SOX 404 Compliance Project Financial Reporting

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ABOUT ACC GROUP

The ACC Group generates and handles **assignments** for medium size companies in the areas of **Audit**, **Controlling** and **Compliance**.

All Consultants have extensive **Audit** & **Compliance experience**.

Extensive **US GAAP** and **SOX** knowledge.

Hands on approach.

Strong experience on **operational** and **management level of Start Ups** (see References).

Strong **international background**, excellent **English proficiency**.

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SOX 404 COMPLIANCE

Risk Assessment, Scoping, Process and PO selection

Interviews PO´s

Narratives, predefined structure in English and German language including SOD-Matrix

Determine Non Key and Key Controls

Determine and Remediation of GAPs

Walkthrough of all Controls including documentation (English)

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SOX COMPLIANCE

Consolidation of risks, controls, GAPs and Walkthrough results in a RCM (English)

Weekly Progress Report

METHOTOLOGY

SOX Compliance

Risk Analysis (scope) → Document Business Processes → Indentify Control Objective → Identify Control Activities → Walktrough Control Activities → Determine and Remediate GAPs → Testing of Controls

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PROCESSES

Process Documentation Structure

- Overview of Processes and Sub Processes in scope
- Identify Risks
- Process Narrative
- Control Classification (Key and Non Key) and Description
- SOD (Segregation of Duties) Matrix
- Comprehensive Risk Control Matrix (RCM)
- GAP Analysis and Remediation

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PROCESSES

Sample of Processes

Financial Close (FC)

Order to Cash (OTC)

Purchase to Pay (PTP)

Information Technology (IT)

Fixed Assets (FA)

Production Process (PP)

Inventory (INV)

Human Resources (HR)

Tax (TAX)

Intercompany Transaction(IC)

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Processes in Scope

Summary of Processes & Progress (Part 1)

Location	Process	#	Sub Process	Plan Manntage	Sub-process	Documentation	Controls	Key Controls	Translation	Control Matrix	Walkthrough	GAPs
Germany	Financial Close	1	01_FSCP_01	8	Manage Close Schedule, Prepare and Approve Required Journal Entries and Reconcile and/or Analyze Accounts	100%	6	4	100%	100%	100%	2
	Order to Cash	2	02_OTC_01	6	Master File Maintenance	100%	1	1	100%	100%	100%	2
		2	02_OTC_02	6	Order & Credit Note Management CssExp	100%	3	1	100%	100%	100%	2
		3	02_OTC_03	6	Invoicing Process, Revenue Recognition; Domestic Sales Puchheim	100%	3	2	100%	100%	100%	
		4	02_OTC_04	6	AR Manage Credit, Collect and Apply Payments	100%	2	1	100%	100%	100%	2
		5	02_OTC_05	6	Master File Maintenance	100%	1	1	100%	100%	100%	2
		6	02_OTC_06	6	Customer Bonus - Calculate, Accrue, Approve and Pay	100%	2	2	100%	100%	100%	2
	Purchase to Pay	7	03_PTP_01	6	Vendor File Maintenance & Contracts	100%	2	1	100%	100%	100%	1
		8	03_PTP_02	6	Purchase Requisition / Order and Approval	100%	2	1	100%	100%	100%	1
		9	03_PTP_03	6	Check Request and Invoice Processing	100%	1	1	100%	100%	100%	1
		10	03_PTP_04	6	Cash Disbursements	100%	2	1	100%	100%	100%	2
		11	03_PTP_05	6	Accrue Unrecorded AP Liabilities (including freight and customs costs)	100%	2	2	100%	100%	100%	1
	Fixed Assets	12	04_FXA_01	6	Addition or Discpose of Fixed Assets	100%	5	2	100%	100%	100%	2
		13	04_FXA_02	6	Depreciation, physical inventory of Fixed Assets	100%	3	2	100%	100%	100%	1
	Inven-tory	14	05_INV_01	6	Inventory Calculation (Cost Accounting Standards, Reserve)	100%	2	1	100%	100%	100%	1
		15	05_INV_02	6	Inventory Management (cycle counts)	100%	4	2	100%	100%	100%	2

