), and General Counsel and appointed new individuals to those positions, 2.) established an Internal Audit function reporting to the Audit Committee and created the role of the Chief Compliance Officer, 3.) changed stock-based compensation procedures and approval policies, 4.) modified CEO reimbursement procedures to be consistent with standard control practices and subject to periodic review by Internal Audit, and 5.) BOD adopted enhancements to corporate governance and oversight, including a formal separation of the Chairman and CEO roles, strengthening the BOD by adding two additional independent members, reconstituting the membership of the BOD, and making additional advisory resources available to the BOD and its committees. MERQ's 2005 10K indicated IC ineffective and noted the same MW and remediation activities as in their 7/3/06 10K/A. No 10K exist for MERQ after 2005 and its registration was terminated on 11/7/06.

H&R Block's (HRB) 8/5/05 10K/A restated FS (2003-2004), indicated IC ineffective, and noted a MW with respect to income taxes. Management reported the following remediation activities, 1.) implemented a comprehensive set of income tax policies and procedures, 2.) filled senior level positions in the corporate tax department with experienced individuals focusing on corporate tax, state/local tax, and mortgage accounting, 3.) engaged a third party to provide supplementary assistance and assess the tax implications of select historical and future securitizations and the adequacy of the model used by Mortgage Services to track the related book/tax basis adjustments, and 4.) increased the formality and rigor around the operation of key controls. HRB's 3/31/06 10K/A restated FS (2004-2005), concluded IC ineffective, a continuing MW related to income taxes, and the same remediation efforts as in their 8/5/05 10K/A. HRB's 2006 10K reported IC effective and the MW related to income taxes had been remediated. HRB's 2007-2012 10K indicate IC effective.

UTStarcom's (UTSI) 4/13/05 10K/A restated FS (2003) and noted ineffective controls over, 1.) the financial reporting process due to insufficient personnel with appropriate accounting knowledge, experience, and training in GAAP, 2.) revenue, cost of sales, inventory, goodwill, foreign currency translation, accrued expenses, related-party transactions, and income taxes, 3.) segregation of duties and access to Oracle, and 4.) accounting functions outside of the US. Management reported the following remediation measures, 1.) a plan for hiring and training personnel, 2.) implemented a contract review process in China and conducted training seminars, 3.) upgraded and implemented additional Oracle modules, 4.) implemented processes for goodwill, foreign exchange transactions, and non-routine transactions, 5.) utilized consultants to monitor tax compliance, 6.) outsourced the Oracle's chief security officer position, 7.) conducted a seminar with key management regarding the Code of Conduct, provided personnel to help them comply with the internal certification process, and expanded the number of personnel required to certify related-party transactions for SEC reporting, 8.) streamlined the reporting structure to provide for direct reporting to, and oversight by, US headquarters, 9.) expanded the size of the internal audit group and the scope of its responsibilities, and 10.) implemented a closing checklist. UTSI's 2005 10K included a restated balance sheet (2004) and statements of operations, stockholders' equity, and cash flows (2003-2004), and reported IC ineffective due to the same MW identified in their 4/31/05 10K/A (except for foreign currency transactions and goodwill which had been remediated). Remediation measures reported UTSI had 1.) added more senior level financial personnel and retained outside consultants, 2.) expanded the number of personnel required to certify contract amendments, side agreements, or other matters, 3.) implemented Oracle enhancements, 4.) improved month and quarter-end closing procedures , 5.) implemented plans to ensure non-routine transactions were identified and escalated to senior financial management, 6.) removed access rights from employees associated with inappropriate segregation of duties and expanded the level of management oversight related to segregation of duties issues, and 7.) launched a formal investigation regarding alleged violations of the Foreign Corrupt Practices Act (FCPA). UTSI's 2006 10K restated FS (1998-2005), reported IC ineffective, and remediation of MW related to financial reporting and personnel, revenue, accrued expenses, income taxes, related-party transactions, segregation of duties, and user access. Management identified some additional MW, 1.) did not prevent or detect instances of noncompliance with laws and regulations which may have permitted violations of certain SEC regulations and the FCPA, 2.) failed to prevent or detect override related to customer agreements in China, and 3) ineffective controls at US headquarters over warranty reserves and stock-based compensation. UTSI commenced the following new remediation activities, 1.) updated and standardized finance and accounting policies and procedures, 2.) performed internal audits of decentralized operations' controls, 3.) created the position of, and hired a new, Chief Ethics Officer, 4.) migrated to a new vendor's system for stock options and equity awards, and 5.) approved an equity award grant policy and procedures.

UTSI's 2007 10K concluded IC ineffective and remediation of MW related to override of controls in China, warranty reserves, and stock-based compensation. UTSI's 2008 10K noted IC ineffective, MW related to preventing or detecting non-compliance with laws and regulations had been remediated, and identified the following new MW, ineffective controls at US headquarters over the 1.) matching of costs with revenue and recording loss reserves on customer contracts, and 2.) period-end financial reporting process and preparation of consolidated FS. New remediation activities included, 1.) implemented an upgrade to the enterprise resource planning (ERP) system, 2.) transitioned responsibility for calculating loss contract reserves to the local office in India, and 3.) added technical resources to the corporate finance team in the US. UTSI's 2009 10K indicated IC ineffective, remediation of MW related to matching costs with revenue and recording of loss reserves for customer contracts. Management noted implementing the following new remediation initiatives, finalized the assessment of additional modules for India's ERP and added technical resources to China's finance team. UTSI's 2010 10K concluded IC ineffective and the following new MW was identified, inadequate segregation of duties and inappropriate approval requirements for non-routine transactions related to cash management. Additional remediation activities included, 1.) designed and implemented a global financial close process, 2.) separated closely related functions in the cash management function, and 3.) revised approval requirements related to cash management. For 2011 UTSI filed a 20F instead of a 10K because it had been acquired by a foreign firm. Management indicated IC was effective, no additional MW were identified, and they had remediated MW related to the period-end financial reporting and cash management processes. Management also reported they underwent restructuring during 2010 and completed the transition of the financial close and reporting processes to the China Headquarters. UTSI's 2012 20F indicated IC was ineffective and identified the following MW, insufficient personnel with an appropriate level of US GAAP knowledge and experience. To remediate the MW, management reported they engaged a consultant, and plan to provide more training on US GAAP, enhance their accounting manual to provide more comprehensive guidelines on the policies and controls required by US GAAP and SEC rules, and look for additional personnel with appropriate knowledge and experience in US GAAP.

ConAgra Foods' (CAG) 4/29/05 10K/A restated FS (2002-2004), concluded IC ineffective, and noted a MW for income taxes. Management cited the following remediation activities, 1.) hiring a new VP of Tax and additional tax staff, 2.) implementing enhanced control processes over income taxes, and 3.) utilizing third party professionals. CAG's 2005 10K indicated IC ineffective and reported a continuing MW for income taxes, principally due to 1.) inadequate levels of staffing and technical expertise within the tax department, 2.) insufficient or ineffective tax related review and approval practices, 3.) inadequate processes to establish and effectively reconcile income taxes, and 4.) inadequate analysis and application of tax planning strategies pursuant to SFAS 109. Management's remediation actions included, 1.) reorganization of the tax department, 2.) enhanced control processes over income taxes, including general ledger account reconciliation processes, and 3.) implementation of dual review procedures.

