

Best Practices for Achieving Connected Compliance

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FloQast

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The Association of
Accountants and
Financial Professionals
in Business

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Featured Presenter

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FloQast



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Accounting Workflow Automation

Purpose built by accountants for accountants

We help **accounting teams** achieve **operational excellence**



FloQast was
founded in
2013



~80%
of Front Line
FloQaster's are
Accountants



2,800+
Customers



Offices in
US and UK

G2: Highest rated
of all financial
Close software



TrustRadius:
Top Rated
Software

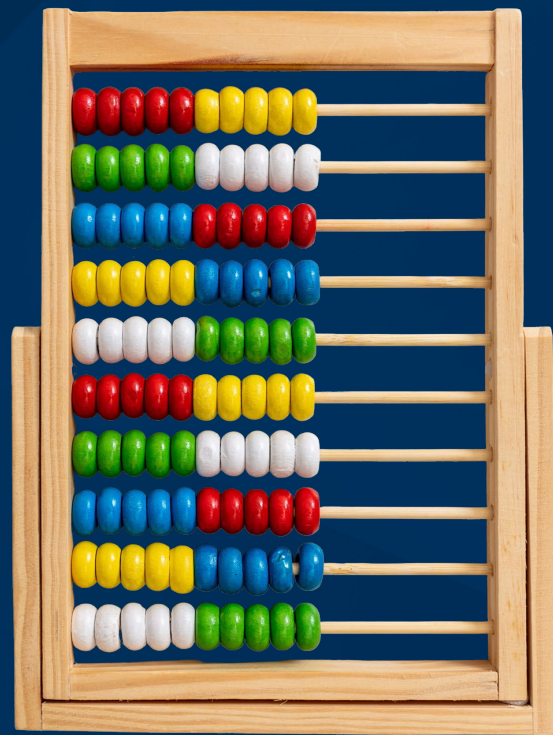


98%

of Customers Achieve Target
Business Value or Higher*

Learning Objectives

1. Gain insights into market trends
2. Review a practical path to IPO readiness to plot your course
3. Discover the people, processes, and technology investments companies should make in preparation for their next step
4. Learn how to nurture an agile accounting and finance team in preparation for an exit, using technology as an enabler



Poll Question 1:

Is your company on the horizon to transition to SOX 404(b)?

- a. Yes**
- b. No**
- c. Uncertain**

Poll Question 1 Results: (Placeholder)

Comparing SOX Compliance

404a vs. 404b



Compare




Contrast

**Risk is
the Key!**

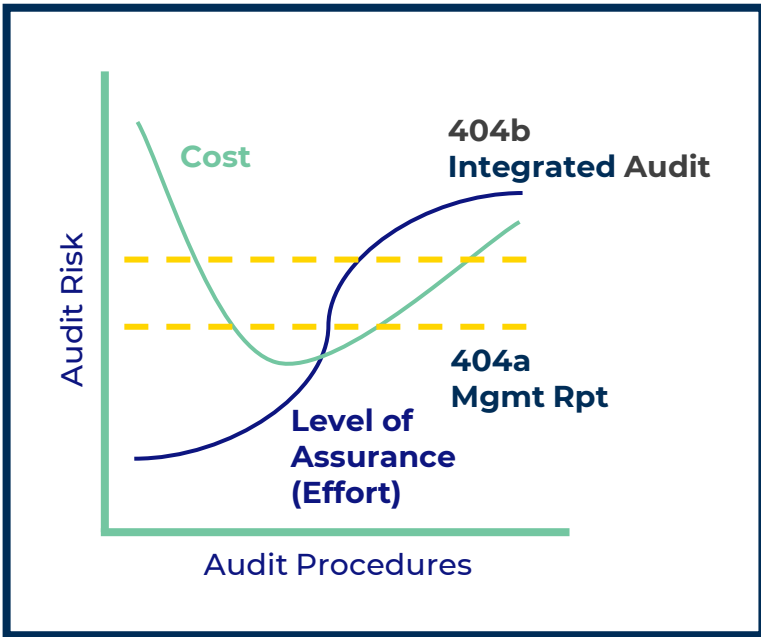
404a

- Mgmt is responsible for designing and implementing a suitable ICFR environment
- CEO and CFO must represent the effectiveness of the ICFR control environment
- Annual **internal** assessment of ICFR
- Auditors only need **review** and **test** design of ICFR & do not opine or provide additional assessment
-  **Lower** audit risk - **less** scrutiny