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Processes in Scope
Summary of Processes & Progress (Part 2)

Location	Process	#	Sub Process	Plan Manntage	Sub-process	Documentation	Controls	Key Controls	Translation	Control Matrix	Walkthrough	GAPs
	Human Resources	16	06_HR_01	6	Employee Masterfile Maintenance	100%	4	2	100%	100%	100%	1
		17	06_HR_02	6	Payroll - Process	100%	3	2	100%	100%	100%	2
		18	06_HR_03	6	Payroll related Accrual, Calculate, Approve and Pay	100%	1	1	100%	100%	100%	1
	Tax	19	07_TAX_01	6	Calculate and Remit Sales / Use Tax / VAT	100%	1	1	100%	100%	100%	1
TOTAL	Plan			122	TOTAL:		50	31				29

		Progress	Remaining Days
		25%	Interview performed with PO
		50%	First draft of narrative
		75%	Discussion with PO, Translation
		100%	Email confirmation from PO (RCM update)

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Financial Statement Closing Process

Sample Narrative FSCP

Main Process	01 Financial Closing & Reporting / FSCP
Sub-process	Manage Close Schedule, Prepare and Approve Required Journal Entries and Reconcile and/or Analyze Accounts
Sub-process ID	01_FSCP_01
Process Owner (s)	HeadAcc
Controls	0101, 0102, 0103,0104, 0105, 0106, 0107, 0108, 0109, 0110, 0111
Systems involved	SAP – Used to record all transactions Software Package "Upstream" Hyperion, Smart View
Critical Reports and significant Spread sheets	PECL Period End Closing Check List Microsoft Excel (Transition) – Used for transition from German GAAP to US GAAP Upstream Bridge (XLS) Overview Key figures (XLS) Monthly Financial Review Checklist
Work Instruction References	US Corporation Due Dates, Period End Closing Check List Accounting Manual: "HQ Accounting Procedures" Corporation Check Report, Validation Report Forecast, Master Data Change Report

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PROCESS NARRATIVE

Example

1. Purpose

The purpose of this memorandum is to document the sub-process and identify risks and key controls surrounding the Manage Close Schedule at Trumpf (referred to herein as the "Company", "Trumpf", "we", "us" or "our"). Finally, a SOD matrix documents the Segregation of Duties situation concerning this sub process.

2. Process Overview

The General Ledger (GL) Close sub-process documents the procedures and controls relating to the period end close process. Key components of this process include:

➢ Journal Entry Review
➢ Reconciliations
➢ Period end close

3. Risks Identified

The GL Close sub-process is documented to address the following potential Financial Statements risks:

➢ Not all required journal entries are posted.
➢ Inaccurate or improper journal entries are posted.
➢ Balance sheet and P/L accounts are not reconciled and/or analyzed.
➢ Account reconciliations are not reviewed.
➢ Necessary accruals are not identified and recorded.

4. Process Narrative

SEGREGATION OF DUTIES

Matrix

Control	Embedded Control	Group Con	GM	Head Fin	Head Con	Head Acc	Acc Clk1	Acc Clk2	AccClk 3
0101	X								
0102						X	X		
0103				X					
0104						X	X	(X)	(X)
0105					X		X		
0106	X					X			
0107				X	X				
0108					X	X			
0109	X				X	X			
0110					X	X	X		
0111	Scoped out								

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TENTATIVE TIME STRUCTURE

Overview

STAGE I
[10 man days]

- Risk Analysis
- Determine POs
- Set up Documentation Structure

STAGE II
[4 man days*]

- Process Documentation in English and German

* Process incl. integration in the English RCM

STAGE III
[0,25 man days*]

- Walkthrough of Controls

* incl. documentation in English

STAGE IV
[0,5 man days*]

- Determine and Remediate GAPs

* GAP incl. integration in the RCM

SOX REFERENCES

Thank you for your kind attention.