



WEBINAR | INTERNAL AUDIT

Optimizing SOX Compliance: Best Practices for Success

Presenters



Kevin Shives

Partner

With over 25 years of experience, Kevin has held senior finance and management positions in various high-tech companies in the Bay Area. He has significant experience providing clients with highly effective and cost-efficient corporate governance, internal audit, Sarbanes-Oxley (SOX) solutions, accounting systems, and process optimization solutions.

Since the SOX law was passed in 2002, Kevin has assembled and developed a team of dedicated professionals who have successfully implemented sustainable SOX solutions at companies over a broad spectrum of industries ranging in size from \$25 million to several billion in revenues.



James Taylor

Internal Audit and SOX Leader

With over 19 years of experience, James specializes in designing and implementing Sarbanes-Oxley compliance programs, assessing enterprise-wide risks, and enhancing financial operational policies and procedures.

James works extensively with clients in the retail, technology, and manufacturing industries. His expertise within Internal Audit and Risk management includes conducting risk-based internal audits, benchmarking client metrics, developing value driver analyses, assessing risks, and developing audit plans. Within SOX Compliance, James executes SOX compliance testing, ITGC Testing, and streamlines the SOX function through process improvements.



Presenters



Sarah Gitter

Senior Internal Audit Associate

With over 10 years of experience, Sarah specializes in financial and internal control audits, 401K audits, and Sarbanes-Oxley (SOX) compliance. Sarah works with clients of all sizes across the technology, manufacturing, distribution, and cannabis industries.

Prior to joining Sensiba, she held internal audit positions at PricewaterhouseCoopers, MSC Industrial Direct Co., and Veeco Instruments.



Agenda

- ◆ Firm Overview
- ◆ Quick SOX Refresher
- ◆ SOX Optimization Equation
- ◆ Automation Opportunities SOX Optimization
- ◆ Summary



Firm Overview



◆ 40+ Years in Business

◆ Serving 8,000+ United States & International Clients

◆ Thousands of Community Service Hours Each Year

◆ 6+ Locations With Professionals Located Throughout the US

Tax

Business, International, Private Wealth, Research & Development (R&D) Tax Credit, State & Local, Estate & Trust

Audit & Assurance

Financial Statement Audits, Reviews & Compilations, Internal Audit, Sarbanes-Oxley Compliance (SOX), Employee Benefit Plans

