

executive report



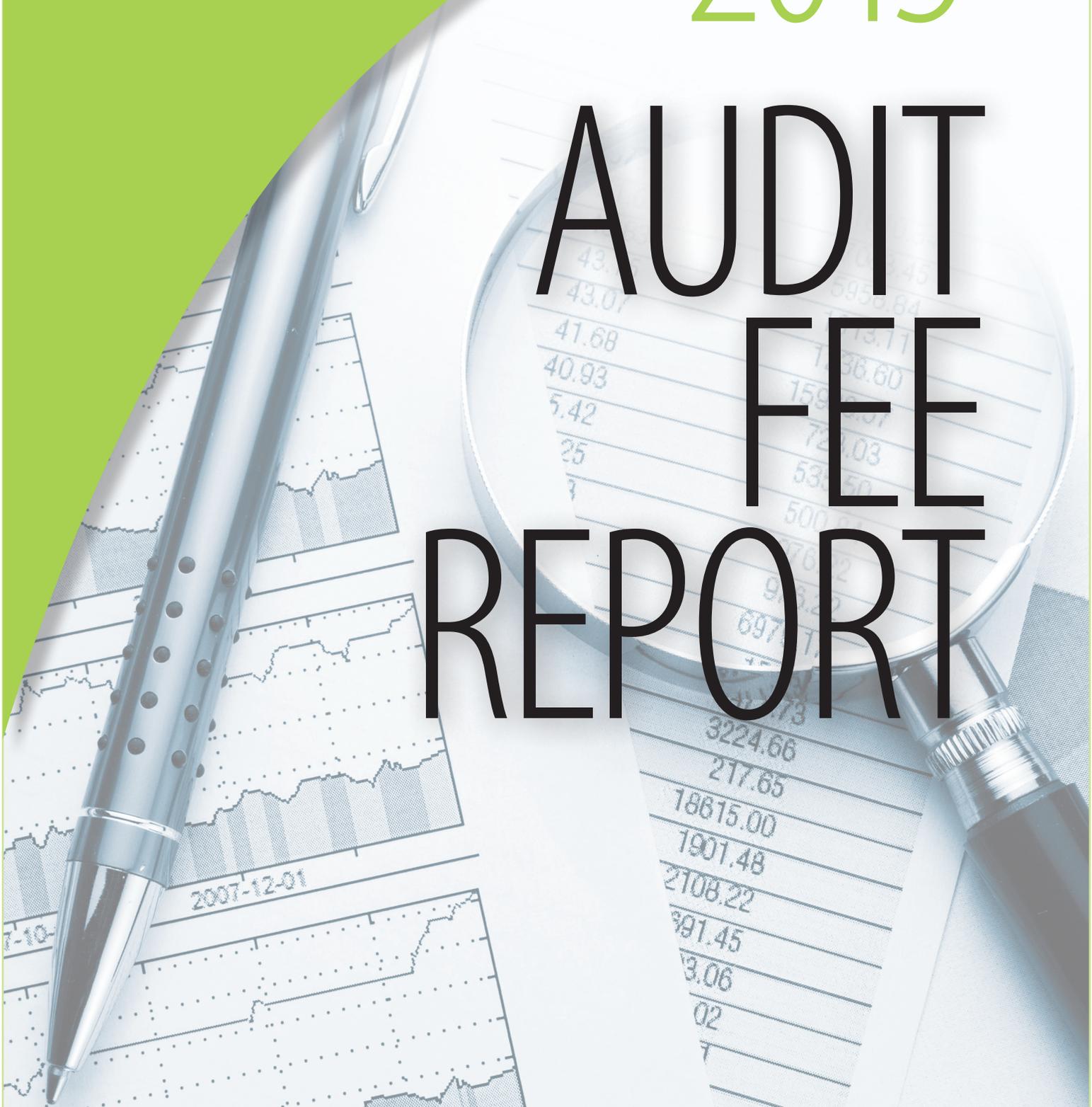
**ferf**

financial executives  
research foundation

sponsored by  
**Workiva**

2015<sup>ANNUAL</sup>

# AUDIT FEE REPORT



43.07	5955.84
41.68	713.77
40.93	136.60
5.42	159.57
25	721.03
7	535.50
	500.85
	976.22
	98.22
	697.71
	42.73
	3224.66
	217.65
	18815.00
	1901.48
	2108.22
	891.45
	13.06
	02
	7

## FOREWORD

Financial executives at public companies, private companies, and nonprofits are continually challenged to contain costs. To do that effectively, executives need high-quality, timely, and actionable information.

Workiva is pleased to sponsor the eighth annual Audit Fee Report from Financial Executives Research Foundation (FERF). As an independent research organization, FERG seeks to understand the forces that are driving business and financial outcomes. FERG reports have earned a reputation for being well-researched and documented, and for providing valuable insights with actionable information. This report is no exception.

Contained in this report is valuable information about audit fees for public, private, and nonprofit companies. I believe that some of the most important findings include:

- Median audit fees of all SEC filers experienced an increase of approximately 3.4 percent, compared to increases in the producer price for services of approximately 1.8 percent.
- However, the median increase in audit fees was 6.4 percent for the 20.6 percent of public companies that disclosed material weaknesses in their internal controls over financial reporting (ICFR).
- Public company survey respondents reported that review of manual controls resulting from PCAOB inspections was a significant driver of increased audit fees.

For private companies and nonprofits, this report remains one of the most valuable sources for audit fee information. Audit fees continue to rise at or below the rate of inflation for services—although averages were significantly less for organizations with centralized finance organizations.

This report also provides a valuable basis for future research. Some of the most provocative questions inspired by this report are:

- Although the median change in SEC filers' audit fees from 2013 to 2014 was a 3.4 percent increase, over 45 percent of public companies reported lower audit fees from the prior year. What were the factors that contributed to this decrease, and are such practices sustainable?
- In each of the last 3 years, approximately 12 percent of public companies reported increases in audit fees of 50 percent or more. What were the principal drivers of such significant increases, and are they preventable?
- What is the nature of the material weaknesses in internal controls over financial reporting disclosed by 20.6 percent of public companies?

We look forward to supporting FERG as it seeks to answer these and other important questions.

Joseph Howell  
Executive Vice President  
Workiva

## Table of Contents

<a href="#"><u>Executive Summary</u></a>	<a href="#"><u>3</u></a>
<a href="#"><u>Public Companies - SEC Filers</u></a>	<a href="#"><u>6</u></a>
<a href="#"><u>Public Companies - Survey Respondents</u></a>	<a href="#"><u>12</u></a>
<a href="#"><u>Private Companies</u></a>	<a href="#"><u>25</u></a>
<a href="#"><u>Nonprofit Companies</u></a>	<a href="#"><u>31</u></a>
<a href="#"><u>Exhibit A: 2014 Average Audit Fees by Filing Status</u></a>	<a href="#"><u>36</u></a>
<a href="#"><u>Exhibit B: 2014 Average Audit Hours by Filing Status</u></a>	<a href="#"><u>37</u></a>
<a href="#"><u>Exhibit C: 2014 Average Audit Fees by Sales Revenue</u></a>	<a href="#"><u>38</u></a>
<a href="#"><u>Exhibit D: Reasons for Increase in Audit Fees</u></a>	<a href="#"><u>41</u></a>
<a href="#"><u>Exhibit E: Centralized vs. Decentralized Operations</u></a>	<a href="#"><u>42</u></a>
<a href="#"><u>Exhibit F: Primary Audit Firm</u></a>	<a href="#"><u>43</u></a>
<a href="#"><u>Exhibit G: Non-Audit Fees</u></a>	<a href="#"><u>44</u></a>
<a href="#"><u>Exhibit H: Auditor Relations</u></a>	<a href="#"><u>45</u></a>
<a href="#"><u>Exhibit I: Public Company Internal Controls</u></a>	<a href="#"><u>46</u></a>
<a href="#"><u>Exhibit J: 2013 Audit Committee Questions</u></a>	<a href="#"><u>47</u></a>
<a href="#"><u>Exhibit K: Public Company Questions</u></a>	<a href="#"><u>48</u></a>
<a href="#"><u>Exhibit L: Change in Audit Fees Distribution - Three year analysis (all filers)</u></a>	<a href="#"><u>50</u></a>
<a href="#"><u>About Workiva</u></a>	<a href="#"><u>53</u></a>
<a href="#"><u>About MyLogIQ</u></a>	<a href="#"><u>53</u></a>
<a href="#"><u>About Financial Executives Research Foundation (FERF)</u></a>	<a href="#"><u>54</u></a>

## Executive Summary

Financial Executives Research Foundation's (FERF) Audit Fee Report has been providing valuable insight into audit fee trends for the past seven years based on survey responses from FEI member companies. As in the past, this year's report analyzes the most recent audit year and provides reasons for changes from the prior year.

