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Recent Survey Reveals 92% of Internal Auditors Polled Have Identified Gaps in Their Own Company's Internal Controls

MILWAUKEE, Jun 22, 2004 /PRNewswire-FirstCall via COMTEX/ -- Jefferson Wells International, a leader in providing professional services including those related to Sarbanes-Oxley compliance and corporate governance, says a recent survey shows 92% of internal auditors polled have identified gaps in their own organization's internal controls. These gaps will need to be remediated and retested prior to Section 404 deadlines in November.

"This survey shows that many companies still have significant ground to cover regarding Sarbanes-Oxley compliance," said Jefferson Wells CEO Owen Sullivan. "The amount of resources needed to effectively implement the internal controls requirements of Sarbanes-Oxley is putting a strain on many companies' internal resources, and many of these companies are turning to outside experts to get the work done." Sullivan said that over the past 18 months his firm has been engaged by nearly 400 companies to assist with approximately 650 engagements related to Sarbanes-Oxley.

The survey, conducted by Jefferson Wells and the Institute of Internal Auditors (IIA) to gauge companies' progress in their compliance efforts, showed 50 percent of the companies surveyed were co-sourcing compliance processes with outside experts as a result of inadequate internal resources. In addition, 53% of all internal audit functions have direct responsibility for Sarbanes-Oxley project management. The survey also found that respondents cited "lack of process control-related documentation" (34%) followed by "formal review and approval" gaps (23%) and "segregation of duties" (19%) as the most commonly identified controls gaps.

The most significant challenges internal auditors said they faced related to Sarbanes-Oxley compliance were: 1) insufficient resources; 2) documentation issues; 3) communication issues; 4) lack of definitive standards; 5) size or geographic reach of the organization; 6) lack of guidance from external auditors (tied with) controls identification and testing; and 7) cost of the project.

"Disturbingly, this survey found that 13% of respondents indicated that their companies had not communicated at all with their external auditors about Sarbanes-Oxley," said Sullivan. "Those firms risk an onslaught of last-minute remediation work should their compliance frameworks fall short of the external auditors' standards."

Sullivan pointed out that compliance work will continue long after companies meet Section 404 deadlines. "Organizational change is the primary factor that will determine the extent to which compliance workloads will vary over time, and the primary factor that we expect most companies will underestimate," he explained. "Mergers and acquisitions, modifications in organizational structure, dispositions of companies, and implementations of new technology systems represent changes that require existing internal controls to be re-documented and re-tested, which will cause spikes in compliance-related workloads for many organizations. These changes need to be included in future resource planning," he added.

"Our advice is to think of this as much more than a one-time event," said Sullivan. "Companies that are interested in creating strong standards of corporate governance should keep their Sarbanes-Oxley management structure in place and maintain their compliance stamina for the long haul."

About Jefferson Wells International

Jefferson Wells International, http://www.JeffersonWells.com , is a global provider of professional services in the areas of risk, controls, compliance and financial process improvement. It serves middle-market through Fortune 1000 companies, including more than half of the Fortune 500, through more than 35 offices across North America. Jefferson Wells International is a wholly owned subsidiary of Manpower Inc. (NYSE: MAN).

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