CAG's 2006 10K reported IC effective but provided no further discussion of the MW related to income taxes and its remediation. CAG's 2007-2012 10K indicate IC effective.

American International Group's (AIG) 3/16/06 10K/A restated FS (2000-2004), concluded IC ineffective, and noted the following MW, 1.) ineffective control environment to prevent senior management, including the former CEO and CFO, from overriding controls and effecting transactions and accounting entries, 2.) a special purpose entity was used to convert underwriting losses into investment losses that were not accounted for in accordance with GAAP, 3.) reinsurance transactions for risk transfer were not recorded in accordance with GAAP, 4.) various transactions (Covered Calls and certain Top Level Adjustments) converted realized and unrealized gains into investment income and incorrectly applied GAAP, 5.) changes to loss reserves were not in accordance with GAAP and changes to loss reserves through Top Level Adjustments were done without adequate support, and 6.) ineffective controls over balance sheet accounts, derivative transactions, and income taxes. Management indicated implementing the following remediation activities, 1.) provided a clear statement of the tone and philosophy set by current senior management, 2.) appointed a new CEO and CFO, 3.) took actions with respect to certain employees, such as further training and supervision, reassignment outside areas of financial reporting, or termination, 4.) BOD established the Regulatory, Compliance, and Legal Committee to provide oversight for compliance with laws and regulations, 5.) enhanced the Code of Conduct and mandated all employees complete ethics training, 6.) implemented a Director, Executive Officer, and Senior Financial Officer Code of Business Conduct and Ethics, 7.) developing a corporate level compliance framework, 8.) expanded the scope and activities of the Complex Structured Finance Transaction Committee to include the review and approval of accounting and financial reporting issues, including related-party transactions, 9.) established a Financial Disclosure Committee, 10.) evaluated alternative approaches necessary to conform hedge accounting with GAAP, and 12.) commenced a process to assure income taxes are in accordance with GAAP.

AIG's 2005 10K indicated IC ineffective, MW related to the control environment and the evaluation of risk transfer were remediated, and MW over balance sheet reconciliations, derivative transactions, and income taxes continued to exist. New remediation activities included, 1.) implementing controls over post-closing adjustments and consolidating entries, 2.) employees identified as needing further training and supervision underwent formal ethics training and recertified their compliance with the Code of Conduct, 3.) the Chief Compliance Officer implemented a corporate level (centrally managed) compliance function and developed a compliance framework, 4.) major business units implemented processes to enhance their ability to identify, analyze, and present for approval complex transactions to AIG's corporate level committee, and 5.) adoption and implementation of new corporate guidelines and controls over balance sheet reconciliations, derivatives, and income taxes. AIG's 2006 10K indicated IC ineffective, MW related to balance sheet reconciliations and derivative transactions were remediated, and the income tax MW continued to exist. Management indicated the following remediation actions, 1.) reconciling, evaluating, and monitoring income tax accounts, 2.) implementation of a global income tax accounting reporting tool, and 3.) providing income tax training programs. AIG's 2007 10K reported IC ineffective, MW related to income taxes had been remediated, and a MW related to the valuation of the AIGFP swap portfolio was identified. Remediation efforts related to the portfolio included, 1.) assigning dedicated and experienced resources at AIGFP with the responsibility for valuation and 2.) strengthening corporate oversight over the valuation methodologies and processes. AIG's 2008 10K reported IC effective and the MW over the valuation process had been remediated. AIG's 2009-2012 10K indicate IC effective.

General Electric's (GE) 5/6/05 10K/A restated FS (2002-2004), concluded IC ineffective, and noted the following MW, incorrect application of SFAS 133 (Accounting for Derivative Instruments and Hedging Activities). GE's remedial actions included, 1.) improving training, education, and accounting reviews to assure all personnel involved in derivatives transactions understand and apply hedge accounting in compliance with SFAS 133 and 2.) retesting IC with respect to the types of hedging transactions to ensure compliance with SFAS 133. GE's 1/19/07 10K/A restated FS (2003-2005) and concluded IC ineffective due to derivative transactions. GE's 2006 10K indicated IC ineffective and identified the same MW as in their 1/19/07 10K/A. GE's 2007 10K reported IC effective and noted that while some significant deficiencies (revenue recognition policies and procedures) exist they do not constitute a MW. GE's 2008-2012 10K indicate IC effective.

SVB Financial Groups' (SIVB) 12/30/05 10K/A restated FS (2002-2004), concluded IC ineffective, and noted the following MW, 1.) inadequate selection and application of US GAAP, 2.) policies, procedures, and practices were not developed, maintained, or updated to ensure FS were prepared in accordance with GAAP, 3.) insufficient policies, procedures, and documentation to support key judgments regarding the selection and application of accounting policies, 4.) inconsistent policies and procedures for effective analysis, implementation, and documentation of new accounting pronouncements, and 5.) insufficient qualified personnel for financial reporting processes. Management's remediation activities included, 1.) documenting processes and procedures, along with appropriate training, to make sure accounting policies, which have been corrected to conform with U.S. GAAP, are consistently applied going forward, 2.) hiring additional accounting personnel to ensure adequate experience, skills, and knowledge, 3.) involving internal personnel assisted by external advisors, particularly in complex or non-routine transactions, to obtain additional guidance regarding the application of GAAP, 4.) assuring comprehensive documentation supporting management's analysis of the appropriate accounting treatment for derivatives or other non-routine or complex transactions and review by senior accounting personnel and the principal accounting officer, and 5.) requiring regular periodic review of all significant accounting policies, their adoptions, application, and impact by senior accounting personnel and the principal accounting officer together with the Audit Committee of the BOD. SIVB's 2005 10K noted IC ineffective and identified the same MW and remediation activities as in their 12/30/05 10K/A. SIVB's 2006 10K reported IC effective and MW from 2005 had been remediated. SIVB's 2007-2012 10K indicate IC effective.

General Motors' (GM) 3/28/06 10K/A restated FS (2002-2004), concluded IC ineffective, and noted a MW related to the SCF. GM's 2005 10K indicated IC ineffective and noted the same MW identified in their 3/28/06 10K/A and one new MW, inadequate controls for operating leases with daily rental car entities. GM's 2006 10K restated FS (2004-2005) and other selected financial data (2002-2003), concluded IC ineffective, and identified the following MW, 1. ) lacked technical expertise to ensure compliance with SFAS 109 and SFAS 133, 2.) insufficient personnel with an appropriate level of accounting knowledge, experience, and training in the application of GAAP, and 3.) ineffective controls over the period-end financial reporting process. Management reported the following remediation actions, 1.) hired several new senior level accounting personnel, 2.) reorganized and restructured the Tax Department and Corporate Accounting, 3.) implemented additional policies, procedures, and documentation requirements to ensure compliance with SFAS 133 and utilizing external consultants, and 4.)

improved period-end closing procedures by requiring all significant non-routine transactions be reviewed by Corporate Accounting. GM's 2007 10K indicated IC ineffective, remediation was complete with respect to SFAS 133 and personnel, identified two continuing MW (period-end financial reporting process and compliance with SFAS 109), and one new MW, ineffective controls over employee benefit arrangements accounted for under SFAS 106 (Employers' Accounting for Postretirement Benefits Other than Pensions). Management reported their remediation efforts included, 1.) improving period-end closing procedures, 2.) relocating tax accounting to reside within the tax department, setting up a focused tax accounting group, implementing new tax policies and procedures, and requiring communication and collaboration between the Tax and Controller's Staff, and 3.) establishing a new Technical Accounting Manager for Compensation, utilizing external resources to provide necessary technical expertise, and hiring of a new Director of Compensation and Benefits Accounting.