404b

- Mgmt is responsible for designing and implementing a suitable ICFR environment
- CEO and CFO must represent the effectiveness of the ICFR control environment
- Annual **internal AND external** assessment of ICFR
- Auditors must **understand AND test** design and operational effectiveness of ICFR
-  **Higher** audit risk - **more** scrutiny

The Real Differentiator



404a vs. 404b

Audit risk is a cost lever

- The **higher the risk the higher the cost**
- Risk is reduced with **procedure**
- Level of **assurance** is correlated to audit procedures
- Sufficient level of tolerable procedures need to be met by **regulation**

The 404b Perception

Organizations
need a ROI!

THE PROBLEM

The **audit pains** leave an impression of a costly and tedious process, that didn't change results. This breeds a "**check-the-box**" mentality.

However, organizations need an internal **perception shift** to **strategically align** their program instead of looking at external pains.



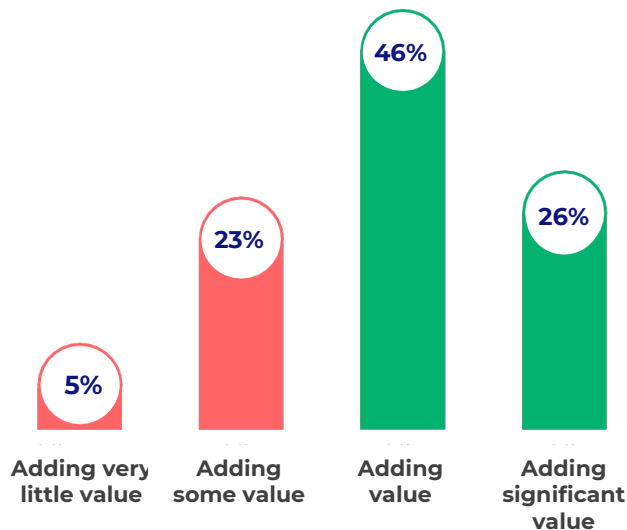
Regulation
+
External Audit

**Strategic
Alignment
to Company
Goals**

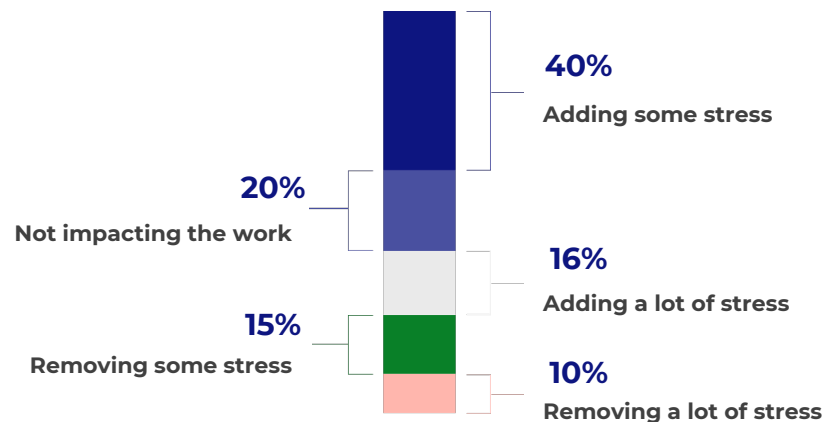
Value Balance of Compliance Programs

SHIFTING THE FOCUS

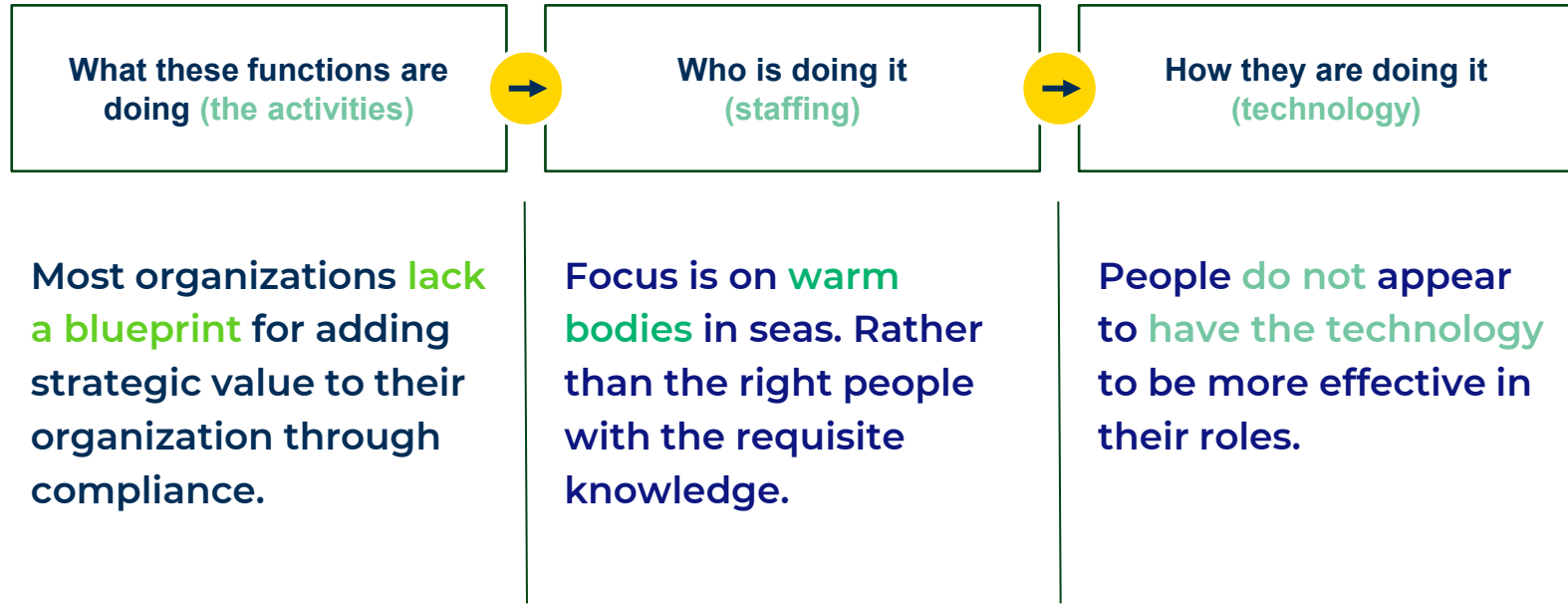
To what extent are your current compliance or control management processes **adding value** to your organization?



To what extent are your current compliance or control management processes **adding or removing stress** from the work?



