



The Sox start up kit - a Menvestment product

**Vooruitkijken
Vooruitdenken
Vooruitwerken**



Sox / Tabaksblatt start up kit

Required by law

Easy and Quick to implement
and Accepted



Some of our Clients

Unilever Nederland BV,
Molex Inc.,
Tyco Inc.

Steps

- Step 1 - Account mapping
 - Step 2 - Descriptions of processes and internal controls
 - Step 3 - What can go wrong
- Step 4 - Assessment of processes and internal controls
 - Step 5 - Testing
 - Step 6 - Remediation

Step 1 - Account mapping

- Required for Sox
- Predefined document
- Link between accounts and all processes

Microsoft Excel - SOX implementation - Account mapping 2004

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	A	B	C	D	E	F	G	I	J	K	N	O	V	W	X	Y	Z	AA	AC	AF	AG			
4	Company name																							
5																								
6		Process or Business Cycles	Amount on G/L '1,000	Significance (A, B, C, D)	100 MASTER FILE 100.010 Fin master data 200 PURCH GOODS 200.020 Mas vendor master 200.030 Pur 200.040 Warehouseing - receipt of goods 250 INVENTORY 250.010 Maintenance of material master data 300 SALES 300.010 Manage pricing 300.020 Maintain customer master 300.030 Administer contracts 300.040 Manage process, manage & track orders 300.050 Manage delivery schedule - 300.070 Manage Sales 400 SG&A 400.010 Payroll-master file maintenance 400.020 Payroll																			
7	Account					Account Description	Amount																	
9						Cash																		
11	105000					Petty Cash Account	3	X																
41	100903					Outgoing foreign exchange	-6	B																
43	109300					Cash in Transit	127	A																
44						Total Cash	5.444		Y		N	N	N		N			N	N	N	N	N		N
46						Accounts Receivable																		
47						=====																		
48	120000					Accounts Receivable Trade	42.347	A																
50	129000	Reserve for Bad Debts	-653	B																				
57	299114	Clearing A/C - Business Unit #12	-858	A																				
58	129500	Reserve for Returns & Allowances	-440	A																				
59		Total Accounts Receivable	40.234			N		N	N	N		N			N	Y	N	N	Y	Y	N			
71		Inventory																						
72		=====																						
85		Goods	7.249	A		N		N	N	Y		Y		Y	N	N	N	Y	Y		N			
93		Reserve for S & E Inventory																						
94		=====																						
96	149900	Reserve for S&E Inventory	-489	A																				
97	149930	Reserve for General Inventory	-234	A																				
98		Reserve S&E	-767		N		N	N	N		Y		Y	N	N	N	N	N		N				
99		Total Inventory	6.123																					

Version details / Explanations / Process & Accounts Balance / Process & Accounts P&L

Cell D6 commented by rene-j-m.menting

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Microsoft PowerPoint ...

Microsoft Excel - SOX...

12:11

Step 2 - Description of processes and related internal controls

- **One easy to follow document**
- Who is responsible for maintaining the processes and controls
- Control objectives, what can go wrong related to controls
- Process overview easy to understand
- Process activities clear
- Control matrix required but easy to read
- Related internal documents (ISO etc.)
- IT systems involved and version control

Step 2 - Persons involved and activities

Microsoft Word - 700.030 Accounting for debtors

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1. PEOPLE INVOLVED

Management team	Financial Controller
Control Owner	Accounting Manager
Others involved	A/R accountant

2. CONTROL OBJECTIVES

Key	Control Objective	Category /Assertion	Description of Risk
A.1.1	An ageing list for debtors is prepared regularly and is reviewed by management / Debtor accounts are reviewed regularly for old unsettled postings and credit positions	Valuation	Customers invoiced for incorrect products
A.1.2	Idem	Valuation	Customers invoiced at incorrect prices
A.2.1	Proper procedures are established for timely booking of invoices	Existence	Credit notes are not raised / posted on a timely basis
A.6.	Write-offs are authorised	Completeness, Valuation, Existence	Credit notes are raised / posted incorrectly
A.7.1	Credit notes are raised / posted incorrectly	Valuation	Cash due is not collected

3. PROCESS OVERVIEW

On a daily basis the o/s debtors postings are reviewed and followed up by the A/R department. Credit notes are initialized by the Sales department and raised by the A/R department according to approval procedures as pointed out in 300 Sales cycle.

4. PROCESS ACTIVITIES

...

Exchange rate Revaluation
As part of the month end process A/R, A/P and Bank accounts are revalued at the month end exchange rates. Etc. ...

A/R Intercompany
The A/R intercompany statements send over to the subsidiaries in order to receive confirmation. In case of non-

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Step 2 - The control matrix

Microsoft Word - 700.030 Accounting for debtors

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3 1 2 1 1 1 1 2 1 3 1 4 1 5 1 6 1 7 1 8 1 9 1 10 1 11 1 12 1 13 1 14 1 15 1 16 1 17 1 18

Exchange rate Revaluation
As part of the month end process A/R, A/P and Bank accounts are revalued at the month end exchange rates. Etc. ...

A/R Intercompany
The A/R intercompany statements send over to the subsidiaries in order to receive confirmation. In case of non-confirmation details are compared and differences are explained and corrected within one week.

Cut off 1:
Exchange rates are entered in SAP by Treasury department in USA.