In addition, with the help of MyLogIQ (formerly LogixData) this year's report also summarizes audit fees as reported by over 9,000 SEC filers and has been expanded to include:

- The audit fees for 8,156 unique filers in 2011; 8,129 in 2012; 7,885 in 2013; and 7,071 in 2014<sup>1</sup>;
- The percentage which disclosed ineffective internal controls over financial reporting (ICFR) from these SEC filers;
- A comparison of the median change in audit fees for these SEC filers, median changes in audit fees of those with ineffective internal controls, and effective internal controls versus the U.S. average producer price index (services); and
- Impact of initial public offerings (IPOs) on audit fees.

### MyLogIQ Findings: Public Companies

- A total of 20.6 percent (or 1,460 filers) of these SEC filers reported ineffective ICFR.
- The median change for audit fees of companies that disclosed ineffective ICFR was 6.4 percent, which was 3 percentage points more than the overall median change in audit fees of 3.4 percent and 4.6 percentage points more than the U.S. Average Producer Price Index for Services of 1.8 percent.

---

<sup>1</sup> At the time this analysis was prepared some companies had not yet reported their audit fees for 2014

### FERF Survey Findings:

The FERF survey summarizes responses from 76<sup>2</sup> U.S. publicly-held companies, 92<sup>3</sup> U.S. privately-held companies, and 57<sup>4</sup> nonprofit organizations for a total of 225 participants.

The averages and medians reported in this year's Audit Fee Report may not be comparable to 2013, as they may not involve the same participant population as those included in last year's report. Some of this year's key findings include:

#### Public Companies

- The 76 public companies responding to the survey paid an average audit fee of \$8.1 million and a median of \$2.2 million for their 2014 audits. These amounts represented an average percentage increase of 10.7 percent and median increase of 3.1 percent over their prior year's audit fees.
- Survey respondents indicated the reasons for the increase were primarily due to acquisitions and review of manual controls resulting from PCAOB inspections. Other areas for the increase included inflation, the new COSO framework, and changes in the organizations' structure.
- The number of audit hours required for a public company audit averaged 25,310 with a median of 6,720 (based on 34 responses).
- The average and median audit fees for public companies that have centralized finance operations are significantly less than those that have decentralized finance operations.
- About 86.8 percent of responding public companies use a Big 4<sup>5</sup> auditor—with PwC auditing 22 of the total 76.
- A majority of public companies indicated that the volume of annual audit work by external auditors in 2014 has increased compared to 2013 in order to obtain both an auditor's report on the financial statements (69.3 percent) and an auditor's report on internal controls (63.2 percent).
- A majority (67.6 percent) of public companies have adopted the 2013 COSO Framework. Others indicated that they will adopt the new Framework by 2015 year end at the latest.
- Over half, or 58.7 percent of respondents, indicated an increase in internal cost of compliance with Sarbanes-Oxley Section 404 within the past three years. However, about half (or 45.3 percent) indicated that they have better internal controls and that the additional expense was worthwhile.
- Overall, audit firms shared results of the PCAOB review with public companies and requested that they implement the suggested firm inspection control changes.

---

<sup>2</sup> Although not statistically significant, we believe the public company survey responses are representative of the total population of SEC filers because the median increase in the audit fees of the survey respondents was 3.1 percent, compared to the median increase of 3 percent in the audit fees of the total population.

<sup>3</sup> The private company responses are not statistically significant.

<sup>4</sup> The nonprofit organizations responses are not statistically significant.

<sup>5</sup> Big 4 include Deloitte, EY, KPMG, and PwC.

## 2015 Audit Fee Report - October 2015

- A total of 45.3 percent and 66.7 percent of respondents, respectively, indicated that their auditors requested that they make changes to their controls or controls documentation as a result of PCAOB requirements or inspection feedback.
- None of the respondents indicated that the PCAOB findings resulted in a restatement of their financial statements nor did it result in a change in their auditor's opinion.

### Private

- The 92 private companies paid an average annual audit fee of \$254,740 and median audit fee of \$70,000, which was 2.7 percent and 2.0 percent, respectively, greater than the prior year. This increase was mainly due to inflation.
- The number of audit hours required for a private company averaged 2,800 with a median of 850.
- Only 22.8 percent of private companies that responded used the Big 4. A majority of the respondents use large regional firms.

### Nonprofit

- The 57 nonprofit companies paid an average annual audit fee of \$107,208 and median fees of \$36,440, which was an average increase of 1.3 percent from the prior year. This increase was mainly due to inflation.
- The number of audit hours required for a nonprofit company averaged 585 with a median of 400.
- Only 8.9 percent of nonprofit companies that responded used the Big 4. A total of 73.2 percent selected "other," which represented regional firms.

## Public Companies - SEC Filers

Using information obtained from MyLogIQ, this year's report contains additional statistics from a broader pool of SEC filers for a longer period of time (2011–2014). A total of 9,431 unique filers were reviewed with information being derived from either the proxy statement or the form 10-K. Of the 9,431 filers, information was available for 7,071 for 2014. Differences represent companies that either have not filed this information or do not file the information due to their size.

### Audit Fees for 2014

Audit fees paid by the 7,071 unique filers for 2014 averaged \$1.5 million and had a median of \$402,812. Based on amounts reported by this population of filers, their total average percentage increase in audit fees was 30.9 percent with a median percentage change of 3.4 percent.

The median audit fee change by filer status was highest for large accelerated and accelerated filers at 4.3 percent. This was followed by non-accelerated filers at 4 percent and smaller reporting companies at 2.3 percent. The Agriculture, Forestry, and Fishing industry also experienced the highest median audit fee change at 6.2 percent, which was followed by retail trade at 5 percent.

	2011	2012	2013	2014
SEC Filings	8,156	8,129	7,885	7,071
Average Audit Fees	\$1,213,814	\$1,281,544	\$1,398,833	\$1,533,438
Median Audit Fees	\$246,000	\$263,634	\$309,441	\$402,812
Mean % Change in Audit Fees <sup>6</sup>	—	30.4%	40.9%	30.9%
Median % Change in Audit Fees	—	3.0%	3.5%	3.4%
<b>Median Audit Fee Changes By Filer Status</b>				
Large Accelerated Filer	—	5.5%	5.4%	4.3%
Accelerated Filer	—	3.4%	4.7%	4.3%
Non Accelerated Filer	—	1.8%	4.6%	4.0%
Smaller Reporting Company	—	0.8%	1.3%	2.3%

<sup>6</sup> The Mean % Change in Audit Fees is an average of the change in audit fees of all filers and not a change in the overall audit fee.

## 2015 Audit Fee Report - October 2015

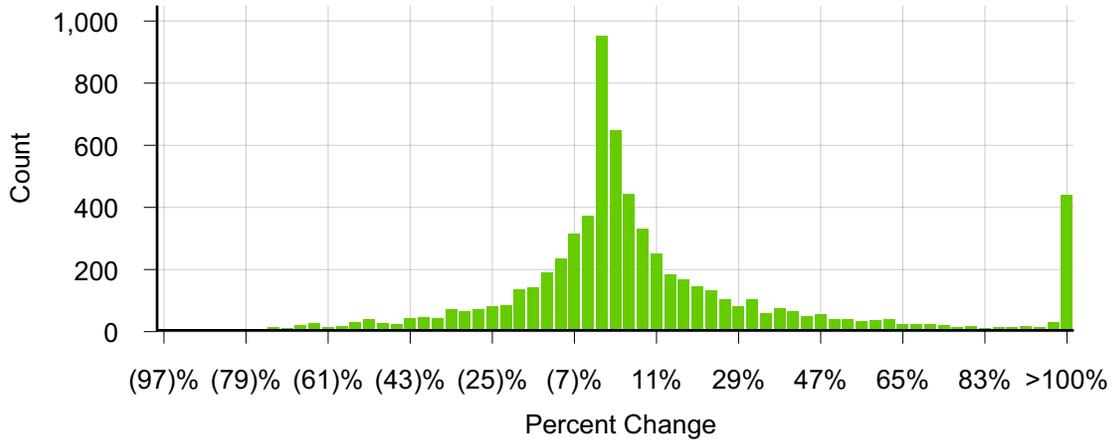
<b>Median Audit Fee Changes By Industry</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>
Manufacturing	—	3.4%	3.8%	3.5%
Finance, Insurance, & Real Estate	—	2.7%	3.3%	3.4%
Services	—	2.5%	4%	4.8%
Mining	—	0.8%	1.9%	2.2%
Transportation, Communication, Electric, Gas, and Sanitary Services	—	3.0%	3.3%	1.2%
Retail Trade	—	3.7%	4.7%	5%
Wholesale Trade	—	3.9%	6.1%	4.9%
Construction	—	8.5%	10.8%	2.6%
Agriculture, Forestry, and Fishing	—	1.3%	0.1%	6.2%
Public Administration	—	1.9%	1.1%	—%

Of these SEC filers, 341 indicated that they had an initial public offering (IPO) during the year. The median audit fee change for these organizations was 41.3 percent, which was a decrease from 362 IPOs in 2013.

<b>Median Audit Fee Changes By IPO</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>
IPO 2012 (309)	—	23.8%	4.7%	7.7%
IPO 2013 (362)	—		74.6%	—%
IPO 2014 (341)	—			41.3%

The 7,071 filers were plotted on a distribution table to determine where the majority of the population falls as it relates to median percentage change. Over 950 filers were plotted on a distribution table that had audit fee percentage change of negative 1 percent. The distributions for the past two years are similar with the high points at negative 1 and approximately 450 with percentage increases over 100 percent (See Exhibit L).

