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## Sarbanes-Oxley Compliance

Updated: December 28, 2004

**How Microsoft Dynamics NAV Can Help**

J. Carlton Collins, CPA



*As the deadline for compliance with the U.S. Sarbanes-Oxley Act of 2002 quickly approaches, companies are now scrambling to ensure they are doing everything possible to meet the new requirements. Industry expert J. Carlton Collins, CPA, explains how you can use Microsoft Dynamics NAV to help abide by these tough government regulations.*

**On This Page**[↓ Understanding Sarbanes-Oxley](#)[↓ Creating a Comprehensive Audit Trail](#)[↓ Exploiting the Microsoft Dynamics NAV Audit Trail Drilling Tools](#)[↓ Conclusion](#)**Understanding Sarbanes-Oxley**

The Sarbanes-Oxley Act of 2002 was signed into law in response to a series of corporate financial scandals involving companies such as WorldCom, Global Crossing, and Enron. These companies and others admitted to misrepresenting their financial statements by billions of dollars. As a result, the U.S. Securities and Exchange Commission launched investigations into these frauds, and the U.S. Senate created new regulations in an attempt to prevent history from repeating itself.

To better understand the mayhem that led to this Act, consider that in 2001, Houston, Texas-based Enron was ranked as the seventh largest company in the United States. Likewise, WorldCom was ranked as the second largest long-distance phone company in the country. However, both of these rankings were based on fraudulent accounting practices that when discovered, resulted in the two largest corporate failures in history. In addition, Enron's CPA firm, Arthur Andersen LLP, lost its U.S. auditing license in 2002 and ultimately collapsed.

To help combat these blatantly fraudulent activities, Senator Paul S. Sarbanes and Representative Michael G. Oxley drafted a bill to establish new standards for public companies. The Sarbanes-Oxley bill, or SOX, was signed into law on July 30, 2002.

In addition, Sarbanes-Oxley added 200 more law enforcement agents to the U.S. federal payroll to enforce the Act's provisions. The U.S. Public Accounting Oversight Board has been given authority to compel the production of records or to require the continued retention of a public accounting firm's records, beyond what the law otherwise requires.

[See the 15 major provisions of the Sarbanes-Oxley Act of 2002.](#)

**Note:** Sarbanes-Oxley applies to public companies only. But as a rule, many private companies strive to comply with such laws to show the corporate world that they maintain high standards.

[↑ Top of page](#)**Creating a Comprehensive Audit Trail**

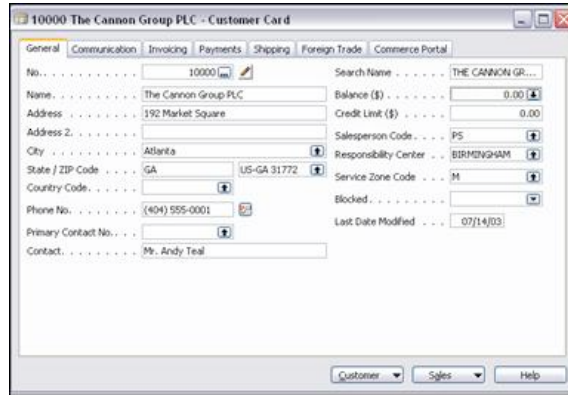
From an accounting system standpoint, a key to compliance with Sarbanes-Oxley is the presence of an extensive audit trail, complete with drill-down and drill-around

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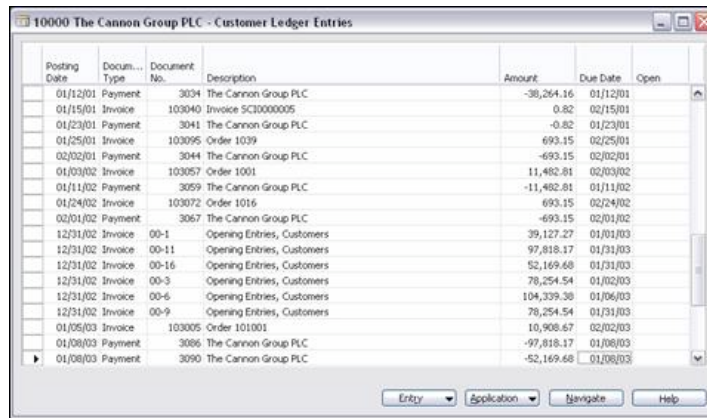
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functionality. The idea is to provide the ability to trace source documents through the accounting systems to the final financial statements, and back to the original source documents. This is where Microsoft Dynamics NAV can help.

The following figures offer an example of a Microsoft Dynamics NAV audit trail and its drill-down and drill-around capabilities. As this series of screens shows, you can drill from the customer setup screen, to all customer transactions, to the posted sales journal, to a posted sales invoice, to an item on that invoice, to the inventory listing, to pictures and statistics for that item.



