

# News Release

## For Immediate Release

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## **AICPA Supports New COSO Guidance to Aid Small Public Companies In Implementing Section 404 Internal Control Reporting Requirements**

*Comments on Exposure Draft Due December 31, 2005*

**Washington, DC, October 26, 2005**—The American Institute of Certified Public Accountants (AICPA) as a member organization of the Committee of Sponsoring Organizations of the Treadway Commission (COSO) fully supports and endorses the draft guidance issued today that is intended to assist small public companies in complying with the Section 404 internal control reporting requirements of the Sarbanes-Oxley Act. The exposure draft, *Guidance for Smaller Public Companies Reporting on Internal Control over Financial Reporting*, is a supplement to the guidance COSO published in 1992, *Internal Control—Integrated Framework*, illustrating essential internal control over financial reporting using real-world small company examples.

“This is what smaller public companies need to help them comply with Section 404,” Chuck Landes, AICPA Vice President and COSO Board Member, said. “Regulators and others view COSO’s *Framework* as the standard to be followed by organizations implementing and evaluating internal control in compliance with the Sarbanes-Oxley Act. However, it is clear that smaller public companies need guidance in understanding the breadth, depth, and value of COSO’s *Framework*. Consequently, COSO initiated a project in January 2005 to help smaller public entities implement the *Framework*,” he explained.

COSO’s exposure draft identifies 26 fundamental principles associated with the five key components of internal control: control environment, risk assessment, control activities, information and communication, and monitoring. Each principle is defined and its attributes described. The new guidance also lists various approaches smaller companies can use to adopt the principles. Ken Witt, a technical manager with the AICPA’s member in business and

industry group and a member of the COSO advisory task force, believes that the “real-world examples of how smaller companies have effectively applied the principles and the illustrations of how a smaller public company can design and scale the framework in a cost-effective manner will be extremely helpful to our members in smaller public companies in implementing SOX 404.”

The guidance provided by the exposure draft is not intended to replace or modify the *Framework*, but rather demonstrates the *Framework*'s broad applicability by providing concrete examples that smaller businesses can use to achieve their financial reporting objectives. For example, smaller public companies may strengthen internal controls by broadening the pool of audit committee members, using controls built into accounting software, leveraging management monitoring, and outsourcing some activities.

The new COSO guidance is intended for use by members of the board of directors, senior management, other company personnel and external auditors.

The exposure draft is available at [www.coso.org](http://www.coso.org). Comments are due December 31, 2005 and should be directed through COSO's website at [www.ic.coso.org](http://www.ic.coso.org). Final guidance is expected in the first quarter of 2006.

**About AICPA:**

The American Institute of Certified Public Accountants ([www.aicpa.org](http://www.aicpa.org)) is the national, professional association of CPAs, with approximately 350,000 members, including CPAs in business and industry, public practice, government, and education; student affiliates; and international associates. It sets ethical standards for the profession and U.S. auditing standards for audits of private companies; federal, state and local governments; and non-profit organizations. It also develops and grades the Uniform CPA Examination.

**About COSO:**

Originally formed in 1985 to sponsor the National Commission on Fraudulent Financial Reporting, COSO is a voluntary private sector organization dedicated to improving the quality of financial reporting through business ethics, effective internal controls, and corporate governance. COSO comprises The Institute of Internal Auditors (IIA), the American Accounting Association (AAA), the American Institute of Certified Public Accountants (AICPA), Financial Executives International (FEI), and the Institute of Management Accountants (IMA).