

## Committee of Sponsoring Organizations (COSO)

### Summary Position Description - Chairman of the Board

January 14, 2009

**Summary:** COSO, the Committee of Sponsoring Organizations of the Treadway Commission formed in the mid-1980's, is seeking a Chairman of the Board for a three-year term effective on or about June 1, 2009. COSO, a highly recognized organization around the world with guidance issued in the areas of internal controls, risk management and fraud deterrence, is seeking to enhance its position in these areas and has embarked on an ambitious strategy to take its contributions to the next level.

**Attachment:** COSO Mission and Operating Policies (4/1/08).

**NOTE:** The COSO board reserves the right to change the position description for the Chair position, and the mission and operating policies. .

**About COSO:** COSO is a committee which includes a Chairman of the Board and a Board Member from each of five voluntary accounting associations (6 members in total on the Board of Directors) who founded COSO in the mid-1980's. These five founding "sponsoring organizations" are the AICPA, AAA, FEI, IIA and IMA . As described below, the Chairman of the Board provides strategic oversight for COSO, is the primary "face" of COSO to the external marketplace, and is a voting member of COSO.

COSO's **Mission** is to provide thought leadership through the development of comprehensive frameworks and guidance on enterprise risk management, internal control and fraud deterrence designed to improve organizational performance and governance and to reduce the extent of fraud in organizations.

COSO's **Vision** is to be a recognized thought leader in the global marketplace on the development of guidance in the areas of risk and controls which enable good organizational governance and reduction of fraud.

#### **Chairman of the Board: Support and Position Authorities**

- 3-year term; term renewable if agreed to by Chair and the Board.
- Voting member of the COSO Board of Directors.
- A negotiable, partial fee will be paid to the Board Chair annually at the Board's discretion and based on the needs of the chair.
- A time commitment of approximately 6-8 days per month.
- Reasonable travel expenses covered for COSO Board meetings, and as necessary, to make presentations to conferences and panels which support COSO's Mission, and which is otherwise not covered.
- Manages a part-time assistant responsible for supporting COSO's quarterly board meetings (preparation, logistics, agenda, minutes, follow-up action items), presentation support, and general administrative support.
- Funding authority up to \$5,000 per activity and a maximum of \$20,000 per year. Disclosures to be made at quarterly board meetings.

**Chairman of the Board: Responsibilities include:**

- Planning, organizing, leading, and documenting results of COSO Board meetings
- Coordinating Task Forces and/or Committees established by the COSO Board
- Developing annual budget and operating plans for approval by the COSO Board
- Developing and implementing the COSO Strategic Plan
- Representing COSO in speaking engagements, meetings with constituent groups, and participating in forums relevant to COSO's mission
- Developing and issuing financial statements and cash flow reports
- Promoting and selling COSO guidance
- Overseeing research project teams
- Coordinating the development of strategic relationships with other organizations with similar objectives to COSO

**Chairman of the Board: Qualifications**

- Recognized thought leader in risk management, internal controls, governance and/or fraud deterrence.
- Member of at least one of the five founding sponsoring organizations.
- Familiarity with COSO and global frameworks in the relevant disciplines cited.
- Strong leadership and communications skills in reaching consensus across the five sponsoring organizations and in serving as the "face" of COSO to global regulators, academics, practitioners and other key constituencies and stakeholders.
- Experience in strategy formulation and execution.
- Relevant business, research, or consulting experience related to the implementation of effective risk management, internal controls, governance and/or fraud deterrence frameworks

**Nominations Process:**

Letters of nomination along with the candidate's resume/vita should be submitted to the AAA COSO Board member – Mark Beasley, [mark\\_beasley@ncsu.edu](mailto:mark_beasley@ncsu.edu) by March 31, 2009.

# Committee of Sponsoring Organizations (COSO)

## Mission and Operating Policies

April 1, 2008

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### 1. Mission and Objectives

COSO's Mission is to provide thought leadership through the development of comprehensive frameworks and guidance on enterprise risk management, internal control and fraud deterrence designed to improve organizational performance and governance and to reduce the extent of fraud in organizations.

### 2. Vision

COSO's Vision is to be a recognized thought leader in the global marketplace on the development of guidance in the areas of risk and control which enable good organizational governance and reduction of fraud.

### 3. Membership: Founding Sponsoring Organizations

The five founding sponsoring organizations of COSO are: the American Accounting Association (AAA), the American Institute of Certified Public Accountants (AICPA), Financial Executives International (FEI), the Institute of Internal Auditors (IIA), and the Institute of Management Accountants (IMA). These five organizations collectively are hereinafter referred to as the 'founding sponsoring organizations.'

### 4. COSO Governance

Board of Directors: Each sponsoring organization shall appoint a representative to serve on the COSO Board. Each sponsoring organization will determine its own criteria and characteristics for appointing a board member (e.g., length of time, staff or volunteer, etc.). The Board is responsible for COSO's strategy, funding and development of frameworks, guidance and research. The board member is expected to be empowered, participative and highly supportive of COSO's mission.

Board Meetings and Expectations: The Board shall meet quarterly to review COSO's strategy, financial and operating performance, continuous process improvements and any other board business such as work-in-progress or new projects. The Chair is responsible for drafting an agenda for review, comment and finalization with the full Board. At the third quarterly meeting of the fiscal year, the COSO annual operating budget shall be discussed and approved for the next fiscal year. The board, within reason, will rotate these quarterly meetings at the location of each sponsoring organization with a conference call also being an option depending on the agenda. At each quarterly Board meeting or conference call, each Board member shall share information about significant speaking or other engagements at which they formally represent COSO and indicate how they have helped to advance COSO's mission through their own membership and other audiences (e.g., webcasts, articles). At any engagement where the Board member is asked to attend because of their position as a board member (e.g., SEC, PCAOB, Treasury, GAO), the member will disclaim that they represent the views of the entire board.

