State of the SOX/Internal Controls Market Survey

2022

SOX PRO
SOX & Internal Controls Professionals Group

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State of the SOX/Internal Controls Market Survey

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Introduction

Dear Colleagues,

The Sarbanes-Oxley Act turns 20 years old this summer. In that time, we've seen SOX compliance evolve from a laborious, manually-intensive exercise that nobody quite understood into a well-established part of internal controls that can serve as the foundation for stronger enterprise risk management.

However, for too many organizations, compliance is still a manually-driven function, which should not continue much longer.

Nevertheless, the report indicates that most compliance employees enjoy their jobs and careers in SOX but spend too much time on compliance testing, remediation, and reporting. They value working remotely, but 40% of respondents feel disconnected from coworkers. Alarmingly, 45% say they experience recurrent or persistent job-related anxiety or depression.

Put simply: Most SOX compliance professionals like their jobs, but it's still a difficult job.

SOX employees want to be engaged but still struggle with current practices, as cybersecurity and ESG risks vie for attention against a fragmented technology landscape. This report aims to assist leaders of SOX compliance teams to overcome these challenges. Audit and compliance leaders need to find a more resourceful way to address setbacks in compliance processes, so teams can provide better risk assurance to the broader organization and board.

In this report, we examine what compliance officers indicated regarding:

• Strains on manpower

• Proliferation of key controls

• Testing

• Internal Audit and SOX compliance's complicated relationship

• Reliance on disconnected technology systems

Use this report's findings to begin planning for the future state of your SOX compliance function, one driven by technology enablement and gained efficiencies.

We hope you find this year's report useful as you strive to improve your team's operations in 2022 and beyond!

Sincerely,

Grant Ostler
Industry Principal, Integrated Risk
Workiva

Executive Summary

For the seventh consecutive year, the SOX & Internal Controls Professionals Group and Workiva surveyed the market for insights about the costs, execution, and challenges of complying with Sarbanes-Oxley.

The survey was conducted online in March and April of 2022, as much of the United States was shaking off the COVID-19 pandemic and returning to more "normal" operations. This year, 306 SOX professionals responded to the survey.

The 2022 State of the SOX/IC Market Survey offers a balanced perspective of the present state of SOX and internal controls management based on SOX professionals with varying degrees of maturity.

Key Findings From the 2022 State of SOX/IC Market Survey

I. SOX professionals generally enjoy their jobs

The key to success for any SOX compliance function is its people, which means SOX compliance leaders must be able to recruit and retain the best possible talent. This year, we found that most SOX compliance professionals (more than 80%!) are satisfied with both their jobs and overall careers. They enjoy challenges, such as helping organizations reduce risk and working with teams to complete projects.

This means that the "raw material" for a strong team is there, but obstacles still remain. For example, 41% of respondents said remote work has left them feeling less connected to coworkers. Because of this, SOX compliance team leaders need to think about using technology and embarking on innovative risk management projects to keep teams enthusiastic and engaged—as well as staying put.

II. The number of key controls fluctuated, but still followed revenue size

In 2020, the SOX Pro Group first identified that a company's key controls are directly proportional to revenue – higher annual revenues equal better key controls.

That pattern held true again this year, even while the number of key controls fell year over year for some revenue bands. For example, among companies with more than $5 billion in annual revenue, the average number of key controls fell from 536 in 2021 to 490 this year—but this group still had more controls than companies with $2 billion to $5 billion in revenue, which had more controls than those with $750 million to $2 billion in revenue, and so forth.

The question for SOX compliance leaders is how to determine the right number of controls for your organization. As always, this requires a careful analysis of control design, workforce structure, IT capabilities, and strategic objectives for coming years.

Key Findings From the 2022 State of SOX/IC Market Survey (continued)

III. Testing is a burden, but perhaps that isn't a surprise

Compliance teams struggle with testing. 64% of respondents cite delays in obtaining evidence for testing as a pain point in their audit process, and 38% said their testing control team was under-resourced.

On the other hand, more than 90% of respondents say they use either little or no automation in testing, essentially, unchanged from the 96% who gave that answer in 2021. Coupled with the legacy tools organizations use to collect evidence for testing, perhaps these results aren't surprising.

Because automation is still so rarely used, compliance teams have an opportunity to gain momentum by implementing automation over the next several years. With well-executed planning, implementation can improve efficiency and alleviate tedious burdens on your team, giving them more time to focus on cybersecurity, control design, and other high-value work.

IV. Internal audit teams have a complicated relationship with SOX

56% of respondents indicate that internal audit has primary responsibility for SOX compliance, up from 42% in 2021. There is a clear pattern, however, that smaller organizations (those with less than $750 million in annual revenue) depend on internal audit teams for SOX compliance, while large organizations are more likely to use dedicated internal control teams or SOX project management offices.

The crucial question is whether internal audit teams spend too much time on SOX compliance, especially given the relentless rise in cybersecurity risk and other compliance hurdles, such as ESG disclosures. One ominous sign: Among organizations where internal audit is responsible for SOX, 39% say they spend too much time on the task.