Risk Assurance

HIPAA, SOC Reports, ISO Certification, NIST

Consulting

Outsourced Accounting, Lease Accounting, Family Office

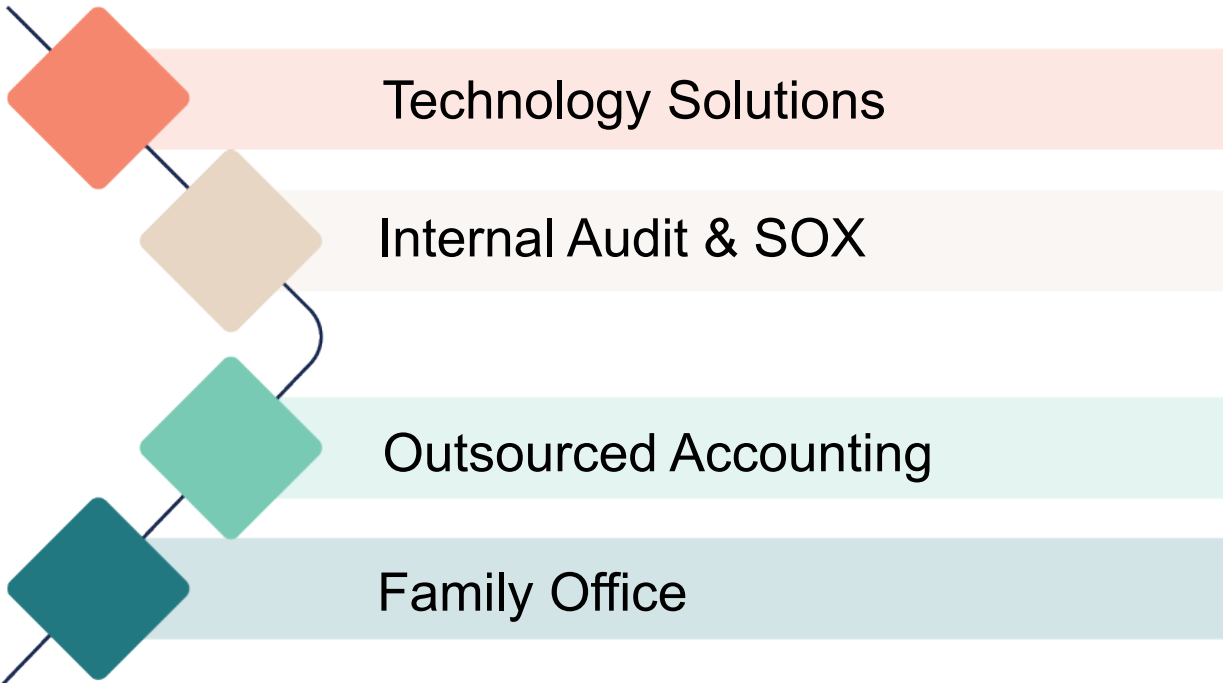
Technology

Sage Intacct, ERP, BlackLine, Limelight, Finance Automations

Sustainability

B Corp Certification, SASB Standards & CDP, Impact IQ ESG Assessment, Climate Neutral Certification

Consulting Overview



Internal Audit and SOX Services

- ◆ Full Outsourcing
- ◆ Co-sourcing

Certified Partner



SOX Refresher



SOX: Refresher – Has it Been 20 Years Already?

The Sarbanes-Oxley Act (2002) - Companies started reporting in '03

- ◆ Carries penalties for executives
 - ◆ Large fines and jail time for will full non-compliance
- ◆ How has it played out?
 - ◆ A few cases, but other SEC provisions are easier to prosecute
- ◆ Has it improved financial reporting?
 - ◆ Yes, but many would argue at too high a cost
- ◆ Requirement (is your company in or out?) has softened over the years
 - ◆ But very important to know the rules and plan accordingly



SOX: What is 404(a) vs. 404(b)?

Know the difference in action required!

SEC Section 302 (Always required)

CEO & CFO Requirements

- ◆ Confirm they have reviewed the report
- ◆ Affirm there are no false, misleading statements or omissions
- ◆ Affirm the financials accurately present in all material respects the financial condition and results of operations for their company during the periods covered in the report

SEC Section 404

- ◆ 404(a) – (Always!) Requires management to include (within the annual report) a report on the effectiveness of internal control over financial reporting
- ◆ 404(b) – (404a plus) Requires management's external audit service provider to attest and report on the design and effectiveness of internal control over financial reporting



Current Thresholds: SOX 404(a) vs. 404(b)

SECTION 404 COMPLIANCE REQUIREMENTS			
FILER CLASSIFICATION	PUBLIC FLOAT & REVENUE THRESHOLDS	404(a)	404(b)
SRC & Non-Accelerated Filer	< \$75M public float regardless of revenues <u>or</u> \$75M to < \$700m public float <u>and</u> < \$100M revenues	Yes	No
SRC & Accelerated Filer	\$75 to < \$250M public float <u>and</u> ≥ \$100M revenues	Yes	Yes
Accelerated Filer (not an SRC)	\$250M to < \$700M public float <u>and</u> ≥ \$100M revenues	Yes	Yes
Large Accelerated Filer	> \$700M regardless of revenues	Yes	Yes
Emerging Growth Companies	< \$700m	Yes	No



Optimizing your SOX Program



Optimized SOX Program

Optimization = Effectiveness + Efficiency

(Clean Opinion)

(Minimize Cost: \$ & Pain)

Effectiveness

- All the Controls You Need!

Management + Audit Committee

- Appropriate Tone at the Top
- Understand Key Risk Areas
- Allocate appropriate resources

Process Owners

- Receive proper SOX training
- Understand SOX is an Open Book Test
- Integrated into their Daily Activities

A SOX Project Management Office

- Represents Management
- Coordinates all things SOX to ensure activities stay on track

Efficiency

- All the Controls You Need (**and no more!**)

Maximize External Auditor Reliance

- On the Controls and Management's testing
- Reduces overall testing of controls, which lowers cost and strain on process owners!
- (Should also positively impact external audit fees)

Increase Automation

- In your accounting activities, Close & Reporting processes
- Increases effectiveness, efficiency, and visibility which reduces friction in Compliance processes

A SOX Project Management Office

- Represents Management
- Coordinates all things SOX to ensure activities stay on track

**SOX
OPTIMIZED!**



SOX Efficiency Opportunity with Automation

Improve your SOX evaluation process (Program)

- ◆ Design, Document, Test, Evaluate and Report
- ◆ The emphasis is often here, but not so much
THERE!>>>>>>>>>>

