



What's new?

The Top Down Group's monthly newsletter is aimed to provide you with the latest news, trends and suggestions to make your Sarbanes Oxley 404 compliance initiative less expensive, more routine and value added.

On segregation of duties

Of all the challenges that non-accelerated filers have to contend with as part of compliance with Sarbanes Oxley 404, perhaps the most challenging is segregation of incompatible duties, an issue many smaller companies are still trying to address. With limited personnel and resources finance departments at many smaller companies have historically operated as more or less a "one-person" show, with the same individual responsible for performing accounting duties which often are distributed among staff members at larger companies. How then to effectively segregate duties in departments with limited personnel and resources? Here are some suggestions:

1. **Outsource where possible.** Certain key processes (tax compliance, payroll, internal audit) can effectively be outsourced to an independent third party provider, often at a fraction of the cost of a full performing the critical process of preparing the data for later review by finance personnel.
2. **Bring in a consultant.** Bringing in an outside resource on semi-regular basis to prepare account reconciliations

or perform an independent review of the month end binder, journal entries and documentation can often serve as a low cost, effective way to ensure that a "second set of eyes" is reviewing the financial statements prior to closing the books.

3. **Utilize non-financial internal employees.** Even the smallest of companies usually have an administrative employee on their staff. As part of their job responsibilities, entrust them with entry of purchase orders, coding of invoices, tracking fixed assets or maintaining the month end binder.
4. **Update policies and procedures.** Updated finance policies and procedures can give management and auditors a level of comfort that there is a certain, correct way of doing things, that there are formal processes for preparing financial statements and that finance is on top of things. Updating them at least annually can go a long way to demonstrating effective internal controls.
5. **Involve the Board.** As part of the requirements of SOX, a company's Board requires at least 3 of its members to be independent. Having the Audit Committee of the Board perform a preliminary review of the financial statements, along with any relevant supporting documents, serves as a solid entity level control to ensure at least some independent assessment prior to publishing the results.