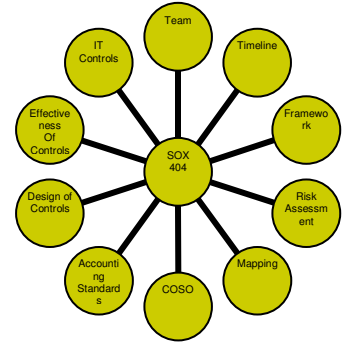


Efficient and Affordable SOX Compliance for Smaller Public Companies



The following are ten steps that Lord & Benoit has identified to help Smaller Public Companies understand the requirements of Sarbanes-Oxley Section 404 and to help them comply affordably.

1. **Line up your team** (*This involves gathering the resumes and qualifications of the SOX team both internally and external resources. Upper management and Audit Committee or Board members should also be actively involved.*)
2. **Establish a timeline** (*This process is for scoping the entire SOX project from both a timeline and task perspective.*)
3. **Choose the appropriate frameworks** (*Companies will need to choose an internal control framework, namely COSO or COSO for Smaller Public Companies. We highly recommend the later although it is not intended to supplant the regular COSO. The IT framework must be chosen as well, such as ITGI Control Initiative for Sarbanes-Oxley, SAS 55 or CoBIT*)
4. **Perform Enterprise and Fraud Risk Assessment** (*SOX project leaders should START with risk assessment, both fraud and enterprise risk. A good risk assessment will allow the team to focus on key controls and possible reduce scope in non key areas.*)
5. **Map significant accounts**, locations, business units, assertions, processes and subprocesses and IT infrastructure (*Again this should be done as early in the project as possible for the same reasons mentioned in enterprise and fraud risk assessment above.*)
6. **Company Level Controls – COSO** (*This should also be done early in the project for the same reasons mentioned in points 4 and 5 above.*)
7. **Company Level Controls – Accounting and Disclosure** (*For a smaller public company, this area should be addressed early as well. Most control weaknesses in smaller public companies are company control level activities.*)
8. **Assess Design of Controls** (*The design of controls should be assessed and possibly redesigned given the typical lack of segregation of duties in smaller public companies.*)
9. **Test Activity Level Controls** (*Detail testing should be closer to the back of the project than the front due to typical re-design of control issues.*)
10. **Test IT General and Application Controls.** (*This is done concurrently with the test of internal controls throughout the project*)

For questions about this research, you may contact Bob Benoit at (508) 853-6404 x204