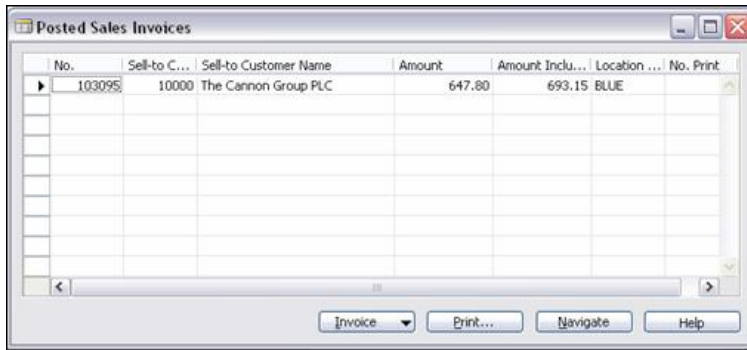
**Figure 1:** Click the Balance drill-down icon on the top right of the Customer Card page



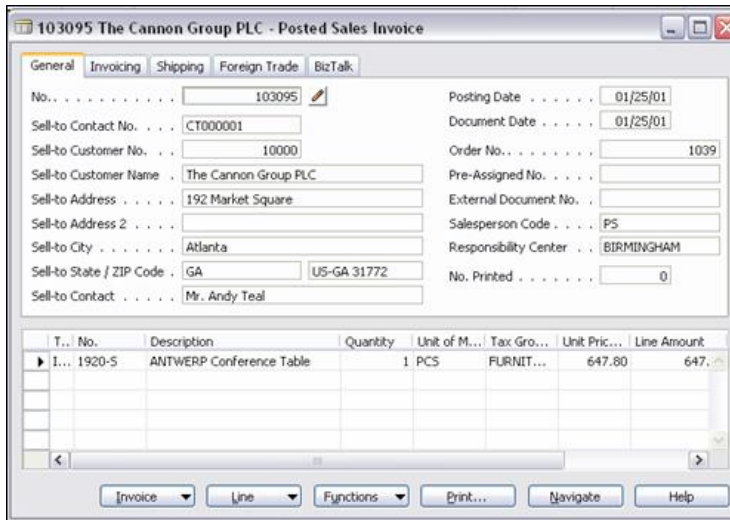
**Figure 2:** The Customer Ledger Entries page will display, letting you see all transactions for that customer



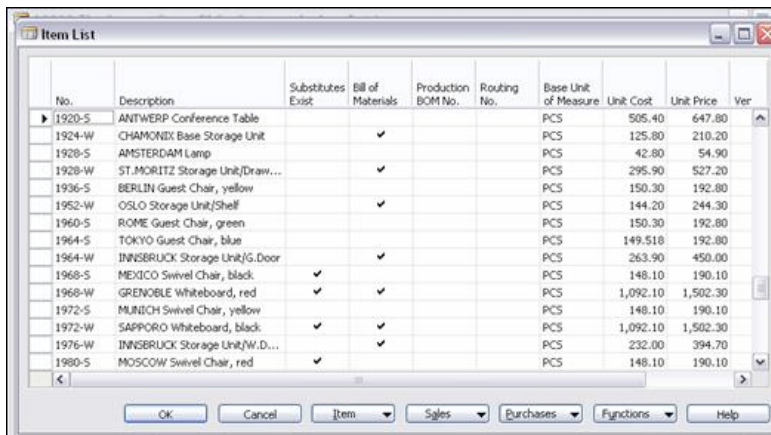
**Figure 3:** Click the Navigate button at the bottom of the Customer Ledger Entries page to display a summary of where the selected transaction hit the books



**Figure 4:** Click the Show button on the Navigate page to display a summary of the posted invoice journal



**Figure 5:** Use the Invoice button on the Posted Sales Invoices page to display the completed invoice



**Figure 6:** You can drill down from items on the invoice to a complete listing of all inventory items

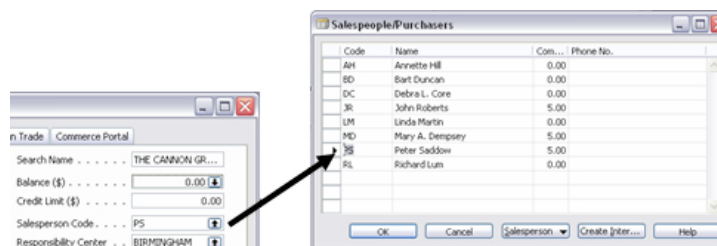
Name	Total Amount	01/01/02	01/01/03	01/01/04	01/01/05
Sales (\$)	24,454.45	8,810.08	6,834.29		
COGS (\$)	-19,710.60	-7,075.60	-5,559.40		
Non-Invntl. Costs (LCY)					
Profit (\$)	4,743.85	1,734.48	1,274.89		
Profit %	19.40	19.69	18.65		

**Figure 7: From the Item List, you can use the Item button to continue drilling down to item photos, statistics, and more**



While this scenario could easily be continued, these screens should sufficiently convey how versatile Microsoft Dynamics NAV is. To users who want to be able to track down transactions and dig for underlying data, Microsoft Dynamics NAV offers an impressive solution.