GM's 2008 10K indicated IC ineffective, MW related to the period-end financial reporting process continued, and MW related to SFAS 106 and 109 had been remediated. New remediation activities included, increasing the Regional Controller's Staff responsibilities for consolidation and elimination activities, implementing several new accounting policies clarifying roles and responsibilities over account reconciliations, review, and approval of journal entries, and continuing to utilize external accounting resources to ensure large and complex transactions are appropriately accounted for. GM's 2009 10K reported the continuation of MW related to the period end financial reporting process (Old GM's 2008 10K). Specifically, certain controls designed and implemented to address MW had an insufficient period of time to operate for management to conclude they were operating effectively. This inability to conclude was largely due to the combination of the Chapter 11 Proceedings, the related application of fresh-start reporting, and the need for concurrent preparation of US GAAP FS for multiple periods during the six month period after the completion of the 363 Sale. Management noted the following remediation activities, 1.) improved trial balance and account ownership and adherence to account reconciliation policies and procedures, 2.) documented roles and responsibilities for close processes, 3.) implemented new consolidation software, consolidation procedures, a standardized account reconciliation quality assurance program, improved manual journal entry procedures, and improved disclosure procedures. GM's 2010 10K concluded IC was effective because the MW related to the period-end financial reporting process had been remediated. GM's 2011-2012 10K indicate IC effective.

Interpublic Group's (IPG) 10/17/05 10K/A restated FS (2001-2003), reported IC ineffective, and noted the following MW, 1.) non-compliance with policies and procedures, including those contained in the Code of Conduct, 2.) insufficient personnel with an appropriate level of accounting knowledge, experience, and training in the application of US GAAP, and 3.) ineffective controls over, business combinations, compensatory earn-out and put arrangements, revenue, leases, income taxes, payroll and compensation, reconciliation of FS accounts, intercompany transactions, and period end financial reporting. Management indicated the following remedial actions, 1.) requiring Code of Conduct compliance certifications prior to units submitting FS, 2.) implemented controls to deter and detect fraud with oversight by the BOD and Audit Committee, 3.) established a Project Management Office charged with developing IC centralized reporting, 4.) new ERP software system, 5.) reorganizing and restructuring the Corporate Controllers Group, 6.) compensation structure modified to align IC environments with compensation, 7.) updating and enhancing accounting and finance policies and procedures, 8.) instituted a continuing professional education program, 9.) standardized global manual documentation requirements for intercompany transactions, revenue recognition, and expenditures under real estate leases, 10.) monthly meetings, with all significant entities by the Corporate Controllers Group, required for monthly closing process, 11.) revised quarterly tax reporting, improved policies and procedures, increased training, and hired a team of tax professionals, and 12.) requiring written approval from a corporate committee for any nontraditional employment arrangement or payroll practice. IPG's 2004 and 2005 10K cited the same MW and remediation activities as those in their 10/17/05 10K/A. IPG's 2006 10K indicated IC ineffective and MW related to business combinations, leases, compensatory earn-out and put arrangements, intercompany transactions, reconciliation of FS accounts, and period end financial reporting process had been remediated. With respect to remediation activities management reported they, 1.) combined multiple agency controller organizations by region and each region uses a consistent methods and procedures manual, 2.) provided new policies, methods, and procedures guides, 3.) revised work processes and enhanced monitoring, 4.) improved templates and analytic tools, 5.) increased training and skills development, 6.) clarified accountabilities and structure, and 7.) updated control procedures to reflect new policies, processes, and procedures. IPG's 2007 10K concluded IC effective and MW related to the control environment, revenue, FS transactions and journal entries, income taxes, and payroll and compensation had been remediated. IPG's 2008-2012 10K indicate IC effective.

Visteon Corporation's (VC) 3/16/05 10K/A restated FS (2001-2003), reported IC ineffective, and noted the following MW, ineffective controls over postretirement health care benefits and production tool costs. Management's remediation plans included, 1.) additional controls to ensure all necessary actions required to implement changes in employee postretirement health care liability accounts are completed prior to recording such changes, and 2.) enhanced training for personnel and strengthened controls regarding valuation, rights, and obligations related to production tool costs. VC's 11/22/05 10K/A restated FS (2004-2005), concluded IC ineffective, identified the same MW as in their 3/16/05 10K/A, and one new MW, incomplete and inaccurate recording of freight, raw material, other supplier costs, and related period end accruals at the North American (NA) purchasing function. Management reported remediation efforts related to additional controls over production tool costs and potential liabilities related to activities with NA suppliers. VC's 2005 10K indicated IC ineffective, MW related to employee postretirement health care and tool costs had been remediated, MW for freight, raw material, other supplier costs, and related period end accruals continued, and identified one new MW, ineffective controls over contracts to identify and record costs in the correct period and ensure related period end accruals and payables were complete and accurate. With respect to remediation management reported implementing additional controls to assure costs were recorded in the correct period and related period end accruals and payables were complete and accurate. VC's 2006 10K reported IC effective and the two remaining 2005 MW had been remediated. VC's 2007-2012 10K indicate IC effective.

BISYS Group's (BSG) 8/10/04 10K/A restated FS (2001-2003), concluded IC ineffective, and noted MW with respect to commissions receivable, procedures and processes, and acquisition accounting. BSG indicated the following remediation activities, 1.) added personnel to the accounts receivable department, 2.) enhanced processes for reviewing and monitoring reserves for commissions receivable, 3.) augmented the review of commission revenue transactions, 4.) improved documentation and review of significant accounting entries, 5.) initiated system enhancements to automate processes for accounts receivable and revenue recognition, and 6.) implemented a systematic review of data quality and control. BSG's 2005

10K restated FS (2003-2004), reported IC ineffective, and noted the following MW, 1.) inadequate, a.) selection, application, and documentation of accounting policies to ensure accordance with GAAP, b.) personnel trained in the application of GAAP and compliance with BSG's Code of Conduct, c.) whistleblower program, and 2.) ineffective controls over revenue, business combinations and divestitures, vendor rebates, leases, liabilities, expenses, and commissions payable. Management's remediation activities included, 1.) hired a new CFO to oversee the transition of financial responsibilities, address staffing matters, and implement improved controls and procedures, 2.) created a direct reporting line from the business unit to the Corporate Controller, 3.) developed or revised written accounting policies and procedures, 4.) enhanced quarterly accounting reviews and formal training programs, 5.) added senior personnel focusing on financial accounting, reporting, and controls, 6.) enhanced whistleblower procedures and tone at the top, 7.) implemented a quarterly and annual sub-certification process requiring written confirmations from managers regarding the effectiveness of controls and procedures, 8.) initiated a comprehensive periodic review of divisional FS, 9.) developed procedures to ensure senior level finance personnel are responsible for the review and approval of all significant transactions, 10.) increased documentation and review for all new business acquisition and system conversion related activities, 11.) improved month-end closing procedures, 12.) added technical accounting personnel and increased supervision, 13.) enhanced procedures to review balance sheet account reconciliations by senior level finance personnel, and 14.) developed processing systems to provide more automation, accuracy, and control in recording commissions payable. BSG's 2006 10K indicated IC ineffective, remediation of MW related to business combinations and divestitures, vendor rebates, legal and contractual settlements, and leases, MW continued for the control environment, revenue recognition, and commissions payable, and identified one new MW, ineffective controls over segregation of duties. BSG implemented the following new remediation efforts, 1.) replaced eight of the ten most senior finance positions, 2.) created new controller positions for each of the businesses, 3.) required all finance staff to complete ethics training, 4.) engaged third parties to provide continuing education courses and an independent whistleblower hotline service, 5.) performed a comprehensive review of financial accounting processes and IC, and 6.) enhanced analytical and review procedures at international locations. On 5/2/07 BSG was acquired by Citi Investor Services, no 10K exist past 2006, and registration was terminated on 8/1/07.