Again, this brings up the question of how internal audit teams can "rethink" their time spent on SOX. Team leaders need to consider technology investments and board and senior executives' objectives to help internal audit focus on risk management overall rather than just on SOX compliance.

Key Findings From the 2022 State of SOX/IC Market Survey (continued)

V. Technology is still a fragmented landscape

This year's survey respondents continue to report using a wide range of technology tools to perform their SOX compliance tasks. This should be no surprise—we saw the same fragmented landscape in prior years, with traditional tools still playing a dominant role.

For example, 55% of respondents said they use desktop systems for scoping and risk assessments, and 31% said they use legacy tools for controls testing, despite also saying elsewhere that testing is one of the biggest burdens they have.

If SOX compliance leaders want to unshackle their teams and leverage their compliance efforts for better enterprise risk management, more strategic use of technology is the place to start. Compliance teams should consider how to simplify their technology stack, move to collaborative, cloud-based services, and embrace automation. From there, employees can provide better assurance and deliver more insight about business risk, which is precisely what senior management teams need in today's highly-regulated landscape.
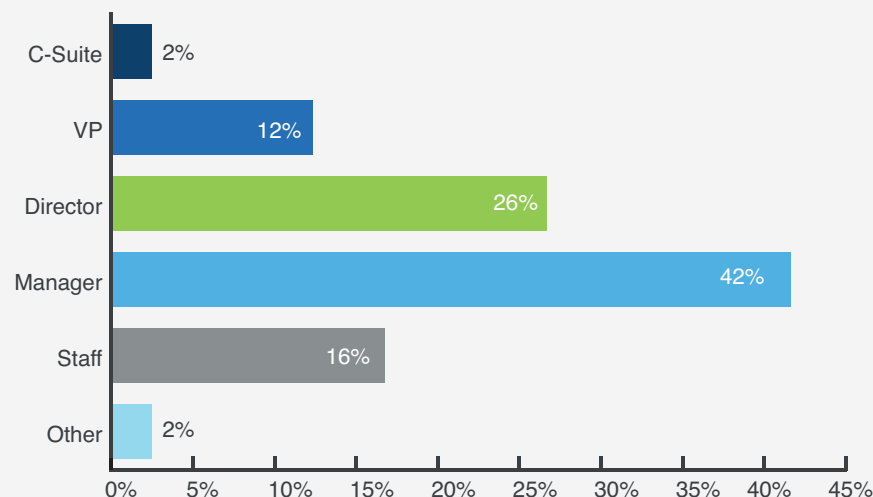
Survey Demographics

This year's survey takers include executives from numerous roles that include both planning and executing SOX compliance programs. Respondents also represent a wide range of industries and company sizes, from less than $75 million to more than $30 billion in annual revenue.

On average, survey takers have spent nearly 13 years in SOX compliance. 46% are CPAs, 50% have the certified internal audit (CIA) certification, and many also have other professional certifications related to internal audit or compliance.

The number of respondents from large organizations (more than $5 billion in annual revenue) fell from 41% in last year's survey to 31% this year. The portion from smaller companies ($750 million or less in revenue) rose from 15% to 34%.

What best describes your role?

Role	Percentage
C-Suite	2%
VP	12%
Director	26%
Manager	42%
Staff	16%
Other	2%

306 respondents

What was your organization's revenue for the last fiscal year?

Revenue	Percentage
<$75M	10%
$75M–250	9%
$250M–750	15%
$750M–$2B	18%
$2B–$5B	17%
$5B–10B	11%
$10B–30B	10%
>30B	10%