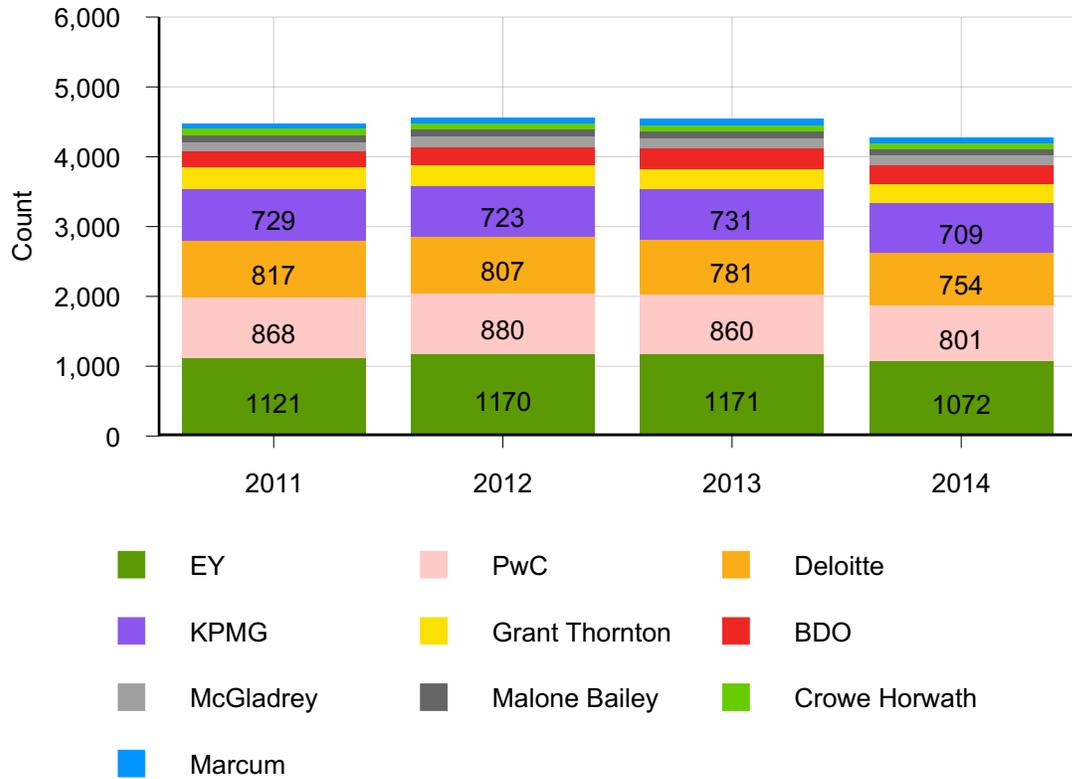
### 2013-2014 Audit Fee % Change Distribution



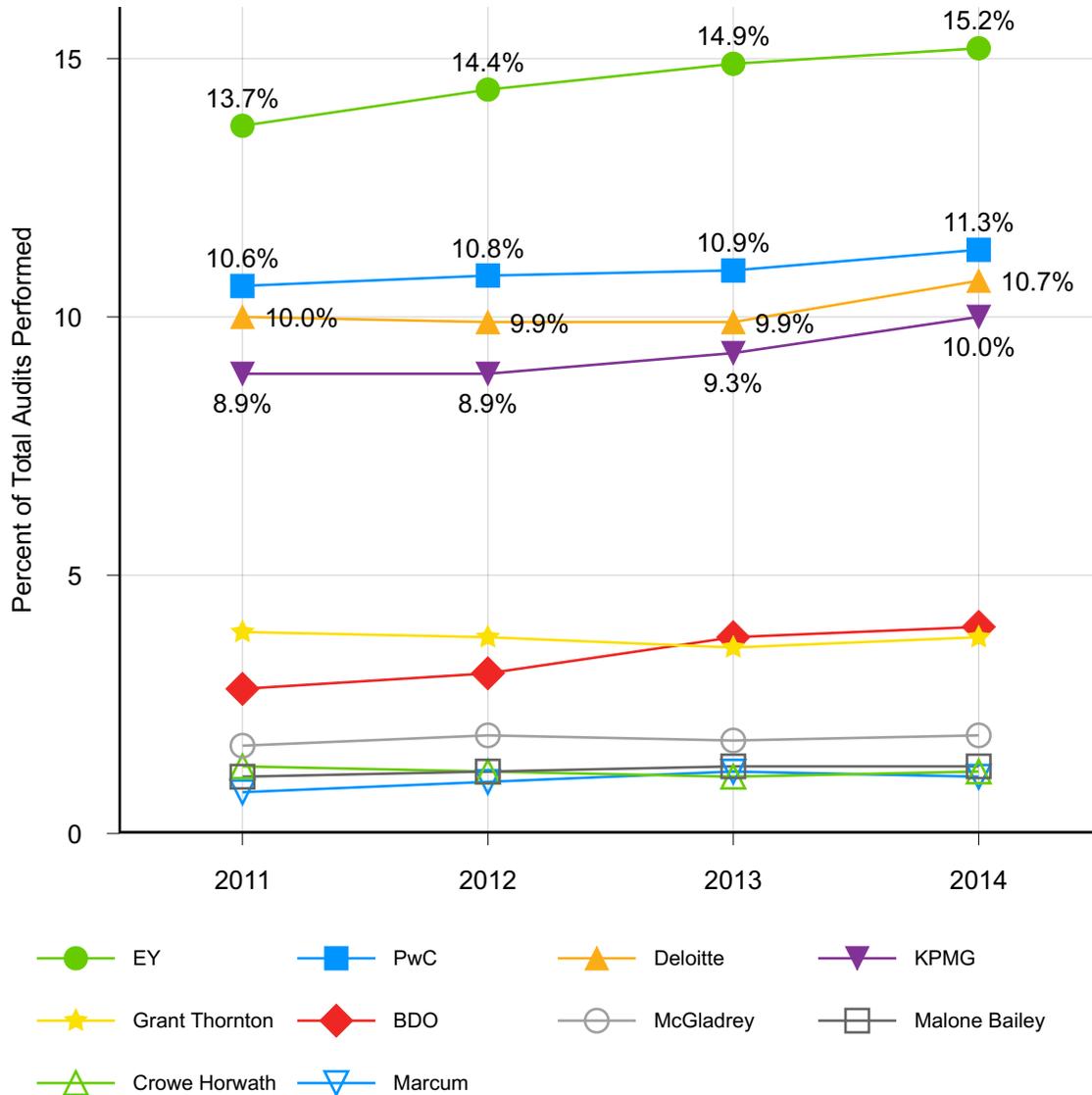
#### **Primary Audit Firm**

Most of the public companies within the SEC filer population (3,336 or 47.2 percent) reported that they used one of the Big 4 as their primary auditor. EY was mentioned most often (1,072 or 15.2 percent), followed by PwC (801 or 11.3 percent). After the Big 4, Grant Thornton, RSM McGladrey & Pullen, Malone Bailey, Crowe Horwath, Marcum, and BDO were also mentioned.

### Auditor Breakdown



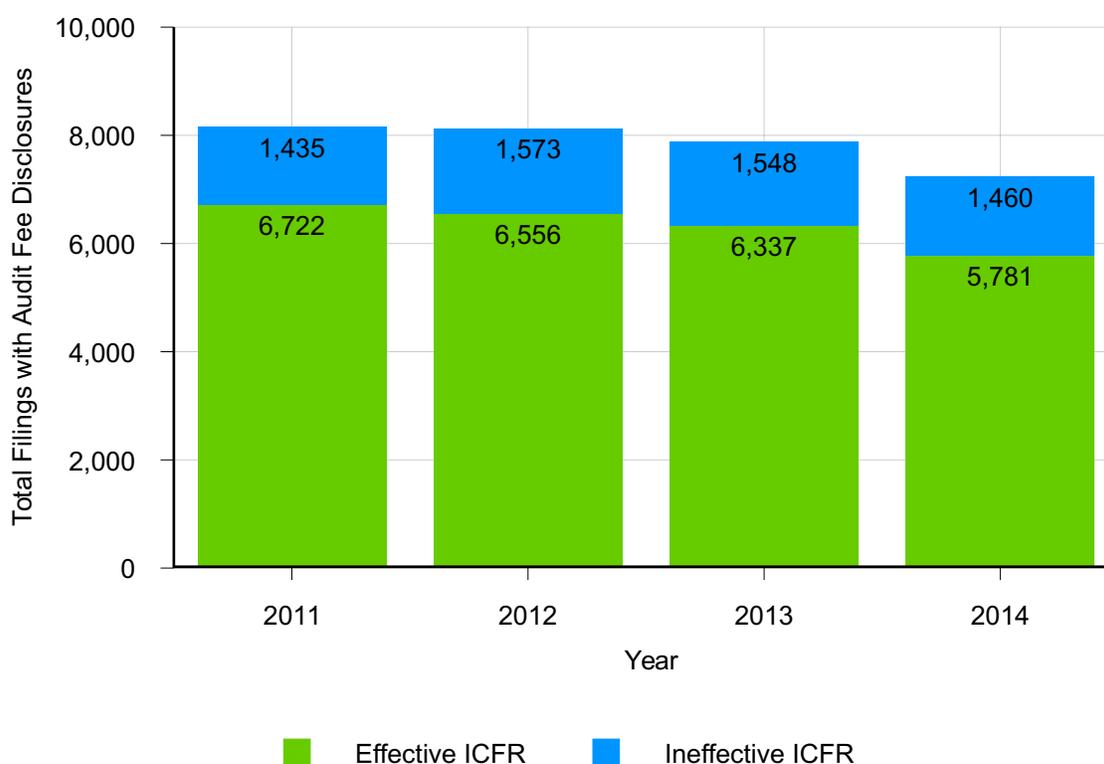
### Percentage of Total Audits Performed by Year by Auditor



