

[<< Back](#) | [Print](#)

Report: Cost of SOX for smaller public companies less than SEC predicted

By Ann Steffora Mutschler, Senior Editor -- 1/9/2008

Electronic News

Although the SEC has adjusted the legislation to lessen the burden of the Sarbanes-Oxley legislation on smaller companies, semiconductor industry experts have been saying the changes are **insufficient to remedy the harm SOX causes in the electronics industry**, however, Worcester, Mass.-based Sarbanes-Oxley research and consulting company **Lord & Benoit** might disagree.

Lord & Benoit recently gathered empirical cost data to determine what the cost is for a smaller public company to comply with Sarbanes-Oxley Section 404(a) and Section 404(b) regulations using the latest guidance issued by the SEC and PCAOB.

The company's data shows that for non-accelerated filers, the total average first-year cost for management assessment and additional audit fees is \$78,474, which is 13.8 percent less than the \$91,000 cost the SEC initially predicted.

Lord & Benoit's report is based on a cross-section of 29 smaller public companies in the semiconductor, manufacturing, distribution, banking and finance, real estate, food and beverage, transportation, mining, software, energy, services, and biotech industries, as well as on a study of actual audit fees reported by nearly 5,500 public companies.

ADVERTISEMENT

From a public policy perspective, Lord & Benoit said this finding is relevant and timely.

The U.S. House of Representatives Committee on Small Business recently requested cost estimates prior to enforcement of the law due to its concern that the cost of Section 404(b) on small companies is still unknown and could therefore be disproportionately high for smaller publicly-held companies.

As such, SEC Chairman Christopher Cox is considering extending the delay in the auditor attestation requirement of Section 404(b) for non-accelerated filers until years ending after December 15, 2009, and Lord & Benoit believes its data may provide government officials with the cost information they need now.

Also, while analyzing the compliance cost data, Lord & Benoit discovered a paradoxical, unintended consequence of past delays in Section 404 compliance: the American Institute of CPA auditing standards governing the audit of internal controls for private companies and non-profit organizations are now greater than PCAOB auditing standards for smaller public companies in years 2007 and 2008, and possibly 2009 should the SEC grant an extension of Section 404 (b).

Compliance costs are not without corresponding benefits, Lord & Benoit reminded.

The improvement in procedures has removed volatility in reporting and this, in turn, has contributed to the recent dramatic decrease in security class action claims against companies, along with the market capitalization to revenue ratio of companies with good financial reporting procedures and filings resulting in higher stock values, the company concluded.

For all EDN.com coverage of Sarbanes-Oxley, click [here](#).

[<< Back](#) | [Print](#)

© 2008, Reed Business Information, a division of Reed Elsevier Inc. All Rights Reserved.