Computer Associates' (CA) 10/19/05 10K/A restated FS (2002-2005), concluded IC ineffective, and noted MW involving, inadequate policies and procedures to 1.) prevent or detect improper accounting under side agreements (1998-2001), 2.) identify, quantify, and record the impact on subscription revenue when a new license agreement (NLA) superseded a prior license agreement (PLA) before its expiration, and 3.) produce an effective control environment in the Europe, Middle East, and Africa (EMEA) region. Management indicated the following remediation activities, 1.) implementing a worldwide financial and ERP information system, 2.) reorganizing the Finance and Internal Audit Departments, 3.) instituting an anti-fraud program, 4.) improved segregation of responsibilities, 5.) provided comprehensive documentation of key control activities for tax, financial reporting, software development, indirect sales, accounts payable, and professional services, 6.) requiring the financial reporting department to review, on a quarterly basis, credits related to software contracts and periodic testing by Internal Audit, 7.) monitoring the renewal of PLA to ensure any remaining deferred maintenance and unamortized discounts are recognized over the NLA's life, 8.) appointed a new General Manager, Head of Procurement, Assistant General Counsel, and Head of Facilities for the EMEA region, and 9.)

hired new senior finance personnel, implemented additional segregation of duties, and responsibilities within the EMEA region. CA's 2006 10K restated FS (1996-2005), noted IC ineffective, 2005 MW had been remediated, and new MW identified, inadequate policies and procedures related to sales commissions, non-routine tax matters, stock-based compensation, and subscription revenue related to license agreements. CA indicated the following remediation activities, 1.) appointed a new Chief Operating Officer (COO) and CFO, 2.) realigned reporting for the CFO from the COO to the CEO, 3.) eliminated the Executive VP Worldwide Sales position and appointed a Senior VP Sales Operations with direct reporting to the COO, 4.) focused training on ethics, CA's Code of Conduct, and its core values, 5.) accounting for sales commissions required to be reviewed by the Internal Audit Department, 6.) a quality review team appointed to assess business processes, IT Systems, and financial oversight for sales commissions, 7.) policies and procedures formalized to ensure the administration, payments, and accounting for commissions expense are coordinated and reconciled on a quarterly basis, and 8.) reviewed the tax department's policies and procedures, including the use of external advisors, required new documentation and analysis for non-routine tax matters, and formalized communication and review of non-routine tax matters between the tax function and senior finance management. CA's 2007 10K concluded IC effective and the two 2006 MW had been remediated. CA's 2008-2012 10K indicate IC effective.

Highwoods Properties' (HIW) 11/15/04 10K/A restated FS (2001-2003) and noted the following MW, inadequate 1.) procedures to appropriately assess and apply accounting principles to complex transactions, 2.) finance and accounting staff to appropriately identify and evaluate transactions, 3.) procedures to ensure critical information regarding a transaction is known, and 4.) application of GAAP to transactions due to perceived immateriality of transactions. Management indicated the following remediation activities, 1.) added experienced staff to the Finance and Accounting Departments, including an Assistant Controller, a Director of Financial Standards and Compliance, a Senior Director of Investor Relations, and a new CFO, 2.) expanding supervisory activities, monitoring techniques, and strengthening procedures to make sure information related to transactions is known, and 3.) implemented revised checklists and additional management oversight to assure appropriate assessment and application of GAAP. HIW's 2004 10K concluded IC ineffective and identified the following MW, ineffective processes for capitalizing interest and carrying costs, development and construction costs, fixed asset and lease incentives, and FS close. HIW's 2005 10K indicated IC ineffective, noted the MW from 2004 continued (except for capitalizing interest and carrying costs which had been remediated), and identified one new MW, ineffective journal entry approval process. Management's remediation activities included, 1.) instituted a permanent committee to monitor and oversee all deficiencies remediation, 2.) designed, implemented, and tested new and enhanced accounting processes for development and construction costs, and fixed asset and lease incentives, 3.) developing and implementing a policy and procedures manual to assure consistent and appropriate application of GAAP, 4.) plan to provide training and implement improvements to the journal entry review and approval processes to limit the ability of users to record and delete journal entries in the general ledger system, and 5.) engaged a search firm to assist with hiring a Chief Accounting Officer (new position). HIW's 2006 10K reported IC ineffective, MW existed for real estate assets, and some of the 2005 MW (fixed asset and lease incentives, and journal entry approval process) had been remediated. Management cited the following additional remediation activities, 1.) converting from a supplemental software package to the depreciation module contained within the general ledger package, 2.) plan to use the centralized lease and invoice approval software, 3.) developing and implementing a policy and procedures manual for use by divisional and accounting staff, and 4.) continuing the search for the newly created Chief Accounting Officer position. HIW's 2007 10K noted IC effective and 2006 MW had been remediated. HIW's 2008-2012 10K indicate IC effective.

Diebold's (DBD) 8/12/05 10K/A restated FS (2002-2004), concluded IC ineffective, and noted a MW involving inadequate reconciliation of the NA sales commission account. Management indicated remedial actions included revising reconciliation procedures for the NA sales commission account and implementing corporate monitoring procedures. DBD's 2005 10K reported IC ineffective and identified MW related to personnel with insufficient technical knowledge to analyze complex revenue contracts in accordance with GAAP at Diebold Election Systems (DESI). Remediation efforts cited for DESI included, 1.) realignment of the finance organization, 2.) standardization of revenue recognition policies, and 3.) training on, and implementation of, revenue recognition policies. DBD's 2006 10K noted IC effective. DBD's 2007 10K concluded IC ineffective, restated FS (2003-2006), and identified the following MW, 1.) inconsistent application of accounting policies and procedures and adherence to GAAP, 2.) inadequate policies and procedures for the selection and communication of accounting policies, 3.) insufficient personnel with skills, knowledge, and training in GAAP, 4.) monitoring activities did not assure breakdowns in controls were detected and corrected, and 5.) ineffective policies and procedures over reconciliation, nonrecurring manual journal entries, and non-routine contractual agreements. Management indicated the following remediation measures, 1.) established more rigorous financial reporting policies, procedures, and processes, 2.) designed and implemented training programs, 3.) increased emphasis by corporate accounting, internal audit, and finance controls on reviewing and monitoring key accounting controls and processes, 4.) engaged consultants to assist with the implementation of controls, documentation of complex accounting transactions, and reconciliation of deferred revenue accounts, 5.) developed and executed a targeted communication plan which focused on setting the tone, highlighting requirements and expectations related to financial reporting controls compliance, personnel responsibilities, and processes and avenues for reporting suspected violations of the Code of Conduct, 6.) required executives to attend educational courses focusing on fiduciary responsibilities and duties, 7.) recruiting additional senior accounting personnel, and 8.) established a global journal entry and account reconciliation policy governing requirements for support, review, and approval of non-recurring manual journal entries.

