

CFG I



CASE STUDY

# SARBANES-OXLEY

A CASE STUDY IN INCREASING EFFICIENCY AND  
COST SAVING THROUGH CONTROL REDESIGN

# OVERVIEW

## BACKGROUND

As a world-wide provider of manufacturing equipment, Company C was struggling with burdensome control processes, which were hindering efficiency in financial reporting in addition to increasing audit costs and control testing fees. As a global organization, the company's long term success depended on the internal controls and processes in place. Responsibility for control compliance was fragmented and management was not able to clearly assess how the company's controls were mitigating risks throughout the organization.

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## CHALLENGES

### **To provide an internal control environment that supports a sound financial environment**

Company C was required to document and test 64 individual business processes and 294 key controls each year. With a lack of standardization and common protocols between the business processes and testing, Company C faced a control environment with added costs and significant time increases. The multiple processes were inefficient and were not designed to provide any increased prevention or detection of misstatements in the company's financial records.



# SOLUTION

## COMPREHENSIVE ASSESSMENTS

- CFGI performed a comprehensive risk assessment of Company C’s operations, taking into account materiality at each of the company’s global operating sites, ensuring coverage of risks and assessing qualitative factors that could affect the organization.
  - CFGI clearly defined the risks of the organization and developed an internal control structure that not only supported, but enhanced operations.
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## CONTROL REASSESSMENT

- A complete revision to the business processes documentation allowed Company C to capture the procedures and controls.
  - Comprehensive control and risk matrices were prepared.
  - Identification of “control gaps” and “control deficiencies,” which were areas that lacked controls or were not operating properly to mitigate risk, were made clear to management and further revisions to controls were presented.
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## HANDS ON APPROACH

- CFGI worked directly with auditors to facilitate the understanding of the new control environment and testing of operating effectiveness.





# RESULTS

With the assistance from CFGI, Company C was able to successfully renegotiate a lower audit fee due to the time savings in the scope and amount of testing required for the auditors opinion on internal control. The cost saving of a streamlined, efficient and comprehensive risk-based approach would allow for continued cost savings each year. Additionally, with a clear control framework, management was able to assess and respond to changes or weaknesses in internal controls strengthening the company's ongoing operations.

The direct involvement with Company C, allowed CFGI to implement best practices. There were various redundancies that were eliminated in overlapping business processes, as well as the introduction of a comprehensive platform for consistent assessment and documentation of business processes.

Our professionals at CFGI understand the need to properly implement or revise an internal control structure, whether for private companies, pre-IPO companies, newly public or existing public clients looking to develop a robust, yet cost-effective approach to controls. We work with auditors to help them rely on our testing, reduce audit control testing and increase their reliance on the company's internal controls.

By taking a top-down, risk based approach to the design of the company's internal control environment CFGI achieved a 53% reduction in the key controls. The 64 individual business processes were reduced to 12. Further, the revised processes and key controls were better aligned with the risks facing the company, overall strengthening the control environment.



## WHY CFGI?

At CFGI, we define our success by the quality of our work and the satisfaction of our clients. Through our deep knowledge base, industry expertise and passion for client service, we provide value add solutions to address client needs. We have built a reputation as the go-to solution for all critical finance and accounting projects, we continue to build our business by attracting the industry's best professionals and supporting them with the cumulative expertise of our firm. When you partner with CFGI, you gain access to a full-service financial consulting and corporate finance team. Through our well-rounded operational and technical expertise, our team is ready to deliver the services and support needed to achieve your goals quickly, efficiently and effectively. Whether it is assistance evaluating and documenting complex technical accounting issues, or assistance with your financial close process, financial reporting and tax process, or assistance with your SOX process and documentation, we are uniquely positioned to help you with those needs. ■