

# SOX Solutions for Your Private Company

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- ☑ Are you considering implementing the *Sarbanes-Oxley Act of 2002*?
- ☑ Are you curious about what *Sarbanes-Oxley* is all about?
- ☑ Are you interested in learning how *Sarbanes-Oxley* might benefit your business?

The *Sarbanes-Oxley Act of 2002* (SOX) is one of the most significant pieces of legislation to affect the business practices of public companies in recent history. The Act's sweeping provisions raised the bar on corporate governance and accounting for public companies and made a big impact on the business world as a whole. This ripple effect has left many private companies pondering the possibility of implementation and wondering what to do next.

## How You Benefit

Does the Act offer anything for private companies? *Yes!* SOX provisions are proving to have a wide-ranging impact and are quickly becoming the template for effective practices in today's business world.

There are a number of reasons why private companies are voluntarily adopting, if not the letter, the spirit of the new law. These include pressure from lenders, customers, government contracts and investment partners as well as the future possibility of going public or being acquired by a public company. Some of the benefits you may realize include:

- ✓ Update systems and processes to support current and future growth
- ✓ Provide peace of mind to you, your partners, co-owners and board of directors



- ✓ Strengthen your internal controls and processes
- ✓ Articulate core values and ethical practices

Some of the SOX components you may decide to implement include:

- ✓ Developing a formal code of ethics
- ✓ Establishing or restructuring your board of directors
- ✓ Establishing an audit committee
- ✓ Documenting internal control systems (Section 404)
- ✓ Forming or upgrading your internal audit program

But, before you jump on the *Sarbanes-Oxley* bandwagon, recognize that SOX is a significant investment. And before you make that investment, you need to determine if and how SOX can help your company reach its goals and objectives.

## BKD Can Help

BKD is the advisor of choice for more than 2,700 manufacturers and distributors throughout the U.S. We have helped a number of our clients address SOX issues, either as their external auditor or in a business advisory role, helping them with implementation and compliance. And we can help you, too. Here's how:



## A Structured Approach

### **Step 1: Determine what provisions of the Act make sense for your company to implement**

- ✓ Meeting with top management to review the provisions of the *Sarbanes-Oxley Act of 2002*
- ✓ Discuss and define goals and objectives of the company
- ✓ Discuss and determine current state of internal control systems

### **Step 2: Develop an implementation plan**

- ✓ Work with top management and key personnel to define what actions will be taken, who will complete them and when they will be done
- ✓ Develop a budget of internal and external costs required to complete the plan in a cost-effective manner

### **Step 3: Obtain board of directors' approval**

- ✓ Meeting with the board to review the implementation plan and related budget
- ✓ Revise the plan based on board input

### **Step 4: Implement the plan**

- ✓ Work with top management and key personnel to implement the plan
- ✓ Report on progress to management and the board of directors
- ✓ Revise plan based on any new information and seek approval for changes

### **Step 5: Monitor after implementation**

- ✓ Follow-up meetings with management to determine continued compliance with implemented processes
- ✓ Test sample of internal controls and processes
- ✓ Make any necessary adjustments
- ✓ Follow-up meeting with board of directors to report on compliance with new processes

### What Makes Good Business Sense for Your Company?

Many private manufacturers and distributors are selectively implementing SOX provisions, depending on their applicability and potential pay-backs. Your considerations may include:

- ✓ How implementation may positively affect your company's competitive advantage
- ✓ Your executives' and board members' fiduciary responsibilities to employees, lenders and investors
- ✓ The value you place on corporate governance and how it affects your employees, business, industry and community
- ✓ Your intention to become a public company or be acquired by one
- ✓ The desire to proactively improve financial processes to help detect and prevent errors or fraud

You can pick and choose SOX provisions that mesh with your company's strategic plans. Let us help you evaluate and implement what makes good business sense for your organization.

### An Experienced Service Team

You will be served by experienced audit professionals from our Sarbanes-Oxley and SOX 404 compliance team complemented by accountants and consultants familiar with your industry sector. Training and interviews are performed by high-level, experienced BKD personnel (generally partners and managers).

### For More Information

Take the first step towards making significant improvements in your company. To schedule a meeting, contact your BKD advisor or:

**Dave Schmitt**  
Partner  
888 476-7258  
dschmitt@bkd.com