3
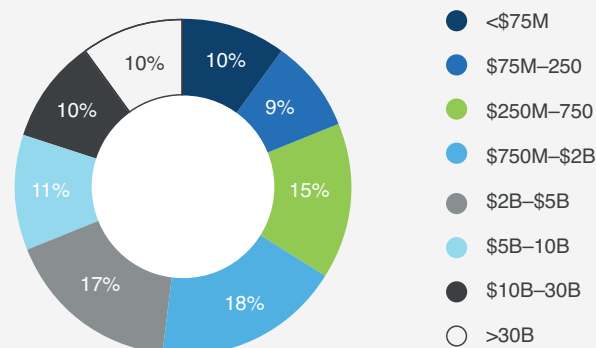
Survey Demographics

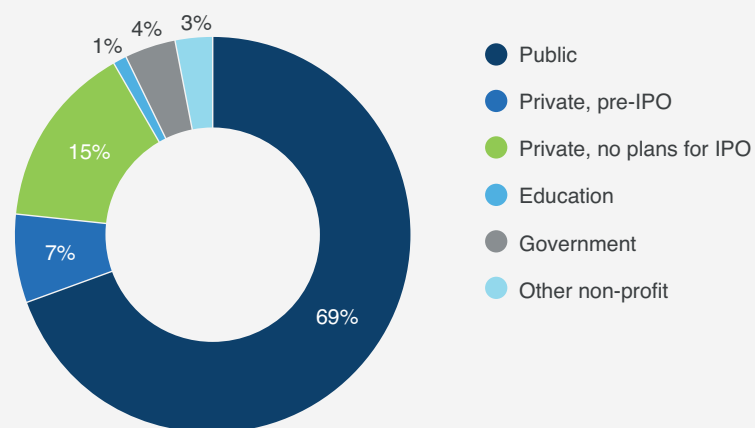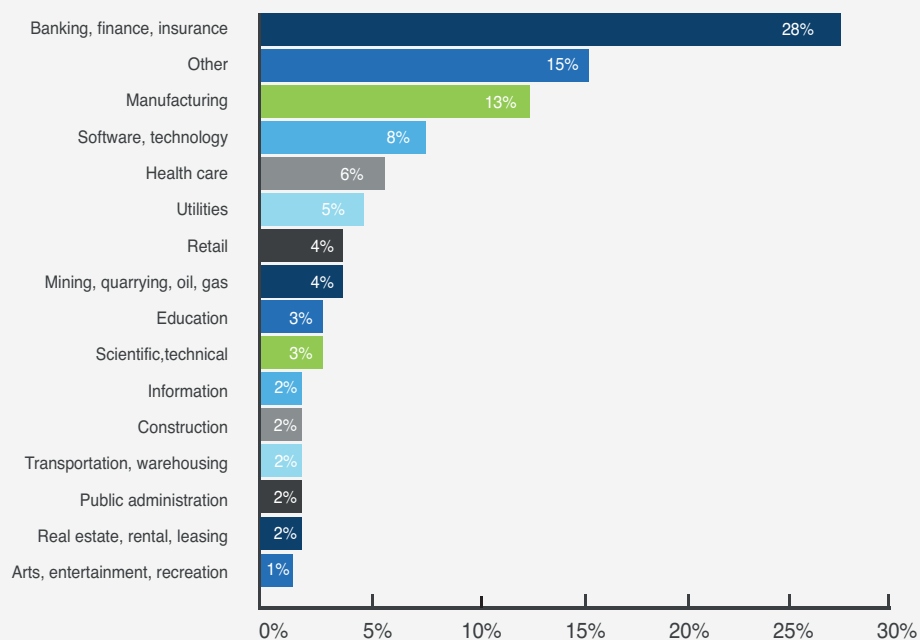69% of all respondents come from publicly-traded companies. Another 7% hailed from private firms on a pre-IPO path, and 15% from private companies that currently have no plans for an IPO. The remainder came from education, government, or nonprofit organizations.

The single largest industry represented in this year's survey is banking and financial services (28% of the total), followed by manufacturing (13%), and then software (8%). Together, those three groups accounted for half of all respondents, followed by these various industries: health care, utilities, mining, retail, and more.

What best describes your type of organization?

- Public
- Private, pre-IPO
- Private, no plans for IPO
- Education
- Government
- Other non-profit

4% 3% 1% 15% 7% 69%

What industry does your company best fit?

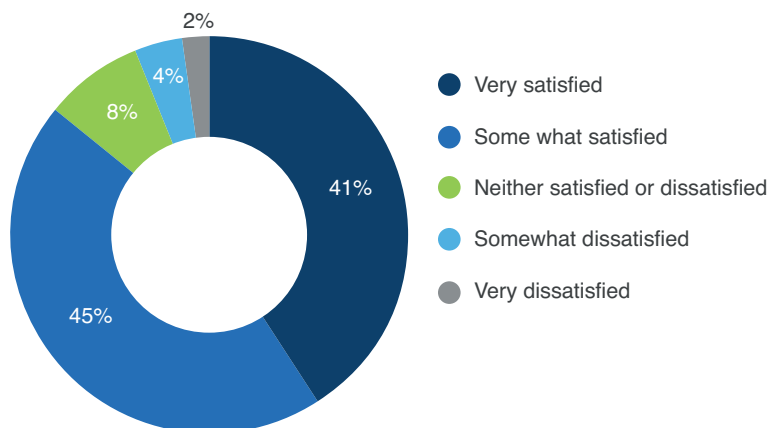| Industry	Percent
Banking, finance, insurance	28%
Other	15%
Manufacturing	13%
Software, technology	8%
Health care	6%
Utilities	5%
Retail	4%
Mining, quarrying, oil, gas	4%
Education	3%
Scientific, technical	3%
Information	2%
Construction	2%
Transportation, warehousing	2%
Public administration	2%
Real estate, rental, leasing	2%
Arts, entertainment, recreation	1%

0% 5% 10% 15% 20% 25% 30%

Finding I. SOX professionals generally enjoy their jobs.

We first asked SOX compliance professionals about their job and career satisfaction in 2020, primarily to understand how people were weathering the disruption of the COVID-19 pandemic. Considering how important employee retention and talent recruitment are for a successful compliance function, we subsequently decided to make this a permanent part of the SOX State of the Market Survey.

By and large, SOX professionals are happy with both their current roles and their career paths. 41% of respondents said they were very satisfied with their jobs, and another 46% were at least somewhat satisfied. Only a tiny number —2%— were decidedly unhappy.

How satisfied are you in your current role?

