**AES Restates by $556 Million; Names CFO** [Stephen Taub](http://ww2.cfo.com/author/stephen-taub/) and [David M. Katz](http://ww2.cfo.com/author/david-m-katz/). CFO.com | US [Accounting & Tax](http://ww2.cfo.com/accounting-tax/). January 20, 2006

MCI veteran Victoria Harker will fill the gap left by the previously announced resignation of Barry Sharp, who had been the energy company's finance chief for 20 years.

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Following by one day the announcement of a restatement of earnings and internal controls, AES Corp. said Friday that Victoria Harker would become its CFO and an executive vice president, effective Monday. Harker will replace Barry Sharp, whose resignation from the company at year-end 2005 was announced last June.

Harker joins AES from MCI, where she served as senior vice president and treasurer. Verizon was purchased from MCI on January 6. From 1998 to 2000, Harker was the finance chief of MCI Group, a publicly traded unit of WorldCom Inc. Sharp had served as CFO of AES since 1986 — an unusually long tenure for the finance chief of a big public company.

On Thursday, AES announced that, following an internal accounting review, it was restating its net income downward by $556 million for the 13-month period ending the first quarter of 2005.

Concerning the restatement, the energy company disclosed the revisions in its reports for the second and third quarters of 2005, which it filed on Thursday. At the end of 2004, AES unearthed a material weakness related to its accounting for deferred income taxes and set about documenting the tax calculations and performing more detailed reconciliations at its foreign subsidiaries.

The company said the restatement lowered 2005 first-quarter earnings from continuing operations by $9 million, to $124 million; by $108 million for 2004; by $21 million for 2003; and by $418 million for 2002.

Calling the restatement process “important and necessary” as well as arduous, Paul Hanrahan, the company’s president and chief executive officer, asserted that AES has “continued to strengthen the effectiveness of our controls and processes throughout the organization to ensure the transparency and accuracy of our financial information.”

Last July, AES officials determined that errors dug up during that process required a restatement. The weightiest adjustments involved complex accounting areas and required a great deal of interpretation and judgment on transactions that happened during and before 2002, according to company management, which found that all the errors were “inadvertent and unintentional.”

The income-tax errors stemmed mainly from the calculation of deferred taxes related to purchase-accounting adjustments for acquisitions, the application of foreign-currency translation of deferred-tax balances, and corrections of other income-tax accounts involving a review and reconciliation of previous years’ income-tax returns, according to the company.

As part of the restatement, the company revised its assessment of the effectiveness of internal controls over financial reporting as of December 31, 2004. Previously, AES had only reported a material weakness concerning income taxes. As a result of errors company officials picked out during the restatement work, the company identified added material weaknesses.

Those weaknesses, according to the company, included a paucity of transactional accounting and financial reporting controls at its Cameroonian business and a shortfall in U.S. GAAP expertise at its Brazilian businesses.

They also included a lack of effective controls involving the recording of consolidation entries, controls related to the designation of certain entities’ functional currency and the translation of intercompany loan balances, and proper analysis and documentation of potential derivatives within fuel purchase or electricity sale contracts.