DBD's 2008 10K indicated IC ineffective and the 2007 control environment MW had been remediated. Management reported remediation activities included, 1.) enhanced the accounting and finance organization to better align individuals with job responsibilities commensurate with skills, experience, and capabilities, 2.) evaluated and made changes to the finance department to further align and segregate the responsibilities within the accounting, financial reporting, and planning and forecasting functions, 3.) recruited additional senior accounting personnel, hired a VP for Corporate Accounting, Compliance, and External Reporting, 4.) established a new monitoring control process that includes a detailed analytical review to detect errors in the FS, and 5.) developed a standardized process for monitoring, updating, and disseminating non-routine contractual agreements to facilitate review by appropriate accounting personnel. DBD's 2009 10K reported IC ineffective, MW related to manual journal entry and account reconciliation had been remediated, the MW in the application of accounting policies continued, and one new MW was identified related to income taxes. Remediation efforts included, 1.) enhanced documentation and training regarding the application of the revenue recognition policy to multiple-element arrangements, 2.) increased corporate accounting oversight and monitoring of multiple-element arrangements, and 3.) utilized consultants to assess controls and implemented control procedures to reduce the risk of future errors related to income tax calculations. DBD's 2010 10K noted IC effective and MW related to accounting policies and income taxes had been remediated. DBD's 2011-2012 10K indicate IC effective.

AULT Inc.'s (AULT) 10/07/05 10K/A restated FS (2004) and noted the following MW, ineffective controls over the preparation and independent review of accounts at the China subsidiary and insufficient staffing to control the disposition of inventory. Management indicated the following remediation activities, 1.) transfer of a seasoned accountant with experience in Asian operations who will be the primary liaison with the China accounting staff and operations, 2.) commencing a training program to upgrade the China accounting staff's skills, 3.) hiring an experienced China-based controller to coordinate all financial reporting, monthly fiscal inventory counts, and verification, 4.) if AULT enters into any future third party warehouse agreements it will make sure it has adequate resources for necessary preventative and detective controls, the third party warehouse will have a weekly reconciliation between the inventory in the warehouse and AULT's inventory system, the head of sales and finance will review this reconciliation, and on a quarterly basis, AULT will physically count the inventory. AULT's 1/10/06 10K/A restated FS (2004-2005) noted the same MW and remediation activities as those identified in their 10/07/05 10K/A. No 10K exist for AULT after 1/10/06 and its registration was terminated on 2/1/06.

Pride International's (PDE) 1/25/06 10K/A restated FS (2002-2004), concluded IC ineffective, and MW related to, 1.) ineffective period end financial reporting process and 2.) insufficient number of accounting and finance personnel to, a.) implement structural and procedural system and process initiatives, b.) perform the necessary manual processes, and c.) analyze non-routine and non-systematic transactions. Management indicated the following remediation activities, 1.) appointed a new Executive VP and CFO, 2.) promoted from within the replacements for, and enhanced the positions of, the Executive VP for Operations, the Senior VP, General Counsel, and Controller and Chief Accounting Officer, 3.) improved corporate accounting, tax, and treasury functions by creating and filling several new positions and elevating the position of Treasurer to VP, 4.) expanded the corporate internal audit function by hiring a new internal audit director, creating and filling several new positions with professional auditors, and bringing the internal audit staff of international operations under the supervision of the new director, 5.) strengthened the Sarbanes-Oxley Act compliance function and the IC Steering Committee, 6.) increased communication between senior management and the BOD to discuss key activities, plans, accounting, and IC issues, 7.) implemented regular period end financial and IC certifications that include, among others, specific descriptions of non-routine and nonsystematic transactions, 8.) instituted regular conference calls among division finance managers, country finance managers, and corporate accounting staff to review current transactions and events described in the periodic financial and IC certifications, and 9.) established a disclosure committee to review and discuss periodic reports prior to filing with the SEC. PDE's 2005 10K indicates IC ineffective, 1/25/06 10K/A MW were remediated, and one new MW identified, improper payments to foreign government officials were made through collusion by company personnel and outside vendors to circumvent controls designed to prevent the misappropriation of assets. Remediation efforts involved, 1.) placing certain members of management on administrative leave pending the outcome of the investigation, 2.) the resignation of the COO, 3.) evaluating the operations' structure, the President and CEO have assumed direct supervision of the Western Hemisphere, Eastern Hemisphere, and Engineering and Technical Support VPs, each of whom previously reported to the COO, 4.) enhancing training to instill an attitude of integrity and control awareness, 5.) requiring all bonus eligible employees complete in person and online training on the FCPA and PDI's Code of Business Conduct and Ethical Practices, 6.) requiring management to reconfirm they are not aware of any violations of law, improper payments to foreign government officials, or other violations of the Code of Business Conduct and Ethical Practices, and to recertify their commitment to the Code, 7.) established an executive compliance committee responsible for supervising the anti-bribery compliance committee, IC steering committee, and compliance efforts in general, and 8.) established the position of, and appointed, a Chief Compliance Officer. PDE's 2006 10K noted IC effective and 2005 MW had been remediated. PDE's 2007-2010 10K indicate IC effective, no 10K exist after 2010, and registration was terminated on 5/31/11.

Patterson UTI Energy's (PTEN) 3/17/06 10K/A restated FS (2002-2004), concluded IC ineffective, and reported the following MW, ineffective controls, 1.) to prevent or detect override or intentional misconduct, including misappropriation of assets and the preparation of false management reports, accounting records, FS, and documents together with forged approval signatures, 2.) to ensure cash disbursements were based on authorized transactions, and 3.) over property and equipment. Management indicated the following remediation activities, 1.) changed wire transfer approval policies to require additional and more secure authorizations to assure all wire transfers were to approved vendors, reflected in the accounts payable system, and have appropriate supporting documentation, 2.) revised approval requirements for property and equipment expenditures, 3.) strengthened the tracking system for property and equipment to improve tracking and to trigger commencement of depreciation when assets are placed in service, 4.) implemented procedures and processes to reinforce employees' responsibility to exercise independence and judgment and to comply with compliance programs, including a.) formal certifications contained in SEC filings, b.) annual written questionnaires from senior employees and accounting staff regarding awareness of questionable business practices, c.) improved education and training programs for all employees covering ethics, compliance, financial reporting, and good business practices, d.) additional guidelines with respect to senior management's responsibilities for SEC filings, financial reports, budgets, and maintenance of controls over assets and expenditures, and e.) annual reporting to the Audit Committee regarding these processes and procedures, 5.) searching for an in-house counsel whose responsibilities will include an active role in corporate compliance and governance, and 6.) initiated structural changes, processes, and procedures to increase communication between financial reporting, accounting functions, and senior management. PTEN's 2005 10K concluded IC ineffective, MW identified in their 3/17/06 10K/A related to cash disbursements and property and equipment had been remediated, and an ineffective control environment continued to exist. PTEN's 2006 10K reported IC effective and noted the MW in the control environment had been remediated. PTEN's 2007-2012 10K indicate IC effective.