- ● Very satisfied
- ● Some what satisfied
- ● Neither satisfied or dissatisfied
- ● Somewhat dissatisfied
- ● Very dissatisfied

2%
4%
8%
41%
45%

Moreover, the top reasons why SOX professionals enjoy their careers are all answers SOX compliance leaders want to hear:

- • "I help the company prevent risk."

- • "I enjoy collaborating across teams."

- • "I enjoy project management."

Compliance teams will continue to encounter these challenges as businesses evolve into global organizations, which have complex operations and highly-regulated environments.

That said, survey takers express concerns about the work environment that SOX team leaders cannot ignore. Respondents who have returned to full-time, on-site work are least likely to be very satisfied with their jobs–Only 17% compared to 42% of employees who work in a hybrid arrangement and 46% who are fully remote.

At the same time, more than 40% of respondents feel disconnected from their coworkers from remote work, even though 75% described team morale as either good or excellent. More than 80% report that their employers will offer some sort of remote-work flexibility over the long term, and more than 70% say a company's remote-work policy is an important factor for employment consideration.

For SOX compliance team leaders battling the Great Resignation, these findings are a mixed message. The good news is that most employees seem to like their jobs and career paths, so the "raw material" for a strong team is there—if leaders can keep teams happy and lure talent with challenging work. That will require a thoughtful set of workplace policies, a clear vision for how SOX compliance can be valuable to your organization, and continued embrace of new technologies.

45% of respondents reveal that they experience recurrent or persistent job-related anxiety or depression.

Do you experience recurrent or persistent job-related anxiety or depression?

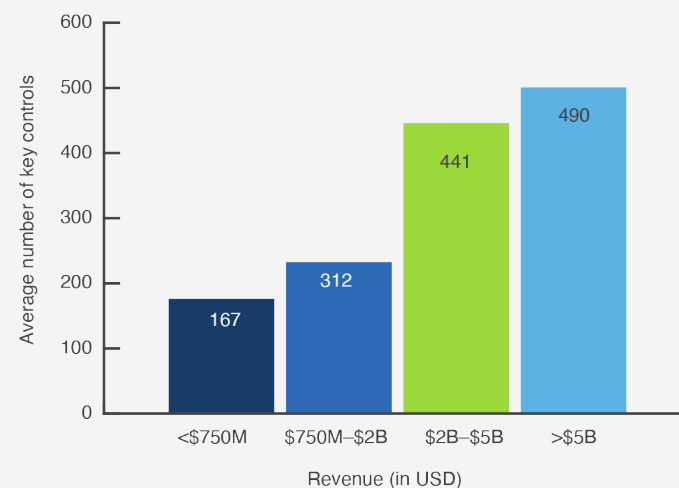| 7% | 38% | 39% | 16% |

- ● Often
- ● Sometimes
- ● Rarely
- ● Never
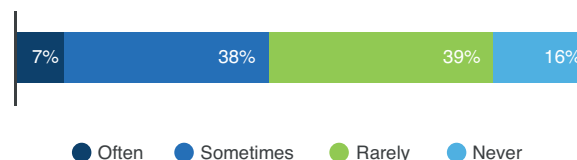
Finding II. The number of key controls fluctuated but still followed revenue size.

The number of key controls that a company has depends on many variables, and most of them are specific to each organization. One variable, however, seems to apply widely: the number of key controls correlates with annual revenue.

The SOX Pro Group first documented this pattern in 2020. This year, while the number of key controls fell year-over-year for some revenue bands, the pattern still held true: The more revenue your organization reports, the more key controls you have. For example, among companies with more than $5 billion in annual revenue, average number of key controls fell from 536 in 2021 to 490 this year—but this group still had more controls than companies with $2 billion to $5 billion in revenue, which had more controls than those with $750 million to $2 billion in revenue, and so forth.

The largest decline in key controls happened among the smallest companies, with less than $750 million in revenue: Their average number of key controls dropped by 31%. That could be due to deliberate efforts such as controls rationalization or new IT systems, or it might also stem from the different mix of companies responding in this year's survey.