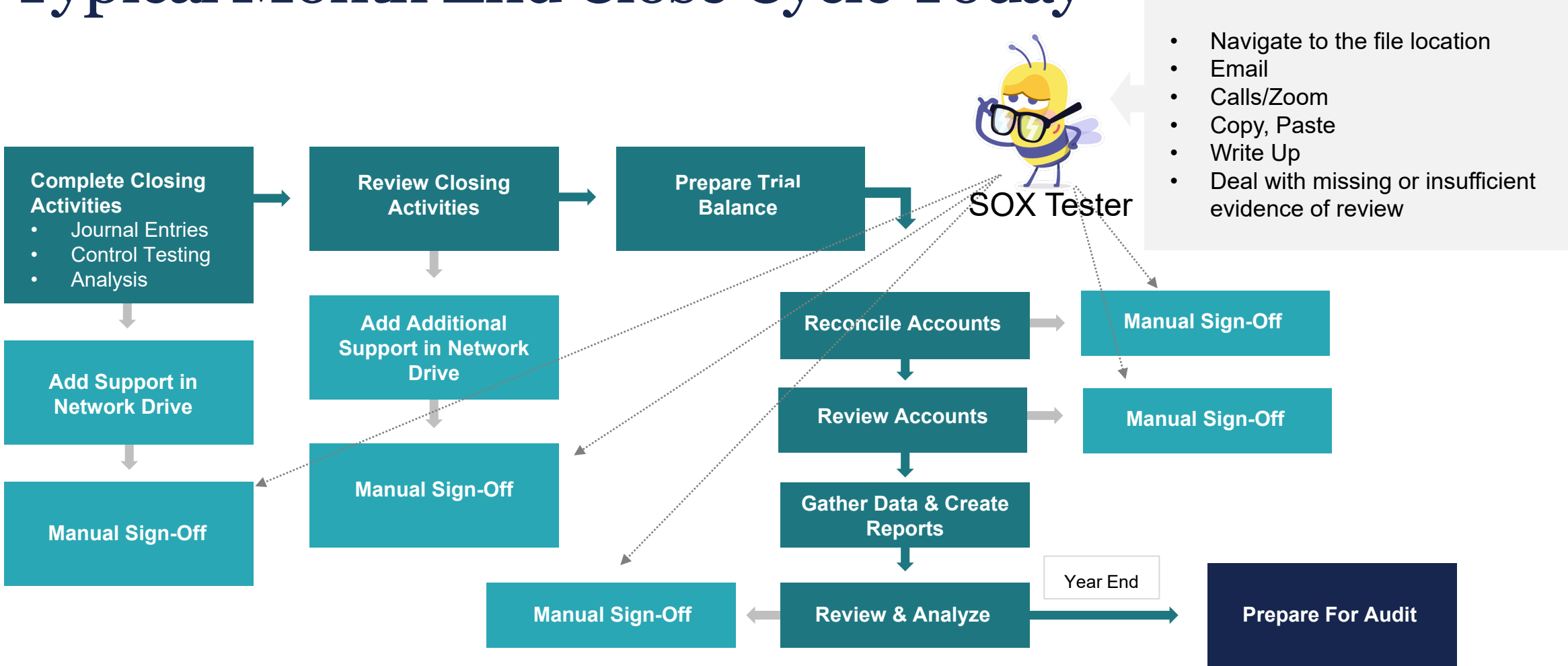
Modernize your underlying accounting activities and related processes (primarily the Close)

- ◆ ~78% of all the information needed for SOX is produced in the accounting Close*

*Source, Kevin Shives personal experience with over 40 companies and 100s of SOX cycles!



