



Sarbanes-Oxley Section 404: The Costs of Compliance

**Grace Hinchman
Senior Vice President
Financial Executives International**

FEI Section 404 Cost Survey

- Conducted in January 2004
- Survey of 321 FEI public companies
- Companies expect to spend on average for compliance:
 - 12,000 hours of internal work
 - 3,000 hours of external work
 - Additional \$590K in auditor fees – average increase of 38%
 - Additional \$700K in software and IT consulting
 - Total first-year compliance costs - \$1.9 million

FEI Section 404 Cost Survey

- For the largest U.S. companies (annual revenues greater than \$5 billion):
 - 35,000 internal hours
 - 6,200 external hours
 - Total first-year compliance costs - \$4.7 million
- Hours/Cost estimates are proportional to companies revenue

FEI Section 404 Cost Survey

- Documentation will cover 92% of total revenues and 79% of locations
- Auditors will test 57% of documented processes
- Deployment of permanent tool solution
 - 25% already completed
 - 52% anticipated in 2004
 - 10% anticipated after 2004
 - 13% no specific plans



http://www.fei.org/news/404_survey.cfm