Average estimates of key controls

How did the number of findings from SOX testing for 2021 compare to 2020?
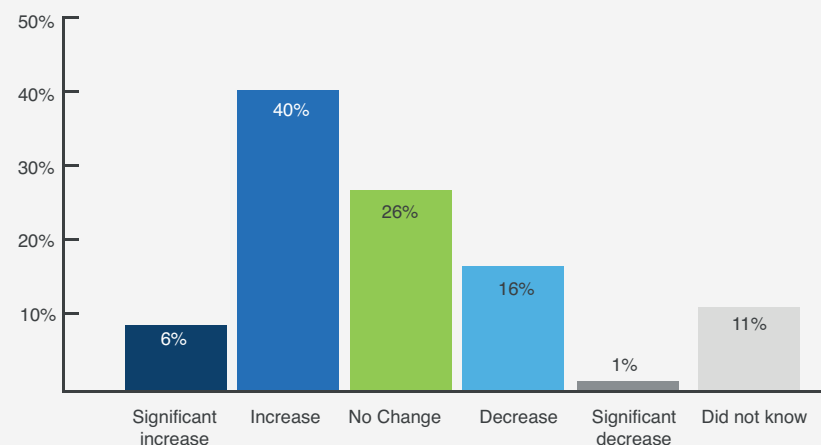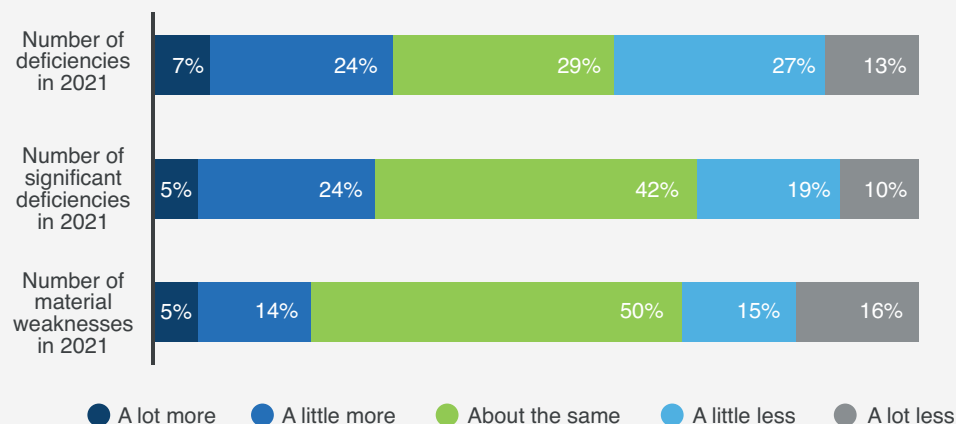
Finding II. The number of key controls fluctuated, but still followed revenue size.

The results of testing those key controls were, for the most part, similar to what respondents reported last year. For example, 79% of respondents indicate that the number of deficiencies found from testing is either the same, slightly more, or slightly less than the deficiencies found last year. Among those who found significant deficiencies, 85% report that the number is either the same, slightly more, or slightly less than the number from last year.

The question for SOX compliance leaders is how to find the ideal number of key controls for your organization. Clearly, there is some minimum number of key controls that are necessary for all companies, no matter their annual revenue. However, as businesses grow and key controls increase, compliance leaders will need to spend more time thinking about how to keep the number of key controls as low as possible. That may involve moving to cloud-based technology or redesigning financial processes as part of controls rationalization.

How did the rate of findings from SOX testing for 2021 compare to 2020?

	A lot more	A little more	About the same	A little less	A lot less
Number of deficiencies in 2021	7%	24%	29%	27%	13%
Number of significant deficiencies in 2021	5%	24%	42%	19%	10%
Number of material weaknesses in 2021	5%	14%	50%	15%	16%

● A lot more ● A little more ● About the same ● A little less ● A lot less

Finding III. Testing is a burden, but perhaps that isn't a surprise.

Testing of controls continues to be an ordeal for compliance teams. 64%of respondents cite delays in obtaining evidence for testing as a pain point in their audit process, and 38% report that their testing control team is under-resourced. Half of respondents say testing takes more time than they had planned; 14% reveal that testing takes "much more" time.
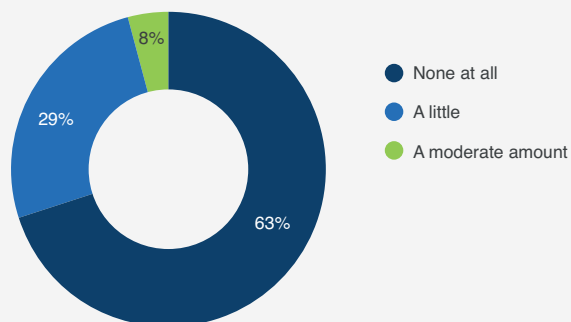
In theory, compliance teams could alleviate testing burdens with software bots or other automation, but in practice, automation isn't happening. More than 90% of respondents report that they use either little or no automation in testing, essentially unchanged from the 96% who gave that answer in last year's survey. This low rate of adoption raises a tough but fair question: Should anyone be surprised that testing is so difficult? Few are embracing the technology available to alleviate the burden.

All that said, automating controls testing does seem to be a priority for 2022 and beyond. When respondents were asked to list their concerns and