Common Issues of 404b Programs



Poll Question 2:

What's the status of your organization's compliance program?

- a. Industry specific compliance is required to be reported on**
- b. Recently public**
- c. Established public company**
- d. M&A brought the company under a public parent requiring new levels of SOX compliance**

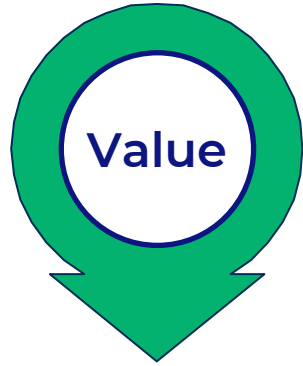
Poll Question 2 Results: (Placeholder)

Embracing a SOX 404b Compliance Program

The Keys to Success



The Keys To Success



**Companies Should See
Value in Having an
Agile, Efficient SOX
Program**



**A Good SOX
Program is an
Audit Partner**



**Companies Should Use
SOX Compliance Programs
Strategically**

Ways to Improve Your SOX Compliance Program to Prepare for a 404b Transition



Steps

- Step 1:** Promote Tone at the Top
- Step 2:** Select Champion
- Step 3:** Align Stakeholders
- Step 4:** Establish Ownership & Accountability
- Step 5:** Continuous Education
- Step 6:** Reassess Risks and Controls
- Step 7:** Evaluate Existing SOX Documentation
- Step 8:** Active Monitoring & Remediation
- Step 9:** Leverage Technology



Compliance studies show strategic alignment is key to success.

Strategic alignment provides:

- Clarity of purpose, ownership, & accountability
- Organizational momentum

Organizational momentum results in **change**.

Strategic alignment is **deployed** through '**tone-at-the-top**' and should include BoD, C-Suite, and senior leadership.