Flow Serve's (FLS) 4/27/04 10K/A restated FS (2000-2002) and cited MW related to computer systems, inventory, account reconciliation, and manual journal entries. Management indicated the following remediation activities, 1.) enhancing computer systems implementation, testing procedures, and training, 2.) reinforcing existing account reconciliation, journal entry, and physical inventory and cycle counting procedures, 3.) increasing internal audit testing, and 4.) appointing a manager in the corporate financial group to focus on monitoring and assessing compliance with IC, policies and procedures, and training programs. FLS's 2004 10K restated FS (2002-2003), noted IC ineffective, and identified the following MW, 1.) did not, a.) communicate the importance of controls or set an adequate tone, b.) maintain sufficient personnel with an appropriate level of accounting and tax knowledge, and experience and training in the application of GAAP, c.) implement adequate assignment of authority and responsibility, d.) maintain an effective anti-fraud program, and e.) establish and update policies and procedures for information technology general controls, 2.) ineffective controls to determine the adequacy of IC and insufficient internal audit function, and 3.) inadequate controls over period end financial close, segregation of duties, reconciliations, intercompany accounts, journal entries, revenue, inventory, pension plans, derivatives, equity investments, income taxes, mergers and acquisitions, payroll, and goodwill and intangible assets. Remediation activities included, 1.) enhancing information technology general controls, 2.) assembling a new senior management team, appointed a Chief Compliance Officer, expanded and strengthened the internal audit organization (which now reports directly to the audit committee) by hiring additional senior audit staff, as well as, increasing the number of external consultants utilized, 3.) expanded the accounting policy and controls organization by creating and filling new positions with accounting and finance personnel, 4.) redefined job requirements for finance employees and established a team, led by a newly hired senior manager, focused on developing and implementing improvements in the finance function, 5.) re-staffed senior tax positions and expanded the tax compliance and audit staff, 6.) enhanced accounting policies, improved documentation of policies, and communicated accounting policies on a company-wide basis, 7.) created a centrally managed IC Financial Review Program that encompasses analytical reviews, IC questionnaires, antifraud matrices, and site visits by finance and internal audit personnel, 8.) conducted global accounting conferences and training, 9.) expanded the FS review and certification process for SEC reports, 10.) improved policies and procedures to detect and prevent fraud, including ethics programs initiated under the guidance of the Ethics and Compliance Committee, 11.) addressed key financial control activities where segregation of duty issues were identified, 12.) separated the roles of the CEO and Chairman of the BOD to strengthen the corporate governance structure, and 13.) re-emphasized ethics throughout the organization, distributed an enhanced Code of Business Conduct to all US employees, posted foreign language versions of the Code of Business Conduct on the website, and enhanced the features of the global ethics hotline.

FLS's 2005 10K indicated IC ineffective and identified the following MW, ineffective controls over stock-based compensation and debt obligations. Management's new remediation efforts included, 1.) implementing or upgrading ERP systems at primary business locations to increase the level of automated controls, and to improve the integrity and reliability of data flow from the originating transactions to the financial consolidation and reporting process, 2.) implementing a global web-based financial controls management solution to facilitate the documentation and assessment of accounting and financial reporting controls, 3.) strengthened the segregation of duties and application security policy and updated the spreadsheet controls policy, 4.) updated the account reconciliation policy, 5.) issued training materials defining the specific requirements regarding account reconciliation preparation, review, and approval, 6.) designing and implementing additional revenue cycle, inventory cycle, and accounts payable controls, 7.) implemented new procedures and controls to assure technical compliance with derivative accounting provisions and providing hedge accounting training, and 8.) designing and implementing enhanced controls to ensure proper accounting for stock based compensation.

FLS's 2006 10K noted IC effective and 2005 MW had been remediated. FLS's 2007-2012 10K indicate IC effective.

Johnson Controls' (JCI) 8/9/05 10K/A restated FS (2002-2004) and identified a MW, improper application of SFAS 131 when identifying operating and reportable segments. Management indicated the following remedial actions, 1.) enhanced controls by which SFAS 131 authoritative guidance is monitored and applied on a regular basis, 2.) revised the monthly reporting package used by the Chief Operating Decision Maker, and 3.) require the Disclosure Committee to review segment reporting on a quarterly basis. JCI's 2005 10K reported IC ineffective, MW identified in their 8/9/05 10K/A had been remediated, and a new MW existed, ineffective controls, including communication between JCI's Treasury Department and Accounting Department, to identify the required FS disclosures resulting from subsidiary guarantees applicable to certain third party debt. Management noted the following remediation actions, 1.) implemented enhanced controls and procedures surrounding the identification and reporting of required guarantor subsidiary FS disclosures, 2.) rescinded all intercompany upstream guarantees and replaced them with alternative intercompany arrangements, 3.) JCI's Treasury Department will ensure all intercompany guarantees are maintained in its central repository of external guarantees and reviewed on a quarterly basis using a newly developed checklist, and 4.) the Accounting Department will review the central repository of guarantees in conjunction with its preparation and filing of quarterly and annual reports. JCI's 2006 10K reported IC effective but provided no further information regarding remediation of their 2005 MW. JCI's 2007-2012 10K indicate IC effective.

## DISCUSSION

### Limitations

The primary limitation for this study, and this area of study, is the amount of detail provided by companies in their IC disclosures. There is no way to determine whether or not a company that indicates IC effective should really have disclosed MW. Additionally, the amount of information related to MW and remediation activities varies greatly from company to company. For the most part those companies with several MW over multi-years provided the most information regarding the types of MW they had and the remediation activities utilized.

### Implications

The foregoing company summaries reveal some common themes with respect to MW identified. More than half of the companies cited MW with respect to failing to follow GAAP (61%) and income taxes (52%), and close to half noted insufficient personnel with adequate knowledge of GAAP (45%). MW related to leases (32%), stock-based compensation (26%), and financial close and reporting process (26%) were noted by more than a quarter of the companies. Less than a quarter of the companies identified MW involving revenue recognition (23%), management override of controls (23%), account reconciliation (19%), SCF (16%), derivatives (16%), and property, plant, and equipment (16%). Regarding remediation activities, the most commonly cited one was enhancement of accounting policies and procedures (90%), followed by providing more training and/or continuing education programs (53%), hiring for new positions or replacing existing senior level accounting personnel (53%), utilizing external experts/consultants

(47%), hiring additional staff (43%), and expanding required reviews by senior accounting personnel (43%). Other remediation activities noted by about a third of the companies involved reorganizing the accounting structure/departments (33%), increased involvement on the part of the BOD (30%), and more emphasis on the code of conduct and ethics (30%). One-fifth of the companies also cited increased use of the Internal Audit Department.

Of the 31 companies doing MW disclosures 45 percent included multi-years and only 16 percent had MW disclosures in the period 2008-2012. For companies that had multi-year MW disclosures remediation activities took for the most part two (43%) or three (36%) years, and in some instances as much as five years or more (21%). Looking at companies with multi-year MW disclosures reveals some similarities with respect to types of MW. For example, more than half reported problems due to insufficient personnel with a knowledge of GAAP (64%) and income taxes (57%), and more than one-third (36%) noted financial close and reporting processes, leases, revenue recognition, and derivatives. With respect to remediation activities more than half reported enhanced policies and procedures (85%), hiring additional staff/experienced accountants (77%), providing additional training (77%), and the use of external experts/consultants (54%).

