

**FEI Survey: Sarbanes-Oxley Compliance Costs are Dropping;
Average Compliance Costs are \$3.8 Million, Down 16% from Prior Year;
Reductions About Half of What Were Anticipated**

Florham Park, N.J. – April 6, 2006 – Sarbanes-Oxley Section 404 compliance cost Corporate America less in year two of adoption than in year one, according to a survey released today by Financial Executives International (FEI). FEI polled 274 public companies, of which 238 are “accelerated filers” according to SEC definitions and have average revenues of \$6 billion, to gauge experiences in complying with Sarbanes-Oxley’s Section 404. This is the fourth SOX compliance survey FEI has conducted since 2004.

According to the FEI survey, the accelerated filers’ total average cost for Section 404 compliance was \$3.8 million during fiscal year 2005, down 16.3 percent from 2004. The data shows that many of these reductions can be attributed to lower staff and consultant time and reduced auditor fees, including the following 2005 vs. 2004 comparisons:

- Internal staff time decreased 11.8 percent
- External costs, including software and consultant fees, but excluding primary auditor fees, fell 22.7 percent
- Auditor attestation fees dropped 13 percent.

Yet, despite the decreases in these overall Sarbanes-Oxley 404 costs, 85 percent of companies still do not believe that the benefits of compliance with Section 404 have exceeded the costs.

“We’ve made strides during the second year of Section 404 implementation, but there is still room for improvement. Based on the feedback from our members, it is clear that the degree of documentation is the number one issue,” said FEI President and CEO Colleen Cunningham. “While an overall decline materialized, the decline was less than anticipated compared to an expectation by most companies surveyed by FEI last year. A year ago companies predicted non-auditor expenditures to drop 39 percent and auditor fees to drop 26 percent.”

Lower Internal Staff Hours

Increased efficiencies have reduced the number of internal staff hours needed to comply with Section 404 in 2005:

- Companies said that they had required an average of 22,786 people hours internally to comply with Section 404 in 2005
- This average was 11.8 percent less than these companies required during 2004, with companies between \$75 million and \$699 million reducing internal hours by 8.5 percent.

Fewer External Resources

Year two of Section 404 has required less of an investment in external resources, such as software, consultants and other vendors. In fact, respondents’ external costs averaged \$1.3 million in 2005, representing an average of 22.7 percent from 2004. Other supporting findings include:

- Responding companies said that they required an average of 4,888 external people hours to comply with Section 404 in 2005

- This represented an average of 18.9 percent fewer hours than during their first year of compliance.

Investor Confidence Up

The survey found a correlation between the size of a company and its views on the benefits of compliance benefits, with larger companies viewing it more favorably than smaller companies. However, a common theme across companies was the increase in investor confidence.

- 56 percent agreed that compliance with Section 404 has resulted in greater investor confidence in financial reports. Among large companies with more than \$25 billion in revenue, 83 percent agreed
- 44 percent agreed that financial reports are more reliable
- 38 percent agreed that financial reports are more accurate
- 33 percent agreed that compliance with Section 404 has helped prevent or detect fraud

Room for Improvement

When given the opportunity to suggest how the implementation of Section 404 could be made more efficient or effective, companies identified the following top recommendations:

- Reduce the degree of documentation (67 percent)
- Permit greater reliance on internal audit data and resources (66 percent)
- Clarify the definition of “key controls” (55 percent)
- Permit roll-forward procedures (58 percent)
- Allow cumulative reliance on year one testing and documentation (53 percent)

The full survey results and an executive summary are available for purchase at www.fei.org.

About Sarbanes-Oxley Section 404

Section 404 requires each company’s annual report to contain (1) a statement of management’s responsibility for establishing and maintaining an adequate internal control structure and procedures for financial reporting; and (2) management’s assessment, as of the end of the company’s more recent fiscal year, of the effectiveness of the company’s internal control structure and procedures for financial reporting. Section 404 also requires the company’s auditor to attest to and report on management’s assessment of the effectiveness of the company’s internal controls and procedures for financial reporting.

About FEI

Financial Executives International (FEI) is the leading advocate for the views of corporate financial management. Its 15,000 members hold policy-making positions as chief financial officers, treasurers and controllers. FEI enhances member professional development through peer networking, career management services, conferences, teleconferences and publications. Members participate in the activities of 85 chapters, 74 in the U.S., 11 in Canada.

Media Contact

Kristen Crofoot
Financial Dynamics
212-850-5692/ kcrofoot@fd-us.com

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