Step One

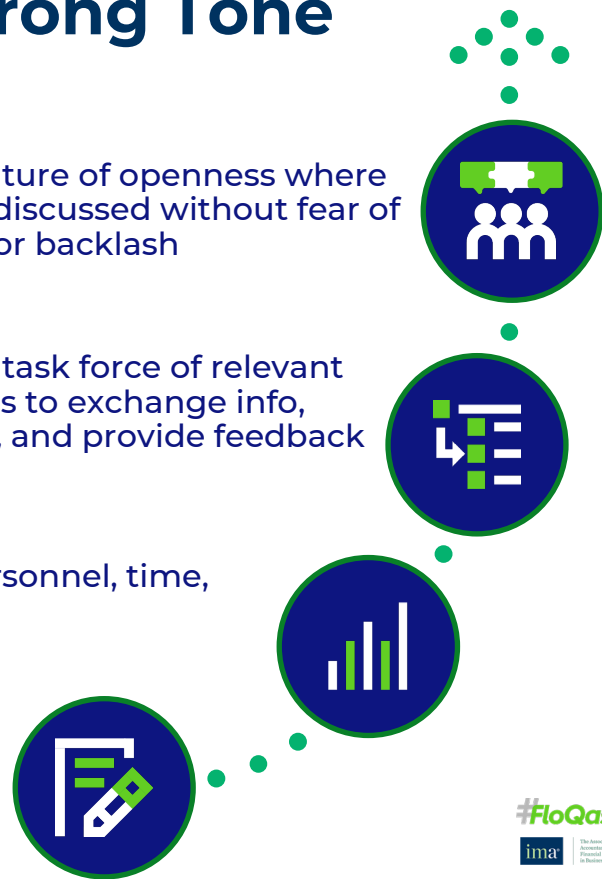
Promote a Strong Tone at the Top

Promote a culture of openness where concerns are discussed without fear of victimization or backlash

Form an advisory task force of relevant department heads to exchange info, monitor progress, and provide feedback

Allocate resources (personnel, time, money, and authority)

Identify SOX strategic goals & evaluate annually



Step Two

Select SOX Champion (Overseer)

Practical Execution:



Appoint SOX Compliance Officer

Staff(s) based on relevant skills



Prioritize Projects

Prioritize their workload to 404b transition and maintenance



Budget

Include training and development costs in budget annually



\$2.4M

Annual spend

A capable champion** is necessary to lead the program transition if you want to see RIO.

Many organizations **lack** in compliance **literacy** with many scoring a **failing grade**.

Training **WILL BE** necessary.

Note: the champion is the operation leader and separate from internal audit.

**Source: FloQast 2023 Compliance Survey

Step Two (Continued)

Select SOX Champion

Relevant Skills



Current staffing issues

It's unlikely to find the champion internally or hire externally in a timely manner.

You will most likely have to develop a champion to meet your needs.

Consider

Using a consulting partner to help with your time sensitive transition.

We are here to help!

Refer to our compliance journey page for more resources to develop your team.



Proper 404b compliance extends **beyond the CFO** and internal audit and into Sales and Operations, as well as, external parties.

SOX compliance **doesn't** inherently cover all business cycles.

However, financial reporting processes, controls, and **risks exist in almost every business cycle.**

Note: External audit is a key stakeholder in your 404b transition.

Step Three

Align Stakeholders

Practical Tips



Leverage your SOX compliance task force as it should be many of the same individuals



Align early and communicate often



Include Internal Audit and External audit early

Step Four

Establish Ownership & Accountability

Practical Tips



Leverage your SOX compliance task force



Align SOX-specific performance metrics to evals



Reward and recognize SOX initiatives

Timely action & remediation

Are critical components in assessing the effectiveness of a compliance program.

Organizational timeliness

Is determined by how clear ownership & accountability are. This is just as true for SOX 404b transition and maintenance.

Control owners

Are the “boots on the ground” that have the deepest under-standing of the process and best POV on environment changes.



Business is constantly evolving!



Poll Question 3:

How sophisticated would you rate your financial compliance program?

Rate 1-5, 1 being the lowest, 5 being the highest

Poll Question 3 Results: (Placeholder)



Business is constantly evolving and changing. Change means new ways to do business which means new risks and environment.

SOX compliance has significantly changed and expanded over 2 decades.

Technology landscape has significantly change over the same period.

Continuous education is necessary to stay ready and capable.

Think: SEC's recent Climate Disclosure update...