## CONCLUSION

Weisenfeld et al.'s study (2012) found 58 percent of the restatements identified a MW and in the current study 100 percent of the restatements (done primarily in 2006 and 2007) were accompanied by MW disclosures. It appears experience with IC control evaluations and disclosures brought companies into agreement with the PCAOB (AS2 and 5) that restated FS should be considered an indicator of MW. This study, like previous studies (Ge and McVay 2005, Hammersley et al. 2008, and Calderon et al. 2012), found common MW related to accounting policies, income taxes, management override, closing problems, lack of competent personnel, revenue recognition, and stock-based compensation. For companies with multi-year MW disclosures this study also supports Hammersley et al.'s (2012) finding that companies reported personnel who lacked technical competence and common remediation activities involved hiring and training of personnel and use of external consultants. Only 16 percent of the companies had MW disclosures during the 2008-2012 time frame supporting Calderon et al.'s (2012) conclusion that MW disclosures began declining in 2008. This finding could be viewed positively or negatively, either companies' IC have improved due to AS2 and 5 and trying to comply with them, or the preponderance of IC effective disclosures are suspect due to the limited information provided. When management concludes IC is effective there is really no substantive information provided to determine whether or not a valid assessment has been made. Although external auditors are required to opine on management's IC assessment, based on past events, this may not provide much comfort.

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**APPENDIX**

Table 1
Previous Study Internal Control Effective (28 companies)
Current Study (2005-2012) Internal Control Disclosures Effective (EF) or Material Weakness (MW)

| Name (Ticker Symbol) | **Previous Study** Restatement Date (Years Involved) | **Current Study** | | | | |
|---|---|---|---|---|---|---|
| Kroger (KR) | 4/13/05 (2002-2004) | 2005 MW | 6/3/06 (2004-2005) MW | 2006-2012 EF | | |
| Family Dollar Stores (FDO) | 4/15/05 (2002-2004) | 2005-2012 EF | | | | |
| Walgreen (WAG) | 4/8/05 (2002-2004) | 2005-2012 EF | | | | |
| Darden Restaurants (DRI) | 1/7/05 (1996-2004) | 2005-2012 EF | | | | |
| Rite Aid (RAD) | 4/6/05 (2002-2004) | 2005-2012 EF | | | | |
| Pep Boys (PBY) | 3/3/05 (2003- | 2005-2007 | 11/2/07 (2006- | 2007-2008 | 2009-2012 | |

| | | | | | | |
|---|---|---|---|---|---|---|
| | 2004) | EF | 2007) MW | MW | EF | |
| Kelly Services (KELYA) | 5/13/05 (2002-2004) | 2005-2012 EF | | | | |
| Fortune Brands (FO) Now Beam Inc. | 2/14/06 (2002-2004) | 2005-2012 EF | | | | |
| Washington Mutual (WM) now WMI Holdings | 8/9/06 (2001-2005) | 2006-2007 EF | No 10K after 2007 | | | |
| CIGNA (CI) | 2/24/05 (2003-2004) | 2005-2012 EF | | | | |
| Cablevision Systems (CVC) | 7/30/04 (2001-2004) 9/21/06 (2003-2005) | 2006-2012 EF | | | | |
| Cheesecake Factory (CAKE) | 12/8/06 (2003-2006) | 2007-2012 EF | | | | |
| PMC Sierra (PMCS) | 8/16/06 (2002-2005) | 2006 (1999-2002) EF | 2007-2012 EF | | | |
| MBIA (MBI) | 11/14/05 (1998-2004) | 2005-2012 EF | | | | |
| Washington Federal (WFSL) | 11/24/04 (2002-2003) | 2004-2012 EF | | | | |
| LOEWS (LTR) now (L) | 5/10/05 (2002-2004) | 2005 MW | 2006-2012 EF | | | |
| Ace Limited (ACE) | 8/12/05 (2000-2004) | 2005-2012 EF | | | | |
| Cousins Properties | 3/24/05 (2001- | 2004-2012 | | | | |

| | | | | | | |
|---|---|---|---|---|---|---|
| (CUZ) | 2003) | EF | | | | |
| Newmont Mining (NEM) | 7/28/04 (2002-2003) | 2004-2012 EF | | | | |
| Meredith (MDP) | 11/5/04 (2003) | 2004-2012 EF | | | | |
| Telephone and Data Systems (TDS) | 5/14/04 (2002-2003) | 2004 EF 2005 MW | 4/26/06 (2002-2004) MW | 2/23/07 (2003-2005) MW | 2006-2007 MW | 2008-2012 EF |
| United States Cellular (USM) | 5/14/04 (2002-2003) | 2004 EF 2005 MW | 4/26/06 (2002-2004) MW | 2/23/07 (2003-2005) MW | 2006-2007 MW | 2008-2012 EF |
| Lowe's (LOW) | 9/29/06 (2003-2006) | 2007-2012 EF | | | | |
| Sprint Nextel (S) | 11/9/04 (2001-2003) | 2004-2012 EF | | | | |
| Lamar Media (LAMR) | 12/1/04 (2003) | 2004-2012 EF | | | | |
| Investors Financial Services (IFIN) | 11/15/04 (2001-2003) | 2004-2006 EF | 7/10/07 Registration Terminated | | | |
| Shaw Group (SGR) | 7/11/05 (2004) | 2005 EF | 2006 MW | 9/27/07 (2004-2006) MW | 2007-2008 MW | 2009-2012 EF |
| Nobel Energy (NBL) | 1/16/04 (2000-2001) | 2004-2012 EF | | | | |

Table 2
Previous Study Internal Control Deficiency (10 companies)
Current Study (2005-2012) Internal Control Disclosures Effective (EF) or Material Weakness (MW)

| Name (Ticker Symbol) | **Previous Study** Restatement Date (Years Involved) | **Current Study** | | | | |
|---|---|---|---|---|---|---|
| Ruby Tuesday (RT) | 4/26/05 (2002-2004) | 2005-2012 EF | | | | |
| Siebel Systems (SEBL) | 2/15/05 (2001-2003) | 2004 EF | NO 10K after 2004 | 2/1/06 Registration Terminated | | |
| CEC Entertainment (CEC) | 3/21/05 (2001-2003) | 2004 MW | 2005 EF | 2006 MW | 4/23/07 (2003-2005) MW | 2007-2012 EF |
| Ethan Allen (ETH) | 5/10/05 (2004) | 2005-2012 EF | | | | |
| NVIDIA (NVD) | 11/29/06 (2004-2006) | 2007-2012 EF | | | | |
| Affymetrix (AFFX) | 8/30/06 (2003-2005) | 2006-2012 EF | | | | |
| Dynegy (DYN) | 1/25/05 (2003) | 2004 (2002-2003) MW | 2005 MW | 2006-2012 EF | | |
| Macromedia (MACR) | 6/10/05 (1999-2004) | 2005 MW | No 10K after 2005 | 12/5/05 Registration Terminated | | |
| Health Net (HNT) | 3/15/04 (2001-2002) | 2003-2012 EF | | | | |
| Citrix Systems (CTXS) | 3/7/05 (2001-2003) | 2004-2012 EF | | | | |