Typical Month End Close Cycle Today





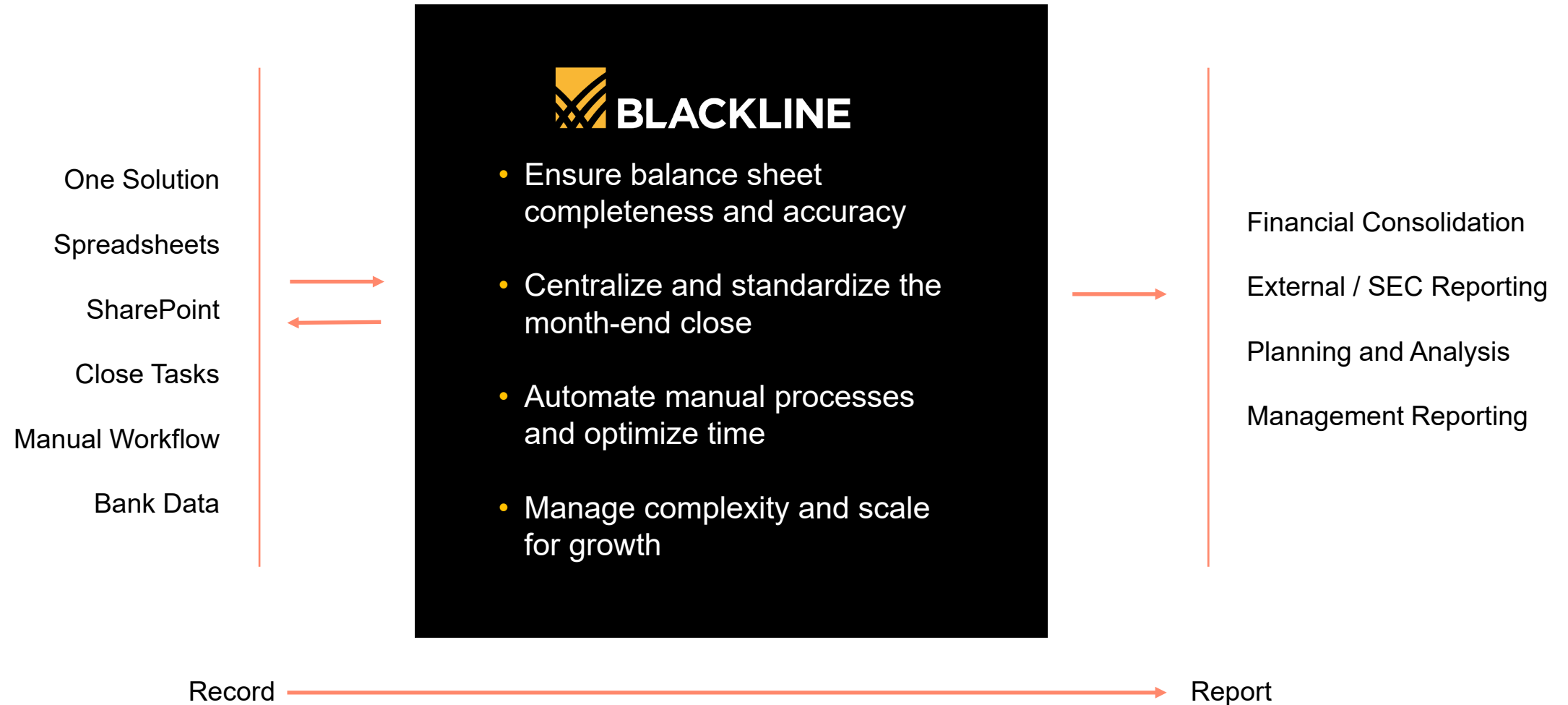
Automate the Management & Execution of Your Accounting Close

The platform you choose should have the following features and functions:

- ◆ Be ERP agnostic and integrate your trial balance
- ◆ Provide dynamic and transparent workflow for all your close activities
- ◆ Promote standardized reconciliations
 - ◆ Reduce reliance on spreadsheets
- ◆ Provide a centralized workspace (single source of truth for the close)
- ◆ Allow read-only access for SOX testers and external auditors, where they can easily and directly pull completed data that includes certification of preparers and reviewers.

Modernized Accounting Close

Visibility, Control & Automation For Your Financial Close



Our Offering & Approach

Some clients need a full outsourced solution while others may only need help with SOX testing or a discrete internal control project. We provide a scaled approach to assist our clients based on their needs.



Full Outsourced SOX Project Management Office

We will work with management to develop a complete end-to-end effective and efficient SOX program to meet compliance requirements now and in the future.



SOX Co-Sourcing Solution

We will fit into your current program wherever you need assistance: walk-throughs, SOX testing, remediation, essentially wherever you need augmentation in your SOX program.



Close Optimization Software

Our consultants help streamline, simplify, and automate accounting close and SOX compliance with Blackline.



Special Internal Audit/SOX projects

A new service or product line, acquisition or new accounting requirements can challenge your Internal Control structure when you're short on resources – we can take these projects on!



Summary: What We Covered Today

- ◆ Walked through the SOX requirements of 404(a) & 404(b)
- ◆ Drilled down on the SOX optimization equation and its related components
- ◆ Discussed the impact to SOX of automating your accounting close
- ◆ Shared our SOX service offerings



Questions?

Contact Us:

Kevin Shives

Partner

408-803-8025

kshives@sensiba.com

James Taylor

Internal Audit and SOX Leader

949-295-3769

jtaylor@sensiba.com