areas of focus for the coming year, automated testing ranks second at 48%. The next question, however, is whether SOX compliance leaders will be able to deliver on those ambitions. To secure the necessary investments in automation, team leaders need to articulate a compelling business case. That means demonstrating how automation can lead to better risk management overall, more efficiency, and better use of personnel since they won't be bogged down in the tedium of collecting evidence.
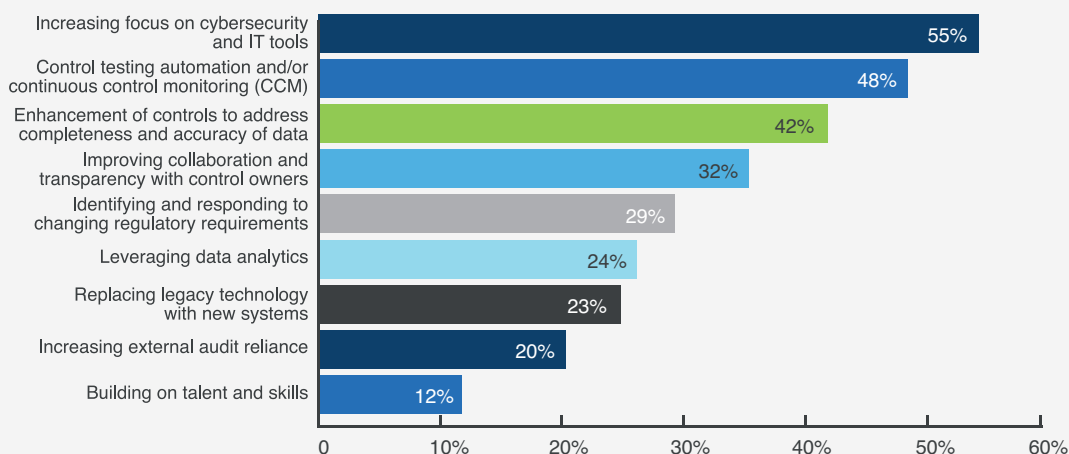
We should also note that while internal audit teams might be slow to embrace automation and data analytics, respondents say their external audit teams are embracing those next-generation technologies. That dynamic could leave SOX compliance teams facing a scenario where the external auditors are finding more errors and weaknesses because they use automation, while internally teams struggle to keep pace—and to address the many other enterprise risks that need attention.

To what extent have you started using bots or automated routines in your testing?

- None at all — 63%
- A little — 29%
- A moderate amount — 8%

What are the top priorities or areas of focus for your SOX compliance program?
(Select top 3)

Priority	Percentage
Increasing focus on cybersecurity and IT tools	55%
Control testing automation and/or continuous control monitoring (CCM)	48%
Enhancement of controls to address completeness and accuracy of data	42%
Improving collaboration and transparency with control owners	32%
Identifying and responding to changing regulatory requirements	29%
Leveraging data analytics	24%
Replacing legacy technology with new systems	23%
Increasing external audit reliance	20%
Building on talent and skills	12%

Finding IV. Internal audit teams have a complicated relationship with SOX.

The responsibility that internal audit teams have for SOX compliance has always been a tricky subject, freighted with questions about whether internal audit teams spend too much time on SOX compliance duties at the expense of other risk management needs. This year is no exception.

56% of respondents indicate that internal audit has primary responsibility for SOX compliance, up from 42% in 2021 and 45% in 2020. That jump, however, might be due to the larger number of smaller organizations in this year's survey, because there is a clear pattern that smaller organizations (those with less than $750 million in annual revenue) depend on internal audit teams for SOX compliance, while larger organizations ($5 billion or more in revenue) use dedicated internal control teams or SOX project management offices more often.

This raises the question of whether smaller organizations are placing too much of a SOX compliance burden on their internal audit teams. Among subjects who cite that internal audit takes the lead on SOX compliance at their organizations, 39% say internal audit spends too much time on SOX. Only 21% hailing from organizations with a SOX project management office say the same about their internal audit teams. Among those where the corporate controller manages SOX compliance, the number is 20%.

Internal audit leaders should consider why their teams might end up spending too much time on SOX compliance. For example, many respondents report that they spent more time than anticipated on testing (which we discuss elsewhere in the report), and respondents also say spending more time on cybersecurity is a top priority for the coming year. So internal audit leaders might want to consider ways to automate testing to free up more time for cybersecurity risk analysis, or perhaps implement deeper, more strategic changes such as co-sourcing or launching a dedicated SOX project management office.