Microsoft Dynamics NAV also allows you to drill upward. In the next example, a customer card lists the salesperson code PS, along with an upward-pointing arrow icon. This arrow enables you to zoom to a complete listing of all salespeople, including the full name for the salesperson in question, Peter Saddow.



**Figure 8: Drill from the salesperson code to a complete listing of all salespeople**

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### Exploiting the Microsoft Dynamics NAV Audit Trail Drilling Tools

Of course an audit trail would be incomplete without an assortment of drill-down and drill-around tools. For this reason, Microsoft Dynamics NAV includes the following drilling tools:

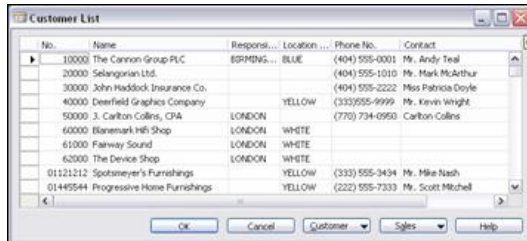
- **The PowerDrill Tools** Navigate detailed transactions to the various modules and down to the originating documents. The PowerDrill tools can also be used to build lookups.

- **The PowerSeek Tools** Sort the data in any order you prefer.
- **The PowerFilter Tools** Build specific queries combining multiple fields of data. For example, you can build a query that summarizes customers in specific states, cities, and zip codes. You can also build queries that summarize assigned territories, salespeople, and other important data for use in direct mail campaigns.
- **The NavisionFilter Tools** Slice your numbers across departments, projects, dates, and other parameters important to your business.
- **The TrendScape Tools** Display trends in your numbers on an annual, quarterly, monthly, weekly, or even daily basis. You can also define your own set of periods to analyze the results of promotions, special offerings, or the impact of major economic events. The TrendScape tools can handle many years of data.

### Applying Filters

These tools' **View -> Field Filter** and **View -> Table Filter** functions provide a window that can display only the accounts, customers, entries, or other records that fulfill a particular condition. For example, with a simple click of a button, you can have the system display only the customer cards under the jurisdiction of the London office.

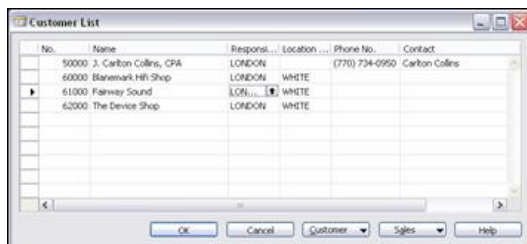
As the following figures show, the user can easily produce a Customer List that has been filtered to display only the desired customers (those in London). This type of functionality is provided throughout Microsoft Dynamics NAV.



**Figure 9: Click the word "London" to filter the Customer List by this location**



**Figure 10: Select the Flow Filter icon (shown left); then click OK in the Field Filter dialog box (shown right)**



**Figure 11: The result is a list of all London customers**

### Field Filters vs. Table Filters

You can set and remove a restriction on any record field. This is because filters remain in effect until you remove them or replace them with new ones. To remove a filter, select the function **View -> Show All**.

**Note:** Field and table filters are window dependent. Therefore, if you see the same table in another window, the filter is not automatically in effect there. However, the filter will remain in effect in the window where you entered it until you remove it.

To place a restriction on one field, you can use what's known as a field filter. To filter more than one field at a time, you can use a table filter function. Field filters and table filters perform exactly the same function. However, a field filter places a filter only on the field that contains the cursor.

If you are in the habit of using only field filters, it can be good to use the table filter

feature occasionally to get an overview of all the filters that have been placed on a window. When you enter a filter, you can use all the numbers and letters that you can ordinarily use in the field. In addition, you can use some special symbols or mathematical expressions.

[See examples of the various filter formats you can use to drill down on Microsoft Dynamics NAV data.](#)

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## Conclusion

Sarbanes-Oxley has raised the bar for public companies, and failure to comply can result in harsh penalties. A key to compliance with this law is to implement an accounting system that offers an extensive audit trail, including extensive drill-down and drill around capabilities. As suggested in this article, Microsoft Dynamics NAV does a good job of meeting this requirement. Microsoft Dynamics NAV users would be wise to embrace these capabilities.

*[J. Carlton Collins, CPA](#), president of ASA Research, LLC, is an independent author, lecturer, and analyst in the accounting systems industry. He has installed more than 200 accounting systems and delivered 1,800 lectures around the world on the subject of accounting systems and technology. Collins has published extensive accounting system reviews that can be seen at [Accounting Software Advisor](#).*

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