

# SOX Compliance: Managing 404 compliance.



## We ensure an efficient solution that meets the needs of both management and external auditors.

As a public company today, you must spend significant resources to comply with Section 404 of the Sarbanes-Oxley Act (SOX) of 2002, Management Assessment of Internal Controls. It requires that your management assess the effectiveness of your company's internal control over financial reporting, and include your findings in your annual report to shareholders. This assessment is independent of the assessment performed by your external auditors. Privately owned companies also may be subject to enhanced internal control requirements which could be similar to Section 404 requirements.

Compliance with Section 404 is an ongoing annual process. Your compliance program must also identify and regularly review business risks and other issues that could impact your compliance including acquisitions and divestitures, IT system implementations, new regulations, significant personnel changes, outsourcing, entering and exiting new markets, and more. At GHP Horwath, we understand these business issues. Our team has extensive experience with the latest SEC reporting requirements, and currently works with approximately 39 public companies. Our SOX compliance includes corporate governance services such as SOX IT consulting and Section 404 compliance; enterprise risk management services such

as risk assessment, process design and documentation, and internal control analysis and testing; and internal audit services such as internal audit outsourcing and co-sourcing, internal audit start-up consulting, and technology auditing.

At GHP Horwath, our comprehensive SOX compliance services involve the right stakeholders in the project at the right time to ensure that we deliver an efficient solution that meets the needs of both your management and external auditors.

### The Impact of Section 404

To comply with Section 404, we've developed a process that effectively documents, assesses, mitigates, and monitors internal control. And we can do this across multiple locations, business units, and types of technology. We can help your management complete the following on an annual basis:

- Accept responsibility for the system of internal control over financial reporting
- Evaluate the system of internal control
- Support the evaluation with sufficient documentation
- Present a written assessment to be included in your annual report and provide a copy to external auditors

### SOX Compliance Services Fast Facts

#### Team

2 principals, approximately 10 managers, and 30 professional team members.

#### Expertise

Corporate governance services such as SOX consulting, Section 404 compliance, SOX IT consulting, other corporate governance services; enterprise risk management services including risk assessment and design and implementation of internal controls; and internal audit services such as internal audit outsourcing, co-sourcing, internal audit start-up consulting, and technology auditing.

#### Industry Focus

Distribution, healthcare, hospitality, manufacturing, not-for-profit, professional services, real estate, retail, state and local government, and technology.

#### Clients

Work with approximately 39+ public companies.

#### For more, contact:

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We can assist your management to identify the steps needed to comply with the requirements of Section 404, including evaluating the level of our involvement so you can best meet any of your compliance requirements. Our team of CPAs and consultants provide assistance in identification, documentation, and evaluation of controls, including controls required for data processing and information technology.

### Our Proven Methodology

At GHP Horwath, our professionals follow a proven methodology designed to create an efficient and comprehensive process emphasizing a top-down, risk-based approach that involves the right stakeholders at the right time. Our process uses the Committee of Sponsoring Organizations (COSO) of the Treadway Commission guidelines, the recognized standard for internal control, current SEC guidance, and PCAOB Auditing Standard No. 5.

We divide the process into phases to create more flexibility for your company — allowing you to use company personnel for each phase of the project. Key elements of our approach include the creation of an Internal Control Steering Committee to oversee the project and provide ongoing communication between the company and external auditors, as well as the use of a project pilot to develop and test the form and level of documentation.

### Our Project Approach

Each phase of the project involves key members of the GHP Horwath team and company management, and includes communication to and feedback received from your company's audit committee and external auditors. Our project approach typically consists of the following phases:

- Project Planning
- Control Environment Assessment
- Conduction of Process Pilot
- Project Rollout
- Reporting
- Efficiency and Effectiveness

This process is flexible enough to allow for easy integration of company personnel in any stage. Our project approach not only satisfies the requirements of Section 404, but also provides your company with the tools necessary to comply with Section 404 on an ongoing basis. As a member of Horwath International, we can also provide SOX compliance services and SEC audits and reviews to our U.S. clients doing business abroad, or to foreign clients with U.S. operations and investments.

**GHP Horwath enhances  
the life of your business, *and*  
the business of your life.**

GHP Horwath, a member of The GHP Financial Group, is one of Colorado's leading independent certified public accounting and business advisory firms. Our multi-disciplinary team provides comprehensive services on a local, national, and global scale for companies in a range of industries, and for executives, professionals, and individuals worldwide. As a member of Horwath International, one of the largest global professional services organizations, we have access to more than 140 independent member firms operating from over 465 offices around the world.

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