5. CONTROL ACTIVITIES

Control No.	Control	Responsible Person	Prevent/Detect	Manual/Auto	Frequency	Procedure for Exceptions
CA 1	The Accounting Manager approves the journal entry in the correction of A/R reserves prior to entry in SAP (new process!!)	Accounting Manager	Prevent	Manual	Month	
CA 2	The Accounting manager and the Financial Controller review the A/R reserves calculation (re acc. 129000) on correctness and completeness during every month end close and sign off for approval.	Accounting manager / Financial Controller	Detect	Manual	Month	
CA 3	The Accounting Manager reconciles the A/R and A/R reserves to the G/L.	Accounting manager	Prevent	Manual	Month	
CA 4	~~~~~					

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Step 2 - ISO, IT and version control

5. CONTROL ACTIVITIES

Control No.	Control	Responsible Person	Pres/Detect	Manual/Auto	Frequency	Procedure for Exceptions
CA 1...7	~~~~~	~	~	~	~	~
CA 8	To check the correctness of the on accounts 12080 and 13080 related to the revaluation process in SAP the Accounting Manager prepares on a monthly basis the Analysis A/R revaluation Excel sheet.	Accounting Manager	Detect	Manual	Month	In case of material differences errors are solved by the Accounting Manager prior to reporting.

6. RELATED DOCUMENTS (ISO procedure, work instruction, policy, etc)

- ISO A/R 1345
- ISO A/R 1456

7. IDENTIFICATION OF INTERNAL CONTROL GAPS TO BE RESOLVED
(Number the gaps, for reference purposes!)

Gap 1: The Financial controller does not sign off the A/R exchange rate calculation
Gap 2: Bad debts % not fixed and not reviewed.

8. VERSION CONTROL (Use the version control on every document!)

Rev.	Issue Date	Author	Description of Changes
A	2005/1...	A. Sarbanes	Draft 1 of internal control document.

Step 3 - What can go wrong

- Internal control risks in one easy to read and easy to use document

Microsoft Excel - Step 3 - What can go wrong

	A	C	G	H	I	J	K
1	Are funds safe from misappropriation or erroneous payments?		Duties are adequately segregated.		Payment requests are secure		Transmitted payment instructions are secured
2	What could go wrong?	Assertion	Clear segregation of duties exist between those responsible for initiating payments, payment authorisation, payment release, bank reconciliations and setting up supplier	Changes to creditor masterfiles are based on original documentation and are reviewed regularly by a commercial manager (eg. the Chief Accountant).	Compensating controls are in place if authenticity is in doubt especially if details are received verbally, faxed or telexed eg. Use of transmission codes & call	Systems controls ensure that alteration of payment details (bank account number etc) is prohibited after payments are authorised.	There is an appropriate process for the bank to verify the authenticity of payment instructions.
3	Payments made for purchases/services not received	Valuation, Ownership, Existence	P	P	P		P
4	Inaccurate / inappropriate invoices are created	Valuation, Ownership, Existence					
5	Inappropriate bank accounts are created	Valuation, Ownership, Existence	P		P		
6	Bank details are inappropriately altered	Valuation, Ownership, Existence				P	
7							
8							
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Step 4 - Assessment of internal control

- Assessment of internal control
- Question:
Do the controls exist?
- Action plan for implementation of revision

Microsoft Word - Step 4 - Assessment of processes and internal controls

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Management team	Financial controller	Assessment performed by	A. Sarbanes
Control Owner	Accounting supervisor	Date of assessment	Jan 2005
Others involved	-		

List all the controls checked for this assessment. Perform a WALKTHROUGH through the process to **validate the existence of listed controls**, e.g. by tracing individual transactions through the process and system from initiation of the transaction up to processing in the financial accounts.

2. ASSESSMENT PERFORMED AND CONCLUSION PER ACTIVITY

Control No.	Control	Assessor	Description of work performed and findings	Does control exist Y/N
CA 1	~~~~~	Ox1 6y	~~~~~	Y
CA 2...4	~~~~~	Ox1 6y	~~~~~	N
CA 5	~~~~~	Ox1 6y	~~~~~	Y

3. CONCLUSION OF ASSESSOR

In addition to the above assessment of the existence of the controls listed, the assessors will perform an assessment of the design effectiveness of such controls (that are rated as 'existing' only) to mitigate the related risks/ ("what can go wrong's") in relation to the significant accounts relevant to the sub process.

Are the controls in design sufficient to address: - the risks ("what can go wrong's")	Effective Y/N	Description of work performed and findings
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Step 5 - Testing of internal control

- Test plans to support auditors with evidence
- Question: Are the controls really working?

Microsoft Word - Step 5 - Testing processes and internal controls

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1. TESTING OF PROCESSES AND INTERNAL CONTROLS - PEOPLE INVOLVED

Management team	Testing performed by
Control Owner	Date of testing
Others involved	

2. CONTENT AND SAMPLE SIZE OF TESTING
(Discuss the size with your CPA or accountant prior to testing!)

3. CONTROL OBJECTIVE TEST ITEMS AND TEST OBJECTIVE
(Mention here what you are testing, ask your CPA if the contents are ok.)

Control objective:

Test items are:

Test objective:

4. TEST WORK ACTIONS TO BE PERFORMED

Interview:

General questions:

- Has the control been operational as described in the control matrix for the entire period of testing?
-because of system failure and has been replaced by a manual control on temporarily basis

Specific questions in relation to control(s):

Observation / Reperformance / Examine documentation

5. Tests to perform - you can also use an Excel sheet!
(Set up test items to be tested and try to have questions answered with Yes or No)

Test item	Description A	Question 1 Yes/No	Question 2 Yes/No	Question 3 Yes/No	Remarks and comments

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Step 6 - Remediation of deficiencies

- Remediation is an internal process.
- Action and action plans can be set up
 - in planning modules
 - in minutes of meeting to be followed up etc.



Start up Sox / Tabaksblatt

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