



■ Public Company Financial Executive Briefing ■

SEC EXTENDS COMPLIANCE REQUIREMENTS ON SOX 404

TUESDAY, OCTOBER 6, 2009

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Small Public Companies to Begin Providing Audited Assessment of Internal Controls Over Financial Reporting in Nine Months

On Oct 2, 2009, the Securities and Exchange Commission announced that smaller reporting companies with a public float below \$75 million have been given extra time to design, implement and document their internal controls before their auditors are required to attest to the effectiveness of these controls. Smaller publicly reporting companies will begin complying in nine months with the final portion of a key provision of a 2002 corporate governance law that requires companies to report to the public about the effectiveness of their internal control over financial reporting.

Under the provisions of Section 404 of the Sarbanes-Oxley Act, public companies and their independent auditors are each required to report to the public on the effectiveness of a company's internal controls. This extension of time will expire beginning with the annual reports of companies with fiscal years ending on or after June 15, 2010. This expiration date previously had been for fiscal years ending on or after Dec. 15, 2009. The extension was granted so that the SEC's Office of Economic Analysis could complete a study of whether additional guidance provided to company managers and auditors in 2007 was effective in reducing the costs of compliance. Because the study was published less than three months before the December 15 deadline, the Commission determined that additional time is

appropriate and reasonable so that small public companies and their auditors can better plan for the required auditor attestation.

"Since there will be no further Commission extensions, it is important for all public companies and their auditors to act with deliberate speed to move toward full Section 404 compliance," said SEC Chairman Mary L. Schapiro.

More information can be found at <http://www.sec.gov/news/press/2009/2009-213.htm>.

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