Which team is responsible for SOX compliance?
(select all that apply)
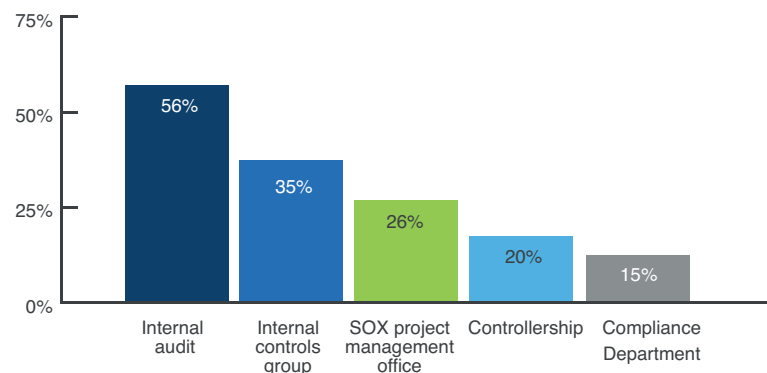
Responsible for SOX compliance, high vs. low revenue
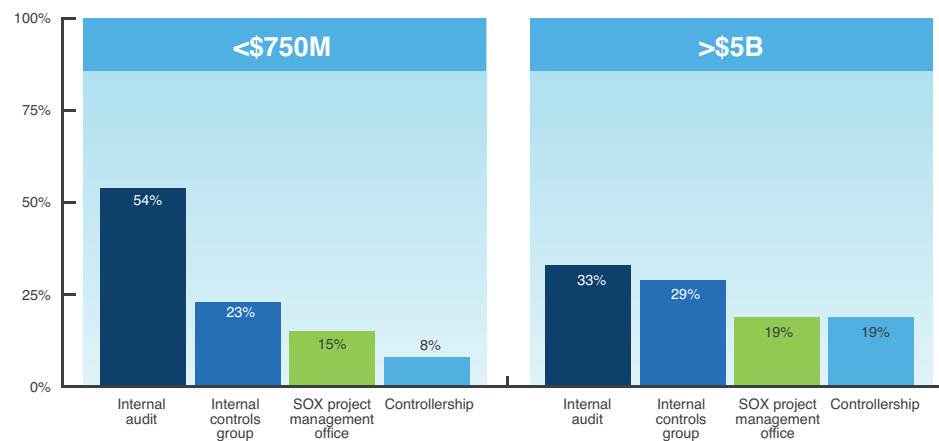
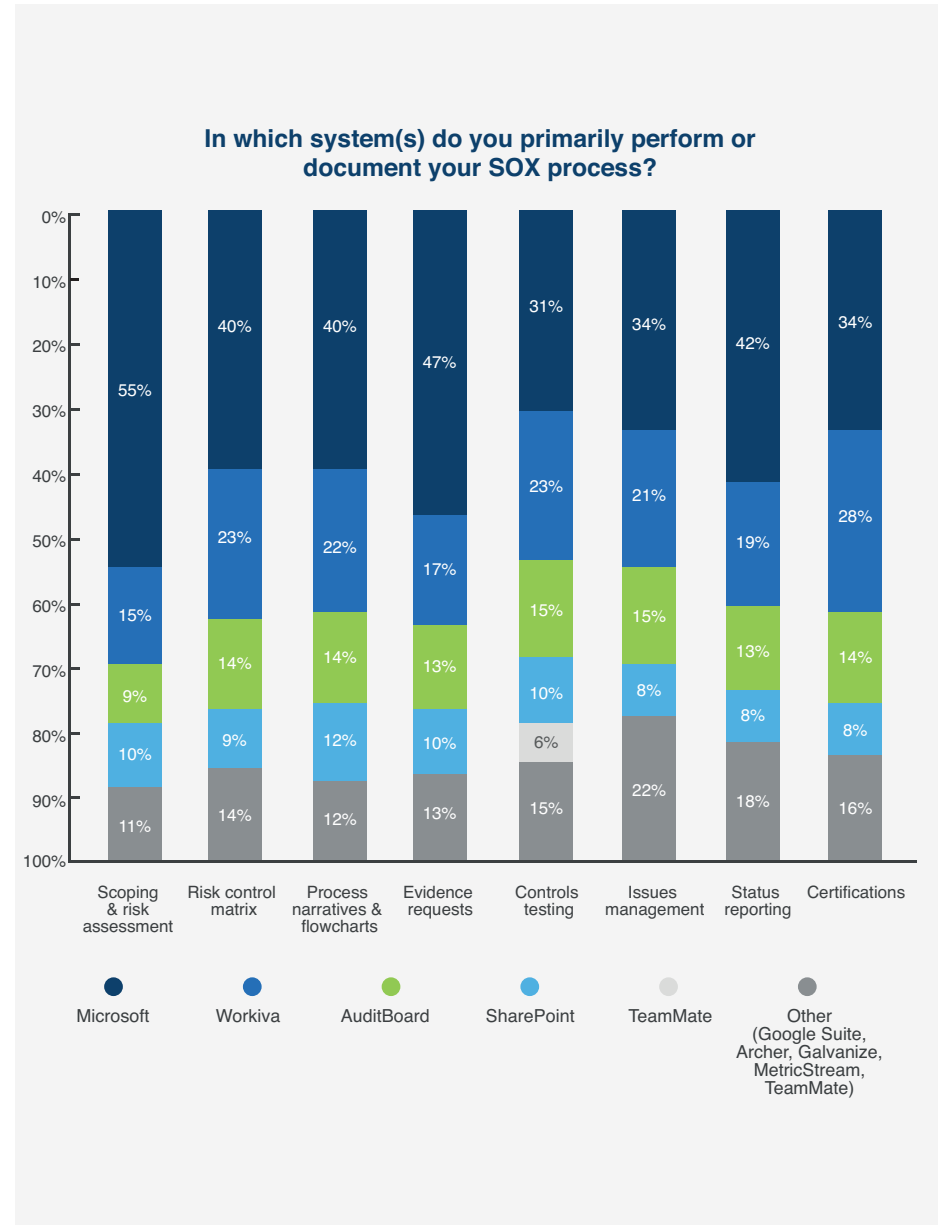# Finding V. Technology is still a fragmented landscape.

