

# MHM Messenger

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## SEC Delays Audits of Internal Controls for Small Public Companies – For The Last Time!

On October 2, 2009, the Securities and Exchange Commission announced that the smallest public reporting companies will begin complying with Section 404(b) of the Sarbanes Oxley Act beginning with fiscal years ending after June 15, 2010.

Under the provisions of Section 404 of the Sarbanes Oxley Act, public companies and their independent auditors are each required to report to the public on the effectiveness of a company's internal controls over financial reporting. The smallest public companies with a public float of \$75 million or less have been given extra time to comply with the requirements. The most recent extension of these requirements would have required these small public companies to comply with Section 404(b), which is the section requiring the auditor to report on the internal controls, for fiscal years ending on or after December 15, 2009. For calendar year companies, that was just a few short months from now.

In its announcement of the further extension of the requirements to June 15, 2010, the SEC indicated that the reason was due to the fact that the study produced by the SEC's Office of Economic Analysis (to determine whether additional guidance provided to company managers and auditors in 2007 was effective in reducing the costs of compliance) was published less than three months before the December 15 deadline and that additional time was appropriate and reasonable to allow small public companies and their auditors to better plan for the required auditor attestation.

"Since there will be no further Commission extensions, it is important for all public companies and their auditors to act with deliberate speed to move toward full Section 404 compliance," said SEC Chairman Mary L. Schapiro. Therefore, this should be the last of the delays and extensions.

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