### Public Company Disclosures of Ineffective Internal Controls Over Financial Reporting (ICFR)

Of the 7,071 public companies, over 20.6 percent (or 1,460) reported they had ineffective internal controls (Chart 1). It should be noted that audit fees for the public companies that disclosed deficiencies in their ICFR had a higher median audit fee percentage change of 6.4 percent compared to the overall median audit fee percentage change of 3.4 percent (Chart 2).

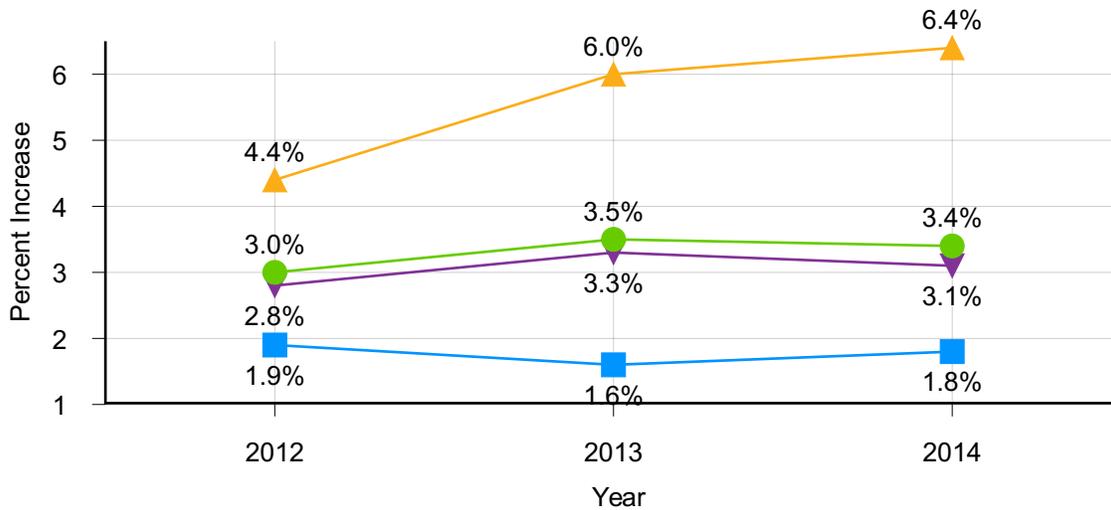
**Chart 1 - Disclosure of Ineffective ICFR**



Year	2011	2012	2013	2014
Total Disclosures	8,156	8,129	7,885	7,071
Ineffective ICFR	1,435	1,573	1,548	1,460
Percent Ineffective ICFR <sup>7</sup>	17.6%	19.4%	19.6%	20.6%

<sup>7</sup> Accelerated and Large Accelerated filers account for 5 percent for 2014, the remainder represents Non-Accelerated and Small Reporting entities that are not required to comply with SOX 404(b) due to the JOBS Act

**Chart 2 - Median Audit Fee % Change By Year**

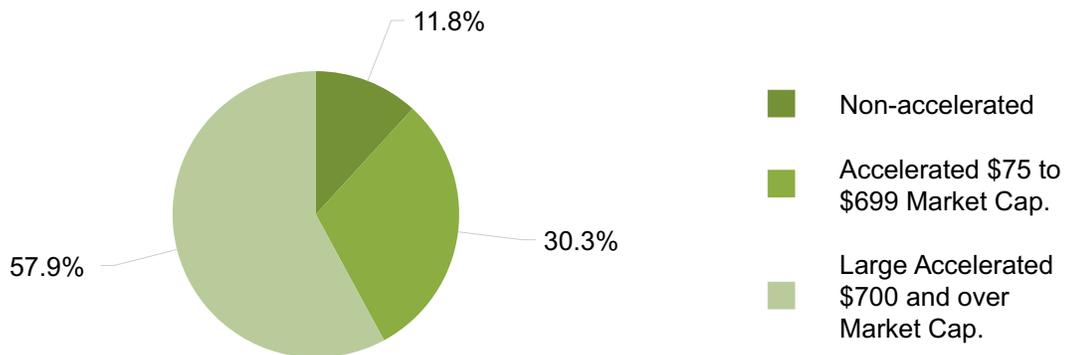


- Median Change in Audit Fees
- U.S. Average Producer Price Index (Services)
- ▲ Median Change Audit Fees for Disclosure of Ineffective Controls
- ▼ Median Change Audit Fees for Disclosure of Effective Controls

## Public Companies - Survey Responses

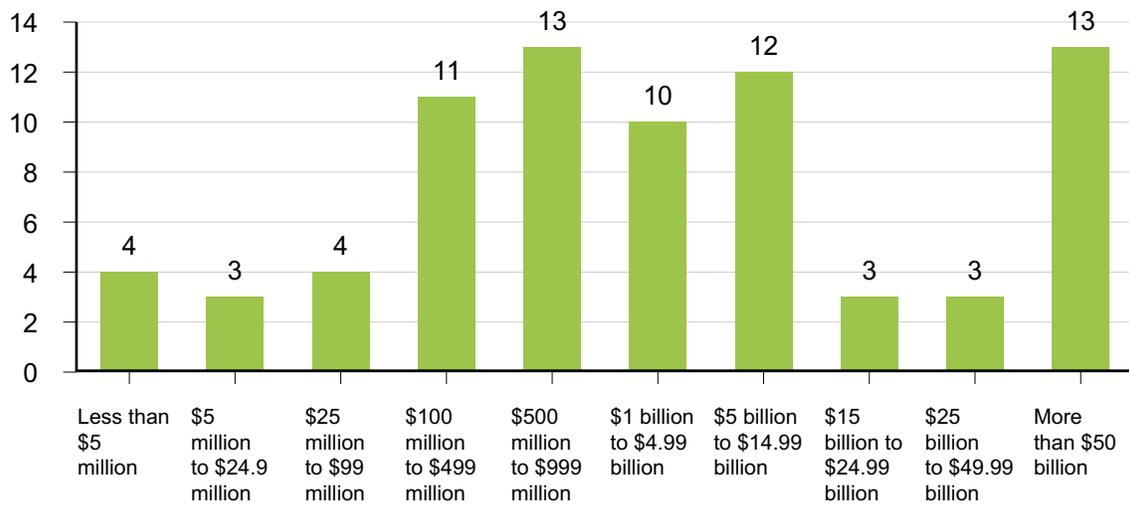
### Company Size

As measured by their public float, 67 or 88.2 percent of the public company respondents are accelerated filers with market capitalization of more than \$75 million. The remaining 9 or 11.8 percent represent the non-accelerated filers with total public float of less than \$75 million. The breakdown of public respondents follows (Exhibit A):



Responses were received from various revenue ranges—the highest were \$500 to \$999 million to more than \$50 billion. The chart below identifies the number of respondents per revenues range (Exhibit C).

