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#### **10 Compliance Threats To Smaller Companies**

Staff Writer

AccountingWEB.com. May 29, 2007

EXCERPT: Smaller public companies performing their first management assessment under Sarbanes-Oxley Section 404 may find their first year of compliance particularly challenging. To help unravel the maze of uncertainty, Lord & Benoit has gathered historical evidence of material weaknesses from companies with revenues under \$100 million. Since smaller public companies are uniquely transitioning from an entrepreneurial environment to a more controlled or structured growth, some companies may find that rather challenging. The research was compiled aggregating the results of 148 first time companies with revenues under \$100 million (using Audit Analytics and our experience in assisting smaller public clients). Clients with clean internal controls were excluded from this study. This list provides crucial data that you can use in developing your strategy to assess high level risks within your company. The following are the ten leading material weaknesses in Lord & Benoit's study: 1. Accounting and disclosure controls Perhaps the biggest surprise to smaller public companies may be that they are expected to have no significant auditor adjustments. Therefore we found that of the 148 companies we reviewed with material weaknesses, nearly two thirds or 94 had issues relating to accounting and disclosure controls. Included were a number of departures from GAAP, income tax accounting and inadequate or inaccurate financial statement disclosures.

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