Duties of Good Faith and Fiduciary Duty: Each Board member has a responsibility to act in a way that reflects good faith and a fiduciary duty to COSO and its mission. Each director will work diligently to avoid situations that are, or would appear to be a conflict of interest between COSO and the individual director or COSO and a sponsoring organization. In fulfilling this responsibility, the Director has an obligation to disclose all issues that he or she believes might be considered a potential conflict of interest.

## **5. Appointment, Remuneration and Term of Chair**

Minimum Qualifications: The Chair of the COSO Board is expected to support the COSO mission and must be a member of at least one of the founding sponsoring organizations.

Desirable characteristics: It is desirable for the COSO Board Chair to be a recognized thought leader in COSO's subject areas of focus. It is also desirable for the COSO Board Chair to have demonstrated organizational leadership and management capabilities.

Term of Chair: The term shall be three years, and a Chair's term may be renewed for additional terms if agreed upon by the Chair and voted upon by the COSO Board (see section 10).

Appointment and Termination: The Chair is appointed and can be terminated per agreement of the voting members of the Board as guided by the required majorities set forth in Section 10. The process for selection of a new Chair will be determined by the Board, including the option of hiring a search firm.

Direct remuneration: Historically, there has been no direct remuneration from COSO to the Chair. However, the COSO Board may choose to pay reasonable and customary out-of-pocket travel expenses for COSO activities and may also pay an annual honorarium at its discretion.

Funding authority: The Chair may fund at his/her own discretion up to \$5000 per activity, up to a maximum of \$20,000 per calendar year for projects deemed to support COSO's mission. These decisions should be reported to the board at its regular quarterly meetings.

## **6. Appointment of Sub-Committees/Task Forces**

The COSO Board can choose to form committees at its discretion to advise the board on guidance issues or research projects. At its discretion, the COSO Board may choose to communicate objectives, deliverables and resource requirements to the committee or task force.

## **7. Research and Guidance projects**

The COSO Board can choose to engage third parties to conduct research on behalf of COSO. The research must be aligned with COSO's mission. Appointment and terms of compensation require the unanimous approval of the COSO Board. A COSO Board Member can conduct the research but must recuse him/herself from the voting process.

## **8. Administrative Functions Performed for COSO**

Since COSO is a committee that is sponsored by other organizations, there is a need for certain administrative functions of the committee to be performed by one or more of the sponsoring organizations or third parties. These functions should be annually reviewed and approved by the COSO Board. The responsibilities of each organization may change over time to reflect either new responsibilities or to balance the overall administrative support of each sponsoring organization. The services currently conducted for COSO are:

Accounting and Licensing: The AICPA maintains records of COSO's cash activities and balances. At the request of any board member, the AICPA board member shall provide an accounting of COSO's cash activities. The AICPA also handles licensing, with all licenses owned by COSO.

Public Relations and Website: The IIA coordinates public relations (press releases, etc.) on behalf of COSO as approved by the COSO board, and maintains and updates COSO's website, [www.coso.org](http://www.coso.org), on behalf of COSO.

Copyright and Translations: IIA handles the administration of copyright and translation requests. All translated products are owned by COSO (e.g., 1992 internal controls framework, 2004 ERM framework, 2006 small business guidance, 2008 monitoring guidance).

COSO meeting and travel expenses: Each sponsoring organization covers travel costs for its respective board member.

Administrative assistance and research: The COSO Board Chair may hire and pay a part-time administrative assistant, with the advance approval of the COSO Board, for which COSO would fund reimbursement of salary expense in an amount to be determined by the Board

## 9. New Organizations Added to COSO

The COSO Board may identify, at its discretion, a need to add a new organization to the original five COSO founding sponsoring organizations to accomplish its global mission and objectives. The five founding sponsoring organizations (AICPA, AAA, IIA, FEI and IMA) will be the only organizations designated with "founding" status. Given the original equity investments of the five sponsoring organizations in the late 1980's, in addition to the investments made by each founding sponsoring organization to COSO over the subsequent years, the COSO Board may determine that an equity investment is required by the new organization being considered for entry into COSO.

## 10. Voting Criteria

The voting criteria for the COSO Board is contingent on the magnitude of the decision being made and is outlined below. These criteria are based on the current structure of COSO with five founding sponsor organizations. If additional organizations are added to COSO per the Board's discretion, consideration will be given to how that should impact the voting criteria. The COSO Chair is expected to vote on all issues but can not vote on a new appointment, renewal or termination of the Chair position.

Decision	Voting Criteria
New COSO Chair selection	Unanimous vote.
Renewal of COSO Chair	Super-majority (4 to 1 affirmative).
Current chair voted out	Super majority (4 to 1 affirmative).
New organization added to COSO	Unanimous vote of 5 founding sponsoring organizations and COSO Chair.

Existing organization voted out of COSO (with pay-out of original equity investment to be determined).	Unanimous vote, organization being considered for termination can not vote.
Determination of new projects	Super majority (5 to 1 affirmative).
Releasing new project for comment, final product to market, etc.	Super majority.
Determination whether to file comment letter with regulators, and releasing comment letter response to regulators.	Super majority.
Third party or COSO Board Member compensation for research projects	Super majority.