

# The Top Down Group



**"Experts at getting your SOX to fit"**

## 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.

## How to right-size SOX?

We all have heard the term "right sizing SOX" but what does it really mean? How do we know if SOX is right sized for your company? Right sizing SOX means tailoring your SOX compliance initiative to fit YOUR company and YOUR needs, not adopting a one size fits all approach previously advised by some consulting firms and external auditors. Companies need to focus on which controls are important for them to successfully manage and reporting on the business. Per the risk based approach recommended by Auditing Standard #5, one rule of thumb to remember is to rely first on your entity level controls as a stepping stone for establishing the remainder of the initiative and work from there. If key entity level controls are established and tested effectively at least annually, you should see a corresponding reduction in key controls and sample sizes in other less risky and more routine areas where the chance of a misstatement is lower.

## What constitutes a "key" control?

Another tip to remember about SOX compliance is the more key controls you identify, the more you

have to test and thus, the higher the likelihood of identifying an ineffective control (remember, even one sample that does not meet all the testing criteria renders a control ineffective). So how do we determine what the right number of key controls is? Assess your documented controls and question whether each really is a control activity (i.e. reviewing account recs or approving journal entries) or a just a process activity (printing out all supporting documents or coding and entering invoices). If the "control" didn't function properly, is there a serious chance that a material error to the financials would result? If not, the "control" it could in fact just be a process activity and it likely does not need to be documented, tested and assessed as part of your SOX 404 compliance program and could be removed from scope. This assessment should be performed annually.

## Who is the Top Down Group?

We specialize in right-sizing SOX for each client, making sure the benefits of sound internal controls outweigh the costs and effort. SOX compliance doesn't have to be complicated, or expensive.

At the [Top Down Group](#), we will:

- Develop a SOX plan just right for your company, and you budget.
- Guide you step by step on documenting, testing and assessing your control environment and ensure a repeatable, efficient process, year after year.