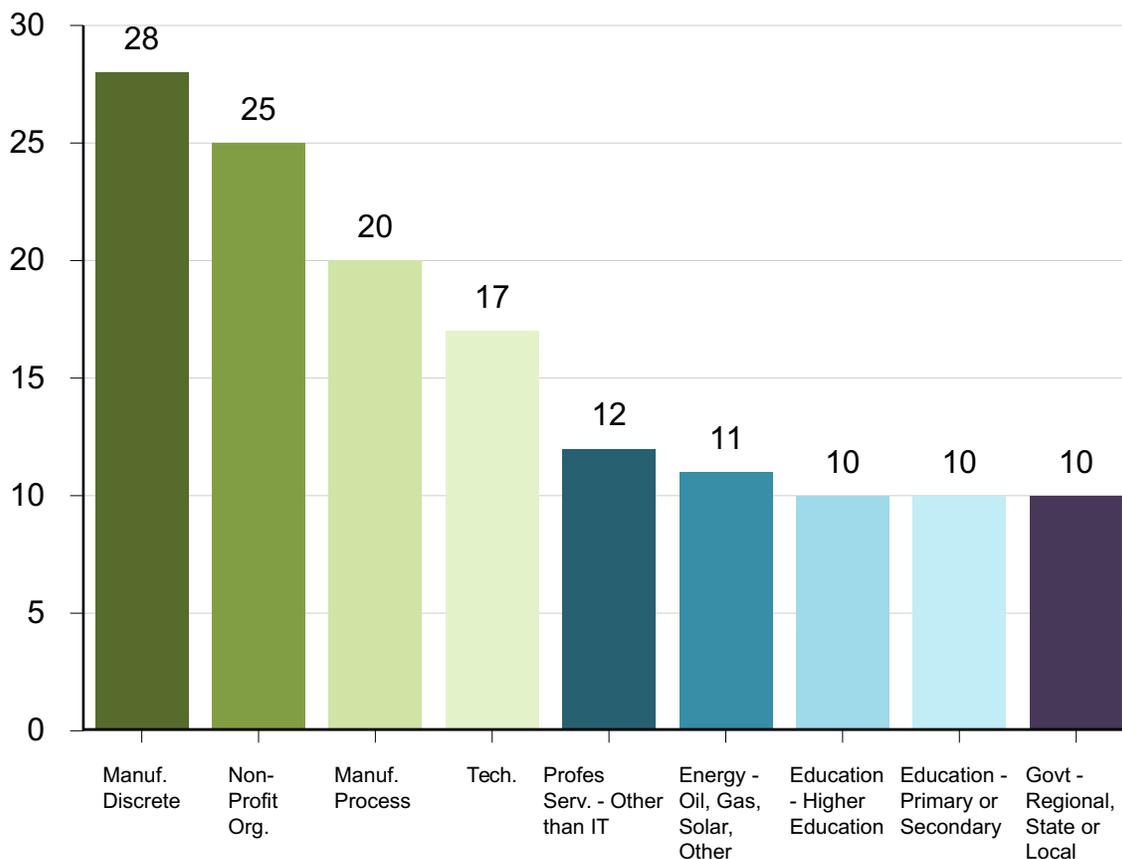
### Public Company Size by Annual Revenues



### Industries

Industries that responded to this survey included, but were not limited to the following:

## 2015 Audit Fee Report - October 2015



Other common industries included: transportation, financial services, healthcare retail, and insurance, among many others.

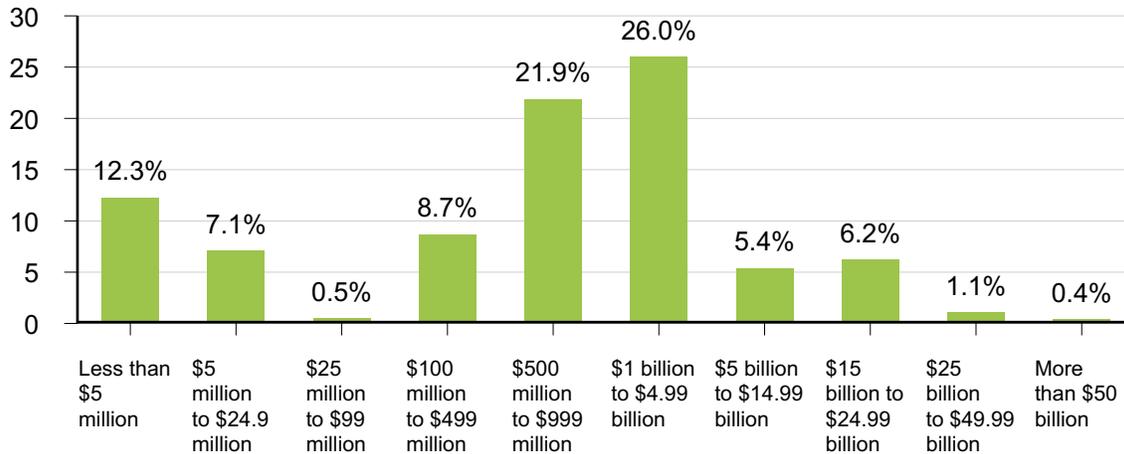
### **Audit Fees for 2014**

SEC rule section 240.14a-101 of Schedule 14A (“the Section”) defines *audit fees* as “... the aggregate fees billed for each of the last two fiscal years for professional services rendered by the principal accountant for the audit of the registrant’s annual financial statements and review of financial statements included in the registrant’s Form 10-Q (17 CFR [249.308a](#)) or services that are normally provided by the accountant in connection with statutory and regulatory filings or engagements for those fiscal years...” The results are shown in Exhibits A through C.

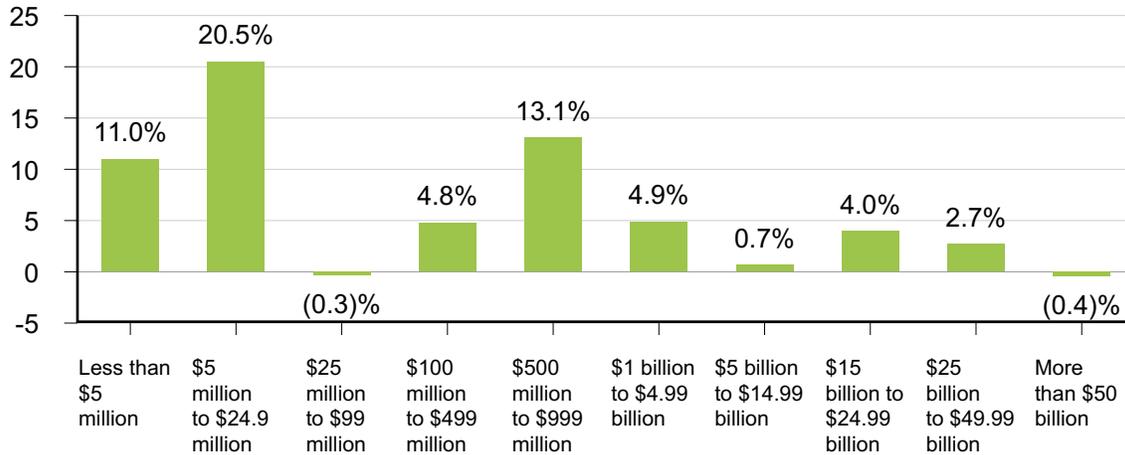
Audit fees paid by the 76 public company respondents averaged \$8.1 million (Exhibit C) and were, for the most part, proportional to the size of the company as measured by market capitalization (Exhibit A) and annual revenues (Exhibit C). Respondents indicated that their 2014 audit fees were an average of 10.7 percent greater than 2013 and had a median increase of 3.1 percent. Average fees by size of company ranged from an average increase of 12.3 percent (11 percent increase for median) for those

with less than \$5 million in revenues to a minimal average increase of approximately 0.4 percent (decrease of 0.4 percent for median) for those with revenues of more than \$50 billion.

