



THE LOOKING GLASS

A newsletter for IT professionals

The Sarbox Diet

By Steffani Lomax

This year marked the first internal audits for Sarbanes-Oxley. A senior IT executive of a Fortune 500 company indicated that he actually lost weight during the internal audit process as a result of the stress of the situation. This new weight-loss regimen may be as effective as the Atkins or South Beach diets, and you can eat all the carbs you want to...however, the Sarbox diet may not be recommended.

This article will examine the issues encountered through the internal Sarbox audit and how to approach them the next time around, with the ultimate goal of facilitating the audit process and reducing the stress.

Issues

IT executives, managers and consultants cited the following as the major issues encountered during the internal Sarbox audit.

Uncertainty. In many companies, there is very little information disseminated on what Sarbanes-Oxley really is and how it will impact an employee's daily work. It is not well-defined in many organizations and requires a large amount of interpretation. Some people think it is a set of defined processes, similar to ITIL or Six Sigma, which it is not. One IT manager from a large consulting company believed Sarbanes-Oxley was an auditing firm. He stated that the other Big 3 firms had failed, so now they had brought in "Sarbanes-Oxley." The net is that the Sarbanes-Oxley Act of 2002 requires that companies establish internal controls that pertain to the preparation of financial statements for external purposes, that they manage to them, are accountable, and that senior management states publicly as to the effectiveness and accuracy of these controls. Due to the uncertainty that exists within organizations surrounding what Sarbanes-Oxley really means, there is a lot of confusion and this creates stress.

Lack of Experience. 2005 marked the first year of the internal Sarbox audit. As a result, everyone involved was going through this process for the first time – the internal auditors, the external auditors, and the companies themselves. It was learning on-the-job and this lack of experience on everyone's part contributed to the anxiety.

Over Zealousness. Many CIOs put unnecessary controls in place, more than they needed to, to make sure they covered all the bases. Some of the controls did not even impact financial reporting, which is the essence of the Sarbanes-Oxley requirement. This caused more work than was necessary.

Changing Requirements. Internal auditors often asked IT leaders and managers to go back and redo their work or gather more information. It seemed as though they were making up the rules as they went along. Employees felt they were in a constant mode of reaction.

Alignment of Process to Documentation. Sarbanes-Oxley forces companies to document their processes that impact financial reporting. The Sarbox audit includes reviewing the documentation and there was not always an exact alignment of process to documentation. In this scenario, documentation had to be re-worked so that it definitively matched the processes.

Reconciling Assets. From an IT perspective, trying to match financial assets to physical assets was challenging because finance and IT report on the same asset differently, using unique systems and data to record the same asset. Reconciling these assets requires a great deal of data analysis and can be very challenging.

Time Drain. The entire audit process was extremely time-consuming. Employees felt pressure because they were getting behind in their daily work and putting other project deadlines, critical to the business, at risk.

Human Nature. There is always a certain level of anxiety associated with an audit. For example, if a person is going to be audited for tax purposes, this can be unsettling. Another example is waiting in the doctor's office to find out what is wrong with you. When audited, a person feels vulnerable and on the defensive. The uncertainty surrounding Sarbox generates this stress – what it actually takes to be compliant when there are no stated processes and rules. People feel unprepared for an audit because they don't fully understand the requirements, and lack of preparation contributes to stress.

Approach to Reducing Stress / Stress Busters

How can employees, whether executives or staff, better approach the internal audit the next time around? What are the “stress busters” that will ease the process in the future?

1. **Awareness of Sarbox.** The first step is awareness. If employees gain a clear definition of Sarbox, what it means to them personally and how it impacts the processes they are responsible for, this will reduce the anxiety associated with the internal audit. If a clear definition of Sarbanes-Oxley cannot be found internally, there are public websites and numerous trade

publication articles that describe the Sarbanes-Oxley Act of 2002. Refer to www.sarbanes-oxley.com for more information.

2. **Preparation.** The next step is preparation. It is critical to understand the IT controls that impact financial reporting and to document these processes ad nauseam. Whether a person is preparing for an audit, a presentation, or training for an athletic competition, being fully-prepared reduces fear and anxiety over the event.
3. **Stress Busters.** Understand that an audit can be stressful and will not always run without a hitch. Therefore, take the time during the audit period and leading up to it to do the things that are relaxing, whether it is exercising, gardening, engaging in a hobby, reading a book, or listening to your favorite CD. This will make the next day easier...

The Sarbox diet...is it recommended? Although the Sarbox diet may be effective, medical studies indicate that stress increases the risk of many health problems. Therefore, why not reduce the anxiety, fear and stress associated with the Sarbox audit and return to what is tried and true...the low-carb diet?