Table 3
Previous Study Internal Control Material Weakness (48 companies)
Current Study (2005-2012) Internal Control Disclosures (IC) Effective (EF) or Material Weakness (MW)

| Name (Ticker Symbol) | **Previous Study** Restatement Date (Years Included) | **Current Study** | | | | |
|---|---|---|---|---|---|---|
| Starbucks (SBUX) | 2/18/05 (2002-2004) | 2005-2012 EF | | | | |
| Luby's (LUB) | 3/29/05 (2002-2004) | 2005-2012 EF | | | | |
| Whole Foods Market (WFMI) | 3/7/05 (2002-2004) 5/18/05 (2002-2004) | 2005-2012 EF | | | | |
| Wild Oats Market (OATS) | 4/4/05 (2002-2003) | 2005-2006 EF | No 10K after 2006 | 9/4/07 Registration Terminated | | |
| AMB Property (AMB) Now Prologis | 11/9/04 (2001-2003) | 2004-2012 EF | | | | |
| Continental Airlines (CAL) Now United | 7/20/05 (2002-2004) | 2005-2012 EF | | | | |
| Abercrombie & Fitch (ANF) | 4/12/05 (2002-2004) | 2005 MW | 2006-2012 EF | | | |
| Amkor Technology (AMKR) | 6/6/05 (2002-2004) 10/6/06 (2003-2005) | 2006 MW | 2007-2012 EF | | | |
| Brocade Com Systems (BRCD) | 11/14/05 (2002-2004) | 2005-2012 EF | | | | |
| Advent Software | 11/30/05 | 2005 | 2006- | | | |

| | | | | | | |
|---|---|---|---|---|---|---|
| (ADVS) | (2002-2004) | MW | 2012 EF | | | |
| Altera (ALTR) | 10/24/06 (2003-2005) | 2006-2012 EF | | | | |
| Mercury Interactive (MERQ) | 7/3/06 (2002-2004) | 2005 MW | 11/7/06 Registration Terminated | | | |
| HCC Insurance Holdings (HCC) | 12/27/06 (2003-2005) | 2006-2012 EF | | | | |
| Dynegy (DYN) | 5/1/06 (2005) | See table 2 | | | | |
| H&R Block (HRB) | 8/5/05 (2003-2004) 3/31/06 (2004-2005) | 2005 MW | 2006-2012 EF | | | |
| Hercules (HPC) | 11/22/04 (1987-1995) | 2004-2007 EF | 12/15/08 Registration Terminated | | | |
| Hillenbrand Industries (HB) | 12/16/05 (2003-2004) | 2005-2012 EF | | | | |
| Mead Westvaco (MWV) | 3/14/05 (2002-2003) | 2005-2012 EF | | | | |
| Tyson Foods (TSN) | 2/8/06 (2005) | 2006-2012 EF | | | | |
| UTStarcom (UTSI) | 4/13/05 (2003) | 2005 (2004) MW | 2006 (1998-2005) MW | 2007-2010 MW | 2011 EF | 2012 MW |
| ConAgra Foods (CAG) | 4/29/05 (2002-2004) | 2005 MW | 2006-2012 EF | | | |
| Kroger (KR) | 3/6/06 (2003-2005) | See table 1 | | | | |
| American International Group (AIG) | 3/16/06 (2000-2004) | 2005-2007 MW | 2008-2012 EF | | | |
| General Electric (GE) | 5/6/05 (2002- | 1/19/07 (2003- | 2006 MW | 2007-2012 | | |

| | | | | | | |
|---|---|---|---|---|---|---|
| | 2004) | 2005)<br>MW | | EF | | |
| United Global Com (UCOMA) | 4/28/05<br>(2004) | Merged with LBTYA:US 6/05 | | | | |
| Compass Bancshares (CBSS) | 1/11/06<br>(2001-2004) | 2005-2006<br>EF | No 10K after 2006 | 9/7/07<br>Registration Terminated | | |
| Colonial Banc Group (CNB) | 2/14/06<br>(2004) | Suspended by SEC 8/17/09 | | | | |
| SVB Financial Groups (SIVB) | 12/30/05<br>(2002-2004) | 2005<br>MW | 2006-2012<br>EF | | | |
| Ford Motor Company (F) | 11/14/06<br>(2003-2005) | 2006-2012 EF | | | | |
| General Motors (GM) | 3/28/06<br>(2002-2004) | 12/31/06<br>(2004-2005)<br>MW | 2007-2009<br>MW | 2010-2012<br>EF | | |
| Interpublic Group (IPG) | 10/17/05<br>(2001-2003) | 2004-2006<br>MW | 2007-2012<br>EF | | | |
| Visteon (VC) | 3/16/05<br>(2001-2003)<br>11/22/05<br>(2004-2005) | 2005<br>MW | 2006-2012<br>EF | | | |
| Symbol Technologies (SBL) | 2/25/04<br>(2000-2002) | 2004-2005<br>EF | No 10K after 2005 | 1/9/07<br>Registration Terminated | | |
| BISYS Group (BSG) | 8/10/04<br>(2001-2003) | 6/30/05<br>(2003-2005)<br>MW | 2006<br>MW | No 10K after 2006 | 8/1/07<br>Registration Terminated | |
| Computer Associates (CA) | 10/19/05<br>(2002-2005) | 2006<br>(1996-2005)<br>MW | 2007-2012<br>EF | | | |
| Qwest Communications (formerly Q) | 11/8/04<br>(2000-2001) | 2004-2012<br>EF | | | | |
| Highwoods Properties | 11/15/04<br>(2001- | 2004-2006 | 2007-2012 | | | |

| | | | | | | |
|---|---|---|---|---|---|---|
| (HIW) | 2003) | MW | EF | | | |
| Diebold (DBD) | 8/12/05 (2002-2004) | 2005 MW | 2006 EF | 2007 (2003-2006) MW | 2008-2009 MW | 2010-2012 EF |
| Corning (GLW) | 5/9/06 (2003-2005) | 2006-2012 EF | | | | |
| AULT Inc. (AULT) | 10/7/05 (2004) 1/10/06 (2004-2005) | 2005 MW | 2/1/06 Registration Terminated | | | |
| Solectron (SLR) | 4/14/05 (2002-2004) | 2005-2006 EF | 10/18/07 Registration Terminated | | | |
| Telephone and Data Systems (TDS) | 4/26/06 (2002-2004) | See table 1 | | | | |
| United States Cellular (USM) | 4/26/06 (2002-2004) | See table 1 | | | | |
| Pride International (PDE) | 1/25/06 (2002-2004) | 2004-2005 MW | 2006-2010 EF | No 10K after 2010 | 5/31/11 Registration Terminated | |
| Patterson UTI Energy (PTEN) | 3/17/06 (2002-2004) | 2005 MW | 2006-2012 EF | | | |
| Flowserve (FLS) | 4/27/04 (2000-2002) | 2004 (2002-2003) MW | 2005 MW | 2006-2012 EF | | |
| Johnson Controls (JCI) | 8/9/05 (2002-2004) | 2005 MW | 2006-2012 EF | | | |
| Milacron (MZ) Now MI Inc. | 10/14/05 (2004) | 2005-2007 EF | No 10K after 2007 | 2/14/13 Registration Terminated | | |