Step Five

Continuous Education



Management should:

Create Systems



Create reliable systems for reviewing new pronouncements, and PCOAB inspection results

Training on Best Practices



Train control owners regularly on changes and best practices

Stay on top of trends



Regularly review technology development

Create networks



Create strong networks in your community and industry to find new ways-to-work

Step Six

Reassess Risks



Reassessment should include

- Create a technology foundation that allows visibility into your risk environment to support assessment
- Set schedule and method to assess risks
- Reassessment should occur whenever there is a significant change to the business environment
- Best-in-class programs will have an “always live” control environment

Transition to 404b

Invites more scrutiny which will require a reassessment of your risks under this new lens.

Periodic assessment

Is a primary tool to improve your SOX compliance. Risks **do** change designation from low to significant and vice versa.

Re-calibration

Allows for a leaner, more efficient 404b compliance program.

Think of it as muscle memory!



Just as your risks need to be reassessed for 404b transition, so does your documentation.

Documentation is what is used to support your effectiveness testing for your internal and external auditors.

It is also important for process adherence and your ability to operate efficiently, and education of your controls owners and affects your ability to on-board new people.

Step Seven

Evaluate Existing SOX Documentation for Uplift

Practical tips

Include external auditors in evaluation of existing documentation early — they have stricter documentation standards

For 404b transition consider 3rd party assessment — they usually have broader experience & unbiased POV

Leverage technology to help capture and manage expansive documentation.





Documentation is expansive, hard to manage, and needs to be timely. Your compliance tool can greatly impact how difficult it is to capture it, manage it, and how timely it is.

Step Seven (Continued)

Evaluate Existing SOX Documentation for Uplift

Documentation includes:

Risk assessments

At-the-source
documentation

RCM, flowchart &
process narratives;
SOPs

Certifications or
control sign-offs

Step Eight

Actively Monitor Control Deficiencies & Remediation Plans

Practical application & tips:



Detective timeliness is a lever that affects severity and cost of a deficiency ★★



Communicate early with internal and external audit



Determine if a control deficiency is remediated using reliable evidence over a sustained period



Get agreement with internal & external audit

3 types of system controls

Preventive, Detective, & Corrective

Preventive will inevitably fail

So it is critical that Detective and Corrective controls are put in place to remediate. Risk can be managed by not eliminated.

Key process of 302 certification.

Spiraling deficiencies

Unidentified or untracked deficiencies can easily spiral into significant deficiency or material weakness.



Technology can be a **hindrance** or an **advantage**. Most accounting teams find theirs to be routine* at best forcing them to work around the technology without real ROI.

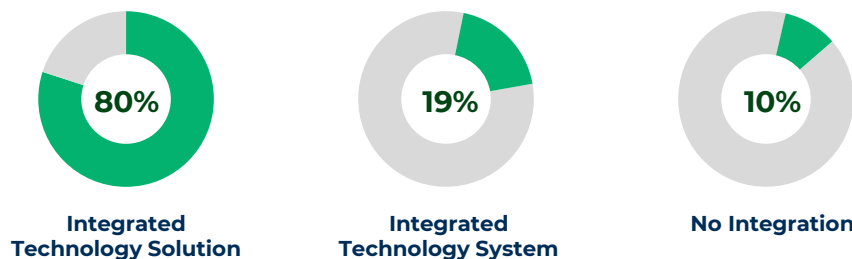
However, some have synergistic relationships that drive improved performance and ROI.

The relationship also impacts your team's work persona and retention capabilities.

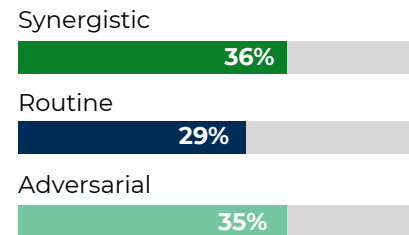
Step Nine

Technology as a Catalyst of Change

Retention related to technology relationship:

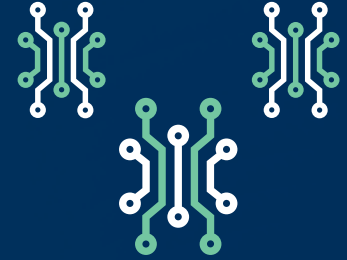


Percent of Accounting Professionals by Relationship Type:

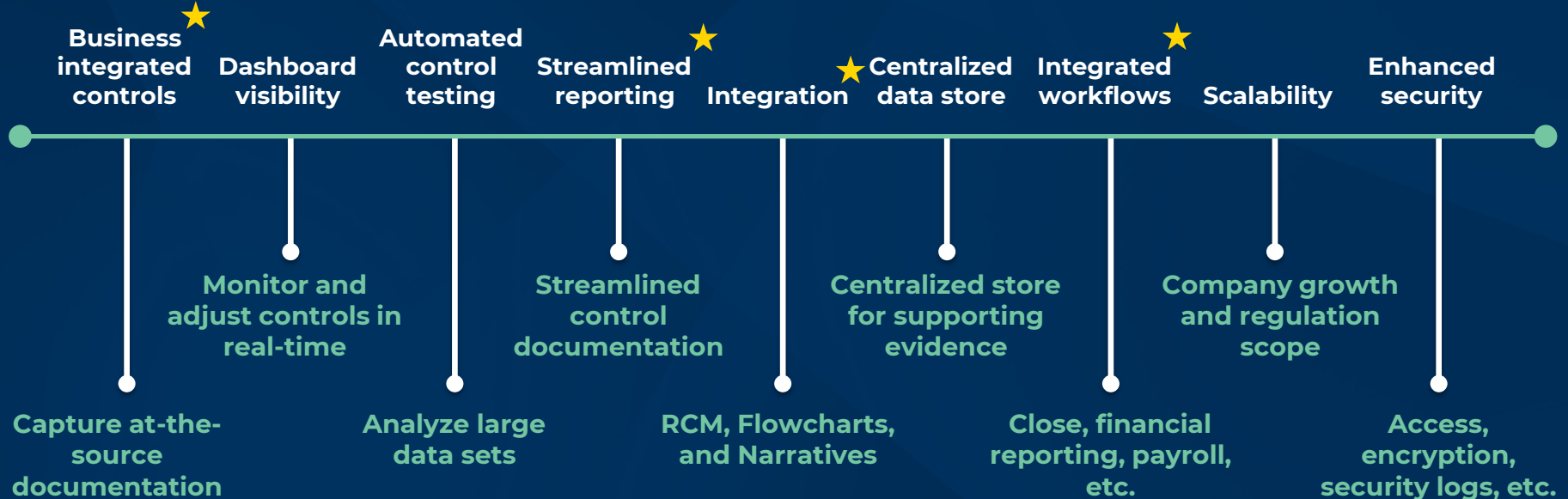


Step Nine

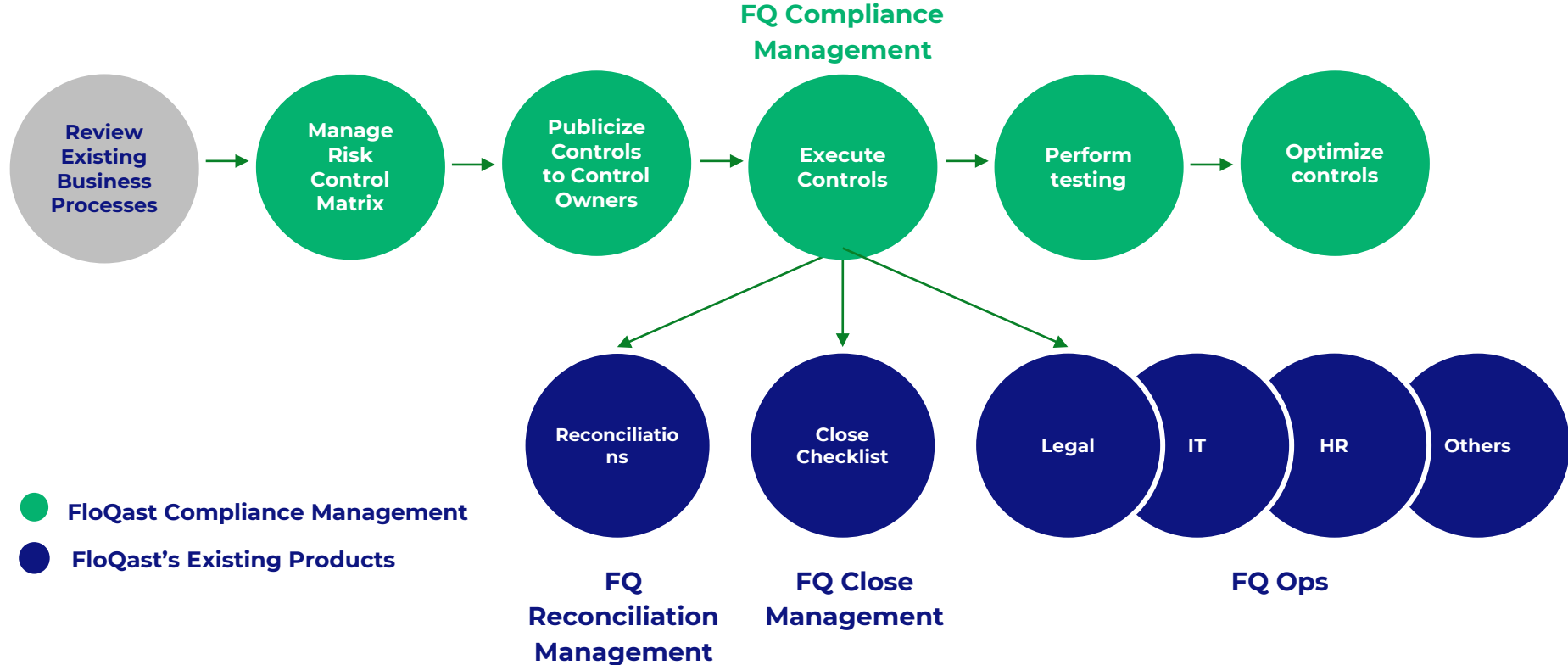
