



Internal Audit Solutions Group

One size does not fit all when it comes to internal audit, but one methodology does: internal controls as defined in the Committee of Sponsoring Organizations (COSO) framework. This framework allows for a consistent risk-based approach to evaluating the control environment of any sized organization. This is the baseline approach we take when addressing the specific requirements of the Sarbanes-Oxley Act for public companies, but it works equally well for private and non-profit companies. By their very nature, companies evolve, and internal audit departments must either be created or adapt to continue to be value-added resources to the entity. The services that IFG offers allows your department to succeed whether you are plotting the appropriate course of action for new regulatory requirements, audit committee requests, mergers or acquisitions, new technologies, or new lines of business. A major differentiating factor is our real internal audit experience and our cost structure.

Internal Audit Consulting

IFG can help enhance your existing internal audit capabilities, help you start an internal audit department, or we can execute internal audit projects and report to management. We have experienced professionals that can work with your existing team to determine compliance with organizational and regulatory policies and procedures. Our team can help you identify control weaknesses, that help to reduce any business risk to an acceptable level and improve the value of your business. If your business doesn't have sufficient internal audit capabilities, then you may be exposing yourself and your organization to great risk. Experienced internal audit resources exist at IFG. We can help you decide what approach is best for your business.

Sarbanes-Oxley (SOX) Internal Control Review and Assessment

IFG has a few simple rules for SOX implementations that carry over into every type of our internal audit engagement:

- Communicate regularly with the customer on timeline and status of deliverables
- Provide adequate documentation to allow for management and external audit review
- Provide only experienced professionals to the engagement team
- Listen to our customer and provide ample time for feedback on documentation
- Engage the external audit team initially to ensure all issues are addressed timely

IFG has established a 6 phase approach to the implementation of SOX for public companies. This approach is flexible enough to work with companies that have already begun the implementation effort. These phases may not differentiate us from other providers. The true internal audit and SOX experience of our dedicated professionals is the IFG difference. Our ability to work within your existing process separates IFG from other providers. Our established 6 phases are:

Scope/Planning Assessment – COSO Framework

IFG will perform an overall analysis of your company's control awareness to plan the implementation effort. This review will be based on the COSO framework and allow us to gain an understanding of the "tone at the top" of your organization.

Significant Accounting Processes Documentation and Risk Assessment

IFG has experienced SOX experts who can identify significant accounting processes, high-risk business lines and support functions of your organization. The primary goals of this phase are to identify and document which controls are significant, evaluate their design effectiveness and determine what enhancements, if any, must be made. During this review and assessment, we will work with management to determine the objectives of each of the financial statement accounts and identify the specific risks involved in meeting those objectives.



Significant accounting processes and activities are those that are involved in processing major classes of transactions which affect significant accounts or groups of accounts within the financial reporting process. Transactions can be classified into 3 categories – routine, non-routine and estimation, all of which will determine the level of management supervision and involvement and ultimately the extent of documentation and evaluation under Section 404.

Identification and Documentation of Key Controls

Working with management, the IFG team member will identify the necessary controls that should be considered in order to mitigate the risks and determine the controls and the procedures that are currently in place within the organization. We will evaluate any established policies, procedures and process information that you have prepared. We will perform management interviews and process walkthroughs or questionnaires of the area being reviewed. Information will be collected via interviews, internal control questionnaires and control self-evaluations. During this phase, should we note the controls are not designed effectively, we will work with management to develop a quick action plan and solution before we begin our testing phase. A draft of the SOX Internal Control document can be expected as a deliverable for this phase.

Testing of Key Controls

In this final phase of the initial internal controls evaluation, the goal is to determine whether the controls identified and documented are effective and functioning as designed. Further, in the event there are areas identified where controls are not sufficient to provide assurance that the risk of errors is reduced to a low level, we will suggest improvements and again work with management to ensure they are implemented in a timely manner. Once the testing is complete, we will document whether the controls tested are functioning as designed and include any other pertinent information or comments. Our risk management professionals will offer recommendations to improve controls.

Reporting to Senior Management and the Audit Committee

Perhaps the most critical area of the SOX implementation process is the timely reporting to Senior Management and the Audit Committee to ensure that all appropriate individuals are kept “in the know”. It also ensures that resources can continue to be allocated properly to better ensure timely implementation and proper documentation.

At the beginning of every implementation effort, we work with the Company to establish a Steering Committee that consists of several C-level executives throughout the organization. We recommend that this Committee meet at least monthly to ensure that the proper level of resources are being allocated and that the implementation process is progressing. We also recommend meeting with the Audit Committee monthly and the Board as they meet, using presentations to update the stakeholders on the progress and identify areas that need additional resources.

Remediation and Follow Up

As unlikely as it may seem, your controls may not either be designed effectively or, based on our testing, functioning as designed. Should this occur, we will work with management to develop an effective timely remediation plan to ensure that the proper controls will be in place to ensure adequate time for re-testing so that management can attest to the control structure and the external audit professionals can perform their testing.

Our team will also provide the quarterly refreshing of all significant documentation and ongoing testing of key controls. It is important to understand that all changes to key controls or the overall control environment will have an effect on the organization’s adherence to SOX and must be documented. Acquisitions and mergers must also be addressed on an immediate basis under SOX.

For more information about Sarbanes-Oxley's Sections 302 and 404, and how IFG can help you build towards compliance, please call (703) 430-9400 or e-mail sarbanes.oxley@integralfinancialgroup.com.