

SEC APPROVES ONE-YEAR EXTENSION FOR SMALL PUBLIC COMPANIES

Corporate & Securities Alert
June 25, 2008

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The U.S. Securities & Exchange Commission (SEC) has approved a one-year extension for compliance by smaller public companies with the auditor attestation requirement mandated by Section 404(b) of the Sarbanes-Oxley Act of 2002.

Section 404 of the Sarbanes-Oxley Act consists of two separate provisions. Section 404(a) requires company management to assess on an annual basis the effectiveness of the company's internal controls over financial reporting. Section 404(b) requires companies to provide in their annual reports an attestation from their auditors regarding management's assessment of the effectiveness of the company's internal controls.

All public companies are currently required to comply with Section 404(a). As a result of the extension, smaller public companies must include the auditor attestation report in annual reports for fiscal years ending on or after December 15, 2009.

Generally speaking, a "smaller public company" is a company that qualifies as a "non-accelerated filer" pursuant to the applicable SEC rules and regulations.

In connection with the extension, the SEC also announced that it has obtained approval from the Office of Management and Budget to proceed with a study of the costs and benefits of Section 404 implementation. The study will focus on smaller public companies and the effects of the Section 404(b) auditor attestation requirement.

The SEC has indicated that the extension of the 404(b) compliance deadline is part of an effort to reduce costs of Sarbanes-Oxley compliance without diminishing investor protection. In 2007, the SEC issued new guidance designed to assist companies with the 404(a) management's assessment requirement.