### Average Decrease/Increase from PY by Annual Revenue Ranges

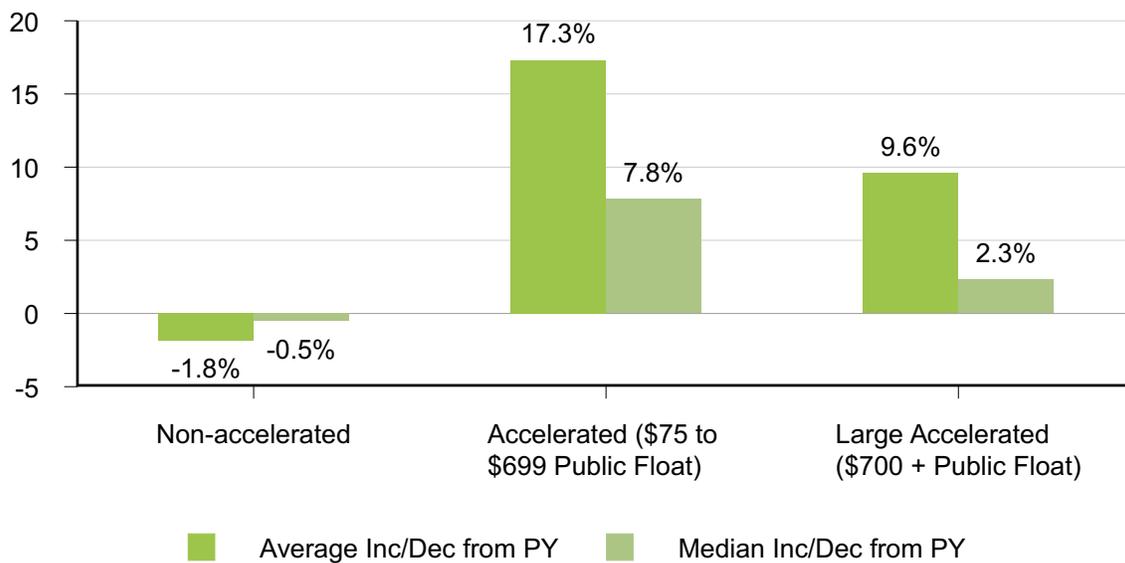


### Median Decrease/Increase from PY by Annual Revenue Ranges



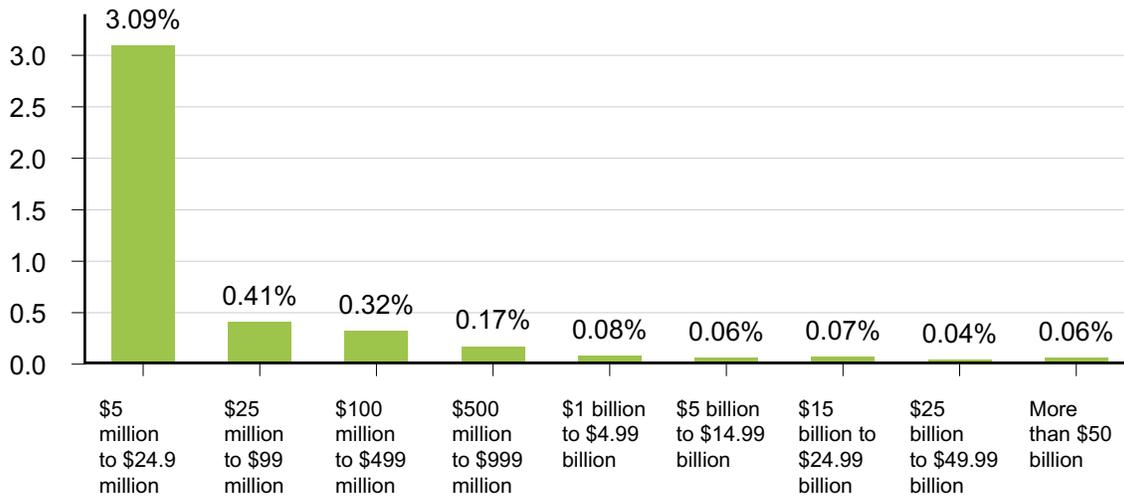
Accelerated filers with a public float of \$75 to \$699 million experienced the greatest increase at an average of 17.3 percent over prior year and a median of 7.8 percent.

### % Increase by filing type

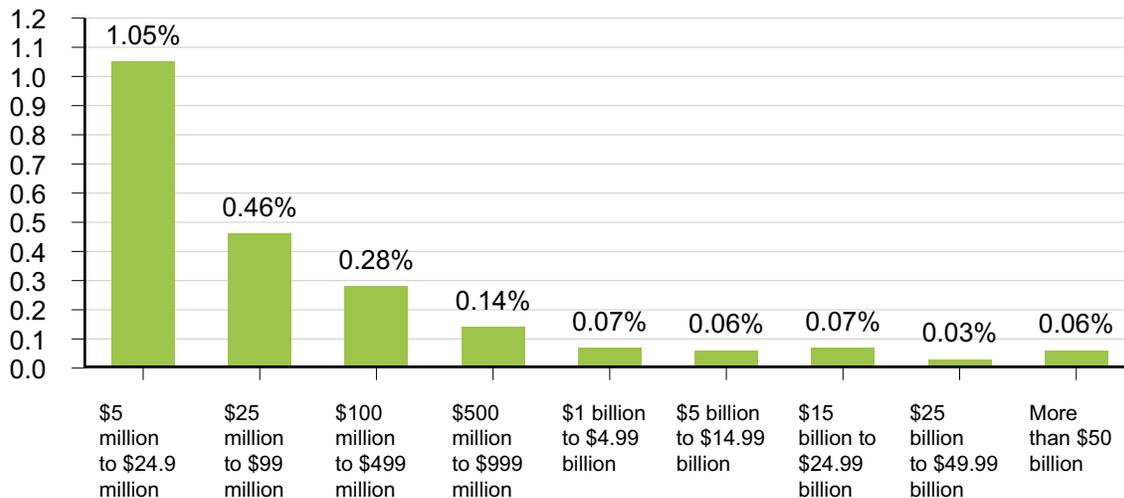


Annual audit fees as a percentage of annual revenues were calculated using the average audit fee per revenue range divided by the midpoint of each annual revenue range provided. Based on the results, companies with less than \$5 million in annual revenues had the highest percentage of audit fees as a percentage of annual revenues at 12.7 percent increase (12.7 percent median increase). For purposes of the graphs below, the less than \$5 million range was removed due to an outlier that skewed the results.

### Average Annual Audit Fees as a % of Annual Revenues



### Median Annual Audit Fees as a % of Annual Revenues



A total of 34 or 44.7 percent of public companies provided the amount of hours spent on the audit which averaged 25,310 hours (median of 6,720). The hours were then divided by the respondents' respective audit fees to arrive at the hourly fee. On average, this amount approximated \$225 per hour (median of \$210 per hour) of audit work for public companies (Exhibit B).

### **Reasons for Increase in Audit Fees**

Respondents indicated that the reason for the increase in their audit fees was primarily due to acquisitions (46.3 percent) and review of manual controls resulting from PCAOB inspections and other PCAOB issues (39 percent).<sup>8</sup>

If an audit firm was subject to the PCAOB's oversight review, 57.3 percent of 75 respondents indicated that their audit firm shared the comments they received from the PCAOB with them and 10.7 percent said their audit firm did not (Exhibit K).

A total of 45.3 percent and 66.7 percent of these 75 respondents were required to change their controls and/or control documents as a result of the PCAOB requirements or inspection feedback (Exhibit K).

In a recent speech, Jeanette Franzel of the PCAOB pointed out that there was an upward trend in instances where a company may receive a clean ICFR audit opinion that is subsequently withdrawn and replaced with adverse opinions on ICFR.

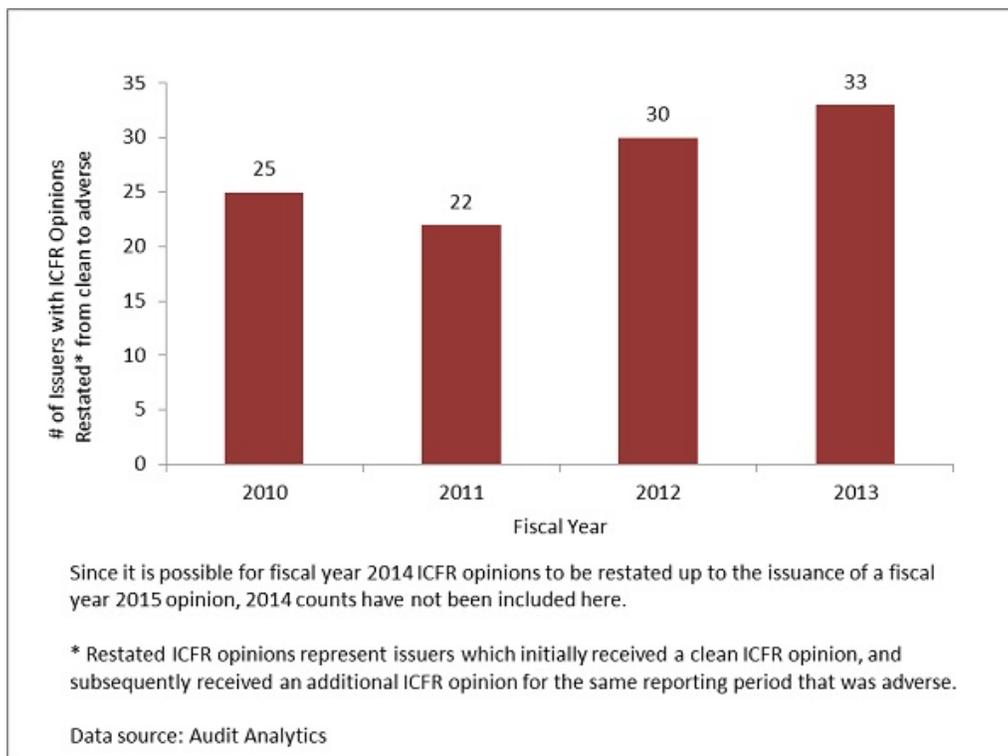
She cited two primary reasons why a subsequent withdrawn opinion may occur: *“(1) the auditor becomes aware that one or more material weaknesses existed at the report date that would have affected the auditor's opinion on ICFR had the auditor been aware of it; and (2) the previously issued ICFR audit opinion is being relied upon. Because the ICFR opinions are issued annually, this "reliance period" is generally from the date the opinion is issued until the date of the issuance of the subsequent year's ICFR audit opinion.”*<sup>9</sup>

---

<sup>8</sup> For further clarification, in December 2012, the PCAOB issued a report on observations from its 2010 inspections of audits of internal control over financial reporting performed by domestic annual inspected firms. An inspection of the 309 integrated audit engagements revealed that 15 percent of the firms failed to obtain sufficient audit evidence to support their opinions on effectiveness of internal controls. In response, in October 2013, the PCAOB issued a *Staff Practice Alert No. 11: "Considerations for Audits of Internal Control Over Financial Reporting"* in light of significant number of audit deficiencies observed in the past three years related to audits of internal controls over financial reporting [PCAOB Issues Staff Audit Practice Alert in Light of Deficiencies Observed in Audits of Internal Control Over Financial Reporting, October 24, 2013.](#)

<sup>9</sup> [http://pcaobus.org/News/Speech/Pages/08102015\\_Franzel.aspx](http://pcaobus.org/News/Speech/Pages/08102015_Franzel.aspx)

1.1 **Figure 4: Number of ICFR Audit Opinions Restated from "Clean" (effective ICFR) to "Adverse" (ineffective ICFR)**



In the same speech<sup>10</sup>, Franzel quantified the findings of audit deficiencies related to ICFR reported in PCAOB inspection reports for the U.S. domestic Big 4 firms. She affirmed that “most firms have been making some progress in their remediation efforts in this area.”

