

Statement for the SEC Small Business Advisory Committee Meeting, August 9-10, 2005 on Sarbanes-Oxley Compliance

Pursuant to our March 27, 2005, comment statement, McAllister Consulting L.L.C. continues to urge the SEC/PCAOB to evaluate and utilize Quality Management Systems (QMS), like ISO 9001, as an acceptable platform for SOx 404 compliance. There is a straightforward connection between the requirements of most QMS and the components of internal control identified by COSO. Utilizing this commonality to demonstrate compliance is cost-effective and self-reinforcing.

On-going investigation and implementation from March, 2005, until now strengthens our position that ISO-based compliance evidence is appropriate. It can link business process data to significant accounts and assertions in a “tops down” manner, consistent with the major business processes as identified by the company itself. Utilizing many of the existing ISO practices (e.g., third-party and internal auditing, corrective action, management review and the fundamental process flows and procedures defining control and hand-off points), an organization should be able to demonstrate most aspects of internal control WITHOUT costly additional activities. The public accounting firms should be allowed and encouraged to accept ISO system data (in some cases, extended “upstream” and “downstream” to capture more strictly financial transactions) in lieu of additional testing or other evidence.

Keeping SOx compliance cost effective helps keep American companies cost competitive in the global market.

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