Astute use of technology is crucial for efficient SOX compliance. Too many compliance teams, however, still depend on desktop software for a variety of compliance tasks. For example:

- 55% of respondents said they use Office for scoping and risk assessments

- 47% said they use Office for evidence requests

- 31% said they use Office for controls testing, despite respondents saying elsewhere that testing is one of the biggest burdens they have

Moreover, most organizations use multiple systems for SOX compliance: traditional software for some tasks, legacy GRC vendors for others, and cloud-based GRC vendors for more.

This can pose formidable challenges when trying to govern the SOX compliance program as a whole. Your team might spend more time than necessary cutting and pasting data from one system to another (not to mention the risk of error while doing so), squander valuable time on manual processes that should be automated, or struggle to integrate newly acquired business units that might bring legacy IT systems and processes along with them.

Such headaches are especially likely for smaller organizations, where internal audit is more likely to be in charge of SOX compliance and less likely to have versatile, well-integrated technology stacks. In turn, those shortcomings lead right back to the personnel challenges mentioned in Finding 1: To assemble (and keep) good teams, organizations need to offer them better technology so they can focus their energy on more challenging projects.

In which system(s) do you primarily perform or document your SOX process?

	Scoping & risk assessment	Risk control matrix	Process narratives & flowcharts	Evidence requests	Controls testing	Issues management	Status reporting	Certifications
Microsoft	55%	40%	40%	47%	31%	34%	42%	34%
Workiva	15%	23%	22%	17%	23%	21%	19%	28%
AuditBoard	9%	14%	14%	13%	15%	15%	13%	14%
SharePoint	10%	9%	12%	10%	10%	8%	8%	8%
TeamMate					6%			
Other	11%	14%	12%	13%	15%	22%	18%	16%

- Microsoft
- Workiva
- AuditBoard
- SharePoint
- TeamMate
- Other (Google Suite, Archer, Galvanize, MetricStream, TeamMate)

Recommendations

SOX compliance evolves year after year: business processes change, automation tools advance, accounting changes go into effect, people on your team come and go. As you ponder the findings of this year's SOX State of the Market survey, consider these recommendations to prepare for the future.

Embrace automation

While the use of automation remains low among SOX compliance teams today, that does mean there is ample opportunity to embrace automation in years to come. Compliance leaders should seize that opportunity, especially for time-consuming and tedious tasks such as collecting evidence for controls testing.

Keep evaluating your key controls

There is no single correct number of key controls, and as we see in this year's report, that number can fluctuate up or down in any given year. The question for each individual SOX compliance team is whether the specific number of key controls is moving in the right direction. The pandemic, escalating cybersecurity risks, the Great Resignation, and other macro-economic forces have all put businesses through enormous upheaval. Compliance teams must constantly ask not whether they have too many or too few key controls, but rather, the right number of controls given the changes businesses have seen lately.

Use technology for greater organizational impact

Better use of technology doesn't just alleviate burdens around controls testing or documenting remediation. Planned and implemented correctly, better use of technology can let SOX compliance and internal audit teams deliver more value across the whole enterprise.

For example, automation can free up staff time for other priorities such as assessing cybersecurity threats. More transparency can help to escalate issues to the correct process owners more quickly. At a larger level, better insight into financial reporting weaknesses allows senior executives to consider changes to accounting policies, sales practices, and other business processes with more clarity and certainty.

The bottom line is that better technology allows internal audit to focus on value-added activities that support corporate strategy and risk management. Leaders should consider how to implement technology in that manner, and move forward.

Use technology to support your people too

Automation, analytics, artificial intelligence, cloud-based IT, and other next-generation technology permit teams to utilize their full potential. By reducing tedious tasks and low-value activities, they can focus on more important, challenging efforts such as cybersecurity or control design. Empowering your team to tackle these more challenging projects also entices them to stay with your organization longer—a point not to be ignored while the Great Resignation keeps roiling the market for skilled talent.

We would also be remiss if we did not reflect on the statistic that 45% of respondents said they experience recurrent or persistent job-related anxiety or depression. Technology can play a role here too, helping employees to stay engaged with each other and the work they do.

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Members of the SOX & Internal Controls Professionals Group are actively involved with SOX, internal controls, and internal audit processes for public and private companies, including documenting, evaluating and testing internal controls, and processes. The SOX Pro Group fosters networking and industry thought leadership and provides unique opportunities for members to share best practices. There is no cost to join, and membership provides access to a broad network of other like-minded professionals while helping them increase their value and influence across their organizations. Visit soxprofessionalsgroup.org for more information.

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Workiva Inc. (NYSE: WK) simplifies complex work for thousands of organizations worldwide. Customers trust Workiva's open, intelligent, and intuitive platform to connect data, documents, and teams. The results: more efficiency, greater transparency, and less risk.
Learn more at workiva.com.

Join SOX Pro!

You're not alone—most SOX compliance personnel enjoy their work and want to make a career out of it! As we approach the 20th anniversary of the Sarbanes-Oxley Act, clearly, this profession is here to stay and offers a long, challenging career path.

So why not share your wisdom, struggles, insights, and victories with other SOX compliance professionals? Everyone needs a community. The SOX Pro Group is happy to be yours.