Technology as a Catalyst of Change



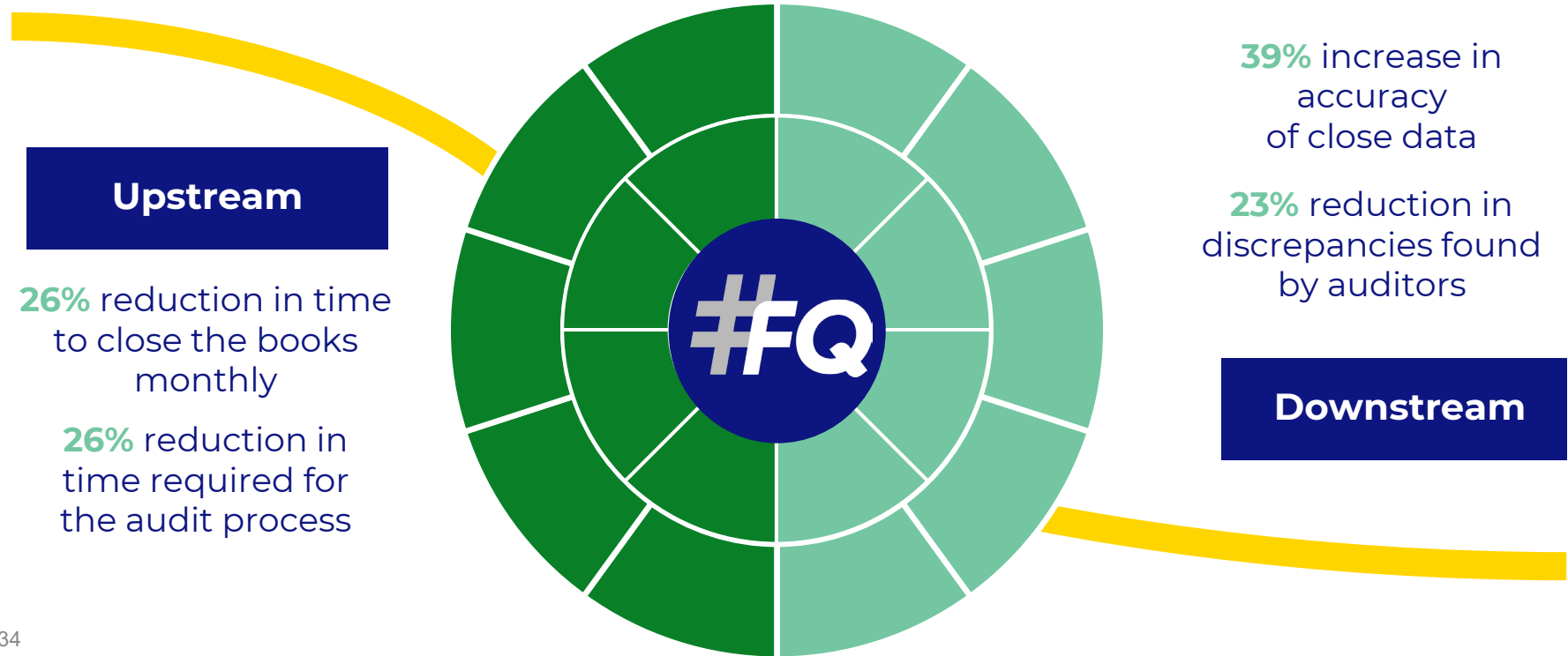
Key Technology Characteristics
to have:



FloQast: Business Integrated Controls



Using Technology As A Unifying Force For Transformation



Capabilities: Accounting Operations Platform

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WORKFLOW DASHBOARD



**Date
Forecast**



**Progress
By Area**



**Timeline
View**



**Trend
Analysis**



**Checklist
Completion**

ADVANCED WORKFLOW SOLUTIONS

Close Management

Reconciliation Management |
Variance Analysis

Ops/ReMind Workflow Management

Compliance Management

RCM | Controls Tracking | Testing

WORKFLOW INTEGRATION

Collaboration

Email | Teams | Slack

Productivity

Spreadsheets | Documents | Flowcharts

Cloud Storage

Box | Dropbox | Egnyte | Google Drive |
OneDrive | Sharepoint

ERP

Microsoft Dynamics | Oracle Financials | Oracle NetSuite | Sage Intacct | SAP | Others

Business Benefits

KEY COMPONENT: TECHNOLOGY

Compliance Management

Stronger controls and increased awareness of of your risk and compliance objectives

Audit Readiness

Continuous audit-readiness

Reduced Risk

Reduced compliance risk

Risk Adjusted

Risk-adjusted business decisions

Clear Visibility

Clear visibility into control ownership and responsibility, for better accountability

Agility and Scalability

Agility to meet changing business environments / compliance regulations

Standardized

Standardized control execution

Centralized

Centralized collaboration

Real-time Visibility

Visibility into control execution and status

Automating PBC Effort

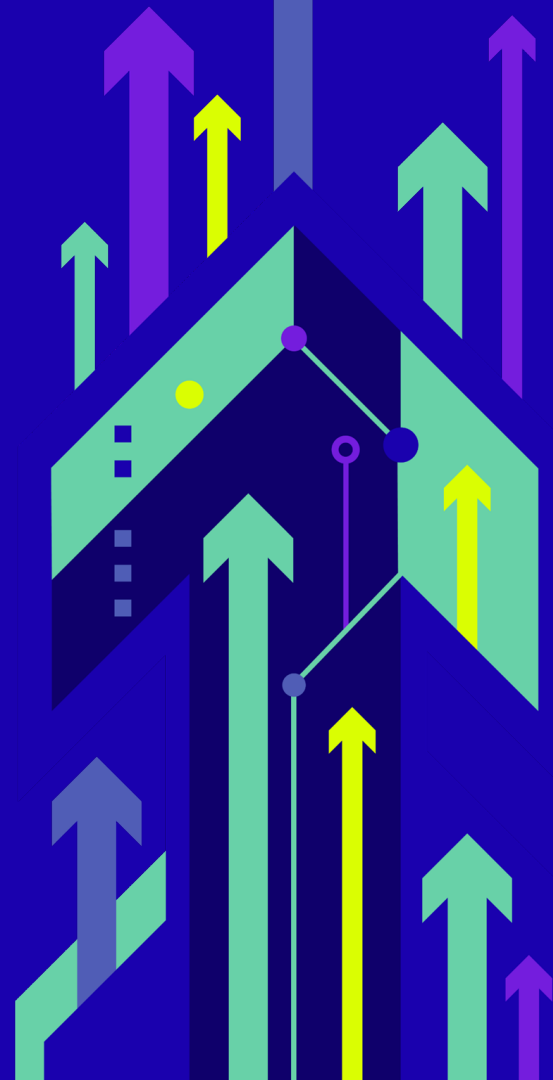
Controls documentation capture in real time throughout the year automating PBC effort



Breaking Boundaries in Accounting

SEPTEMBER 25 - 26

VIRTUAL EVENT





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Access to course **on-demand** 24/7



Centralization of CPE Certifications for easy credit tracking

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Poll Question 4:

Are you interested in learning more about any of the below?

Yes, FloQast

Yes, IMA

No, Not at this time

Poll Question 4 Results: (Placeholder)

Questions and Answers

Stefan van Duyvendijk

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Thank you!

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