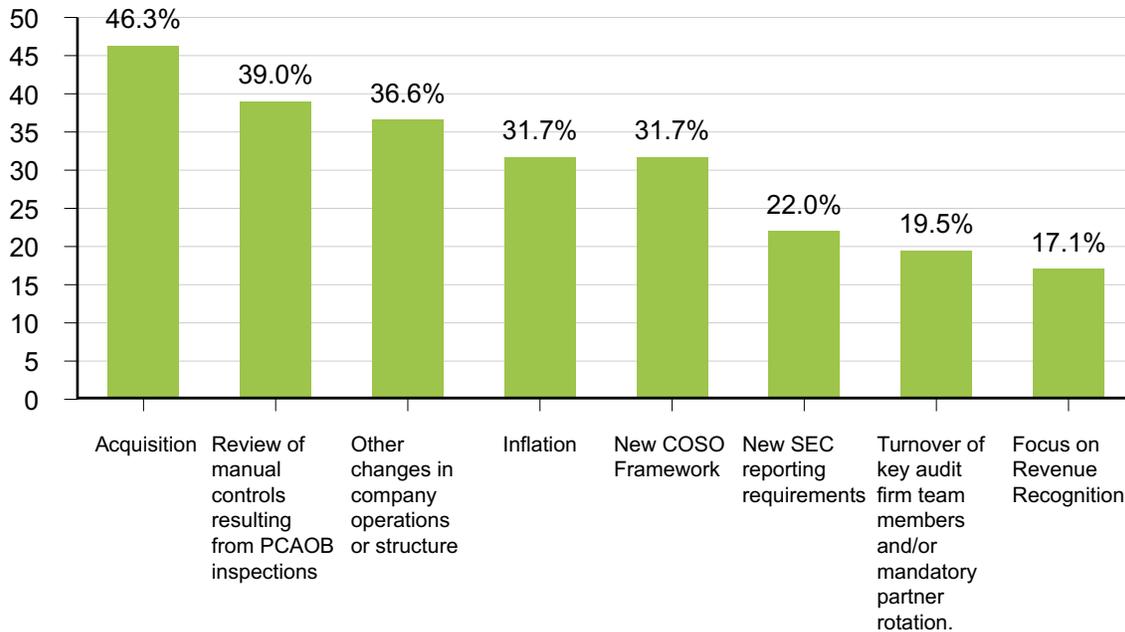
**Table 1: Inspection Findings for U.S. Domestic Big 4 Firms, 2010-2013**

U.S. Domestic - Big 4 Firms <sup>[10]</sup>					
Inspection Year	Total Audits Inspected, U.S. Big Four Firms	Inspected Audits with Deficiencies in the Public Inspection Report	Total Integrated Audits Inspected, U.S. Big Four Firms	Integrated Audits ICFR Deficiencies in the Public Inspection Report	% of Integrated Audits with ICFR Audit Deficiencies in the Public Report
2013	219	85	211	76	36%
2012	208	76	197	64	32%
2011	225	80	213	48	23%
2010	250	79	236	38	16%

<sup>10</sup> [http://pcaobus.org/News/Speech/Pages/08102015\\_Franzel.aspx](http://pcaobus.org/News/Speech/Pages/08102015_Franzel.aspx)

Survey respondents suggest that PCAOB inspection findings continue to be a principal factor for the increasing audit fees. The chart below quantifies the top reasons indicated by respondents - acquisitions followed by review of manual controls resulting from PCAOB inspection. Respondents were allowed to select all that applied.

### Top Reasons for Increase in Audit Fees



Finally, responses were almost equally divided as to whether external auditors decreased their reliance on work performed by internal audit staff because of the PCAOB inspections or not. A total of 39.2 percent remained neutral about this issue; whereas 16.2 percent agreed and 20.3 percent disagreed.

### **Centralized vs. Decentralized Operations**

Consistent with prior years, respondents indicated that an audit of the financial statements of a company with centralized operations could be more efficient and less costly than that of a company with decentralized operations.

Of the 76 public companies, 50 (66.0 percent) selected centralized operations and 26 (34.0 percent) indicated decentralized operations. On average, public companies with centralized operations paid \$6.7 million (median of \$1.1 million) for their annual financial statement audits. Those with decentralized operations paid \$10.8 million (median of \$3.6 million) (Exhibit E).

Respondents with domestic finance operations also experienced lower audit fees than those with both domestic and international finance operations. Of the total public companies, 25 indicated they only have domestic finance operations. Average audit fees were \$1.7 million (median of \$755,000) compared to average audit fees of \$11.2 million (median of \$4.7 million) for those with both domestic and international finance operations (Exhibit E).

### **Primary Audit Firm**

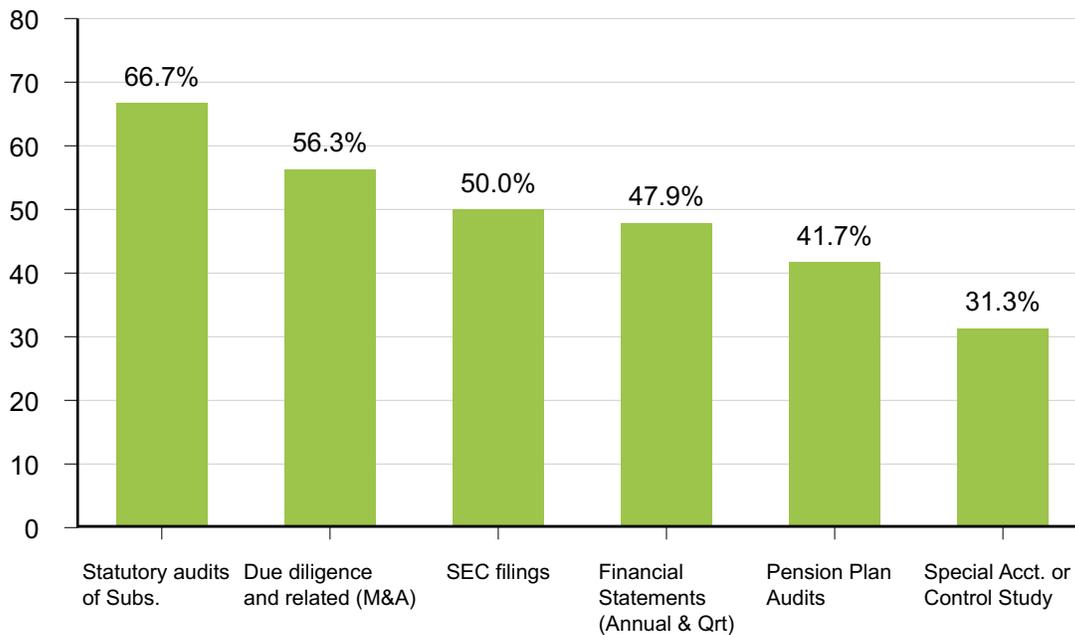
Most of the public company respondents (66 or 86.8 percent) reported that they used one of the Big 4 firms as their primary auditor. PwC was mentioned most often (22), followed by EY (17). After the Big 4, Grant Thornton, RSM McGladrey & Pullen, Moss Adams, and BDO were also mentioned.

**Other Audit Fees**

In addition to audit fees, the section also requires disclosures of a company’s audit-related fees, tax fees, and other fees.<sup>11</sup>

Under Item 9 of the Section, *audit-related fees* are defined as “...the aggregate fees billed in each of the last two fiscal years for assurance and related services by the principal accountant that is reasonably related to the performance of the audit or review of the registrant's financial statements and are not reported under [audit fees mentioned above]...Registrants shall describe the nature of the services comprising the fees disclosed under this category.” The average of the fees paid by the public companies that responded to this question was \$2.5 million (median of \$350,821) primarily for the following functions:

**Audit Related Fees - Public**



12

*Tax-related fees* are defined by the section as the “...aggregate fees billed in each of the last two fiscal years for professional services rendered by the principal accountant for tax compliance, tax advice, and tax planning. Registrants shall describe the nature of the services comprising the fees disclosed under this category...”

The average tax-related fees paid by the 59 public companies who responded was \$934,651 (median of \$219,500)(Exhibit G).

<sup>11</sup> § 240.14a-101 Schedule 14A

<sup>12</sup> Respondents were allowed to check all that applied

## **Public Company Internal Control Questions**

More than half (58.7 percent of 75 respondents) indicated that their internal cost of compliance with SOX increased in the past three years. This increase was primarily experienced by accelerated filers at 73.9 percent of 23 responses.

Respondents quantified the reasons for the increase in internal costs for SOX primarily as the regulatory requirements, specifically with the adoption of the 2013 COSO Framework. Other increases indicated were identified as:

- Growth of organization/growth of staff
- Various PCAOB issues such as firm's PCAOB inspection findings, increase in PCAOB's requirements, PCAOB found auditor work papers deficient, and increased testing and documentation as a result
- Large acquisition with additional systems

Optimistically, almost half (45.3 percent of 75 respondents) indicated that they have better internal controls and that compliance with SOX was worth the added overall expense. Approximately 38.7 percent responded that they have better internal controls, but their compliance was not worth the added overall expense (Exhibit I).

## **Audit Committee**

Section 205 of the SOX Act requires that an audit committee (or equivalent body) established by and among the board of directors of an issuer must be established for the purpose of overseeing the accounting and financial reporting processes of the issuer and audits of the financial statements of the issuer. A total of 41.3 percent of 75 respondents indicated that their audit committee meets less than four times a year.

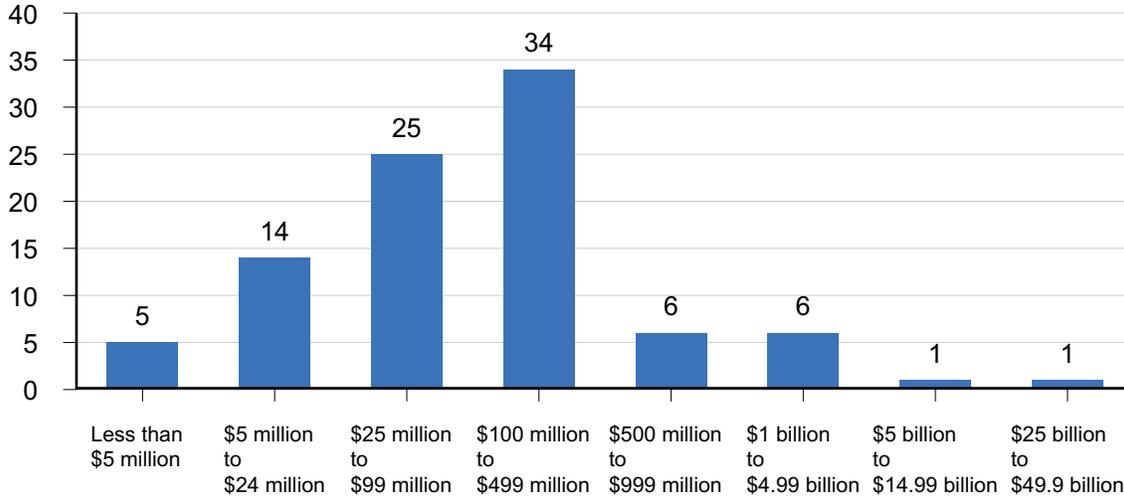
The audit committee normally oversees the internal audit functions of public companies. A total of 60.5 percent of 76 public respondents (mostly accelerated filers) indicated that their internal audit function is performed by separate departments. A total of 44.4 percent of non-accelerated filers, indicated that their organization does not have an internal audit function (Exhibit J).

## Private Companies

### Company Size

Of the 92 respondents, most respondents (34 or 37 percent) were between the annual revenue range of \$100 million to \$499 million.

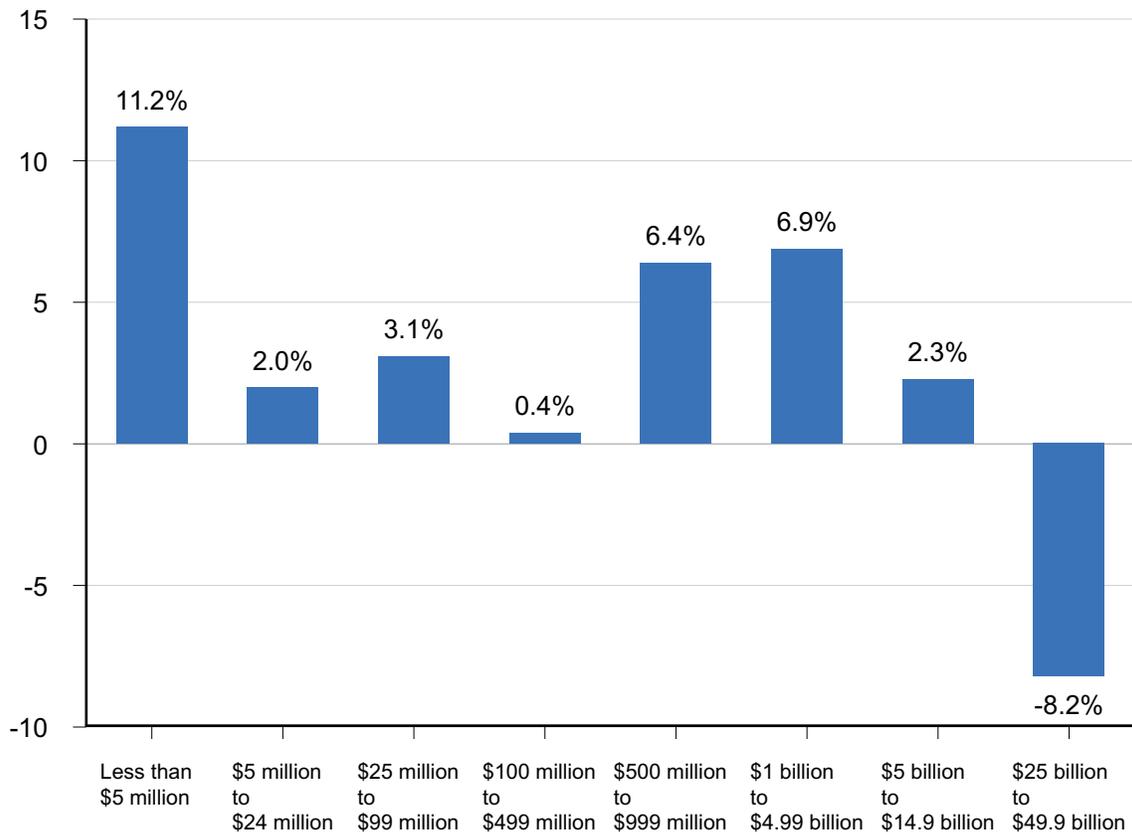
**Private Company Size by Annual Revenues**



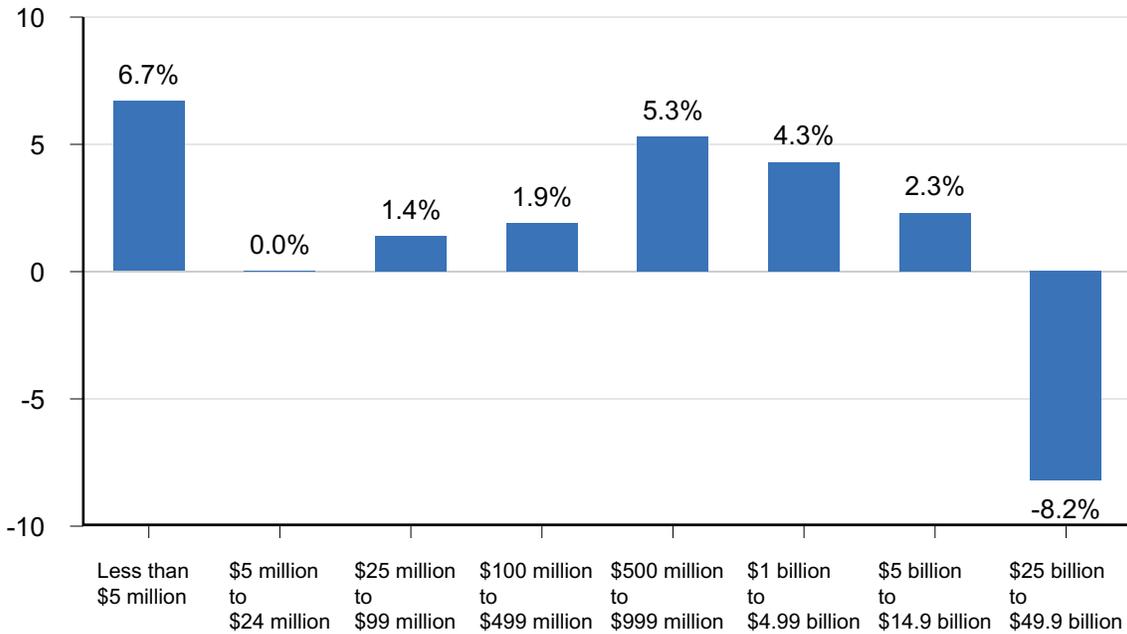
### Audit Fees for 2014

Audit fees paid by all private company respondents averaged \$254,740 with a median of \$70,000 or 2.7 percent (median of 2 percent) higher than last year. Respondents with less than \$5 million experienced the highest increase in audit fees of 11.2 percent (median of 6.7 percent) from prior year. The chart below identifies the number of responses per revenue range (Exhibit C).

### Average Increase from PY by Revenue Ranges

