COSO Releases Discussion Document with Guidance on Monitoring Internal Control

Public comment period to end October 31

ALTAMONTE SPRINGS, Fla. - The Committee of Sponsoring Organizations of the Treadway Commission (COSO) is pleased to announce the release of its discussion document: Guidance on Monitoring Internal Control Systems. Developed by COSO and led by a diverse Grant Thornton LLP team, the guidance is designed to help organizations monitor the quality of their internal control systems. Accompanying the release of the discussion document is access to a Web-based feedback portal. The comment period will end October 31, 2007.

"This guidance more fully develops the monitoring component of COSO’s Internal Control - Integrated Framework,” says COSO Chairman Larry Rittenberg, Ph.D. “The guidance is appropriate for organizations of any size or structure to improve the quality of their internal controls systems for multiple business purposes, but especially those dealing with the reporting requirements under the U.S. Sarbanes-Oxley Act of 2002, Section 404.”

The guidance applies to the internal control objectives over financial reporting, as well as the objectives related to effective operations and compliance. In addition, it includes the principles of effective internal control over financial reporting developed by COSO in 2006, and reiterates the importance of those principles to all organizations — regardless of size. Rittenberg stresses the breadth of the project’s scope, which comprises the fundamentals of monitoring, and an in-depth examination of various types of information normally available in an organization that could be used to monitor the effectiveness of
internal controls.

In addition to the project team — including Grant Thornton LLP partners, and led by Grant Thornton Managing Partner of National Corporate Governance Trent Gazzaway — the project utilized an oversight task force consisting of representatives from COSO's five sponsoring organizations and other experts; participation by the U.S. Government Accountability Office; and representatives from audit firms and both large and small companies. Also, there were project observers from both the SEC and the PCAOB.

“We were diligent in being inclusive of a variety of entities from the very beginning of this important project,” says Rittenberg, “and were pleased to have input and feedback from task force members who deal with controls and operations every day.”

Through the feedback portal, COSO is asking specific questions about the clarity and applicability of the guidance. Input from respondents will be used in developing an exposure draft, to be released later this year, including tools, case studies, and implementation guidance. The final full publication currently is scheduled for release during the first quarter of 2008.

Rittenberg points out that the goal is to deliver a finished product with broad applicability and demonstrable effectiveness. “We think we’re making significant progress, and additional practitioner input beyond that of our team will really help to ensure our final product meets the needs of multiple stakeholders. The guidance is conceptually solid and, along with the practical examples, should be very useful to all organizations,” he says.

Originally formed in 1985 to sponsor the National Commission on Fraudulent Financial Reporting, COSO is a voluntary private sector organization dedicated to improving the quality of financial reporting through business ethics, effective internal controls, and corporate governance. COSO comprises the American Accounting Association (AAA), the American Institute of Certified Public Accountants (AICPA), Financial Executives International (FEI), the Institute of Management Accountants (IMA), and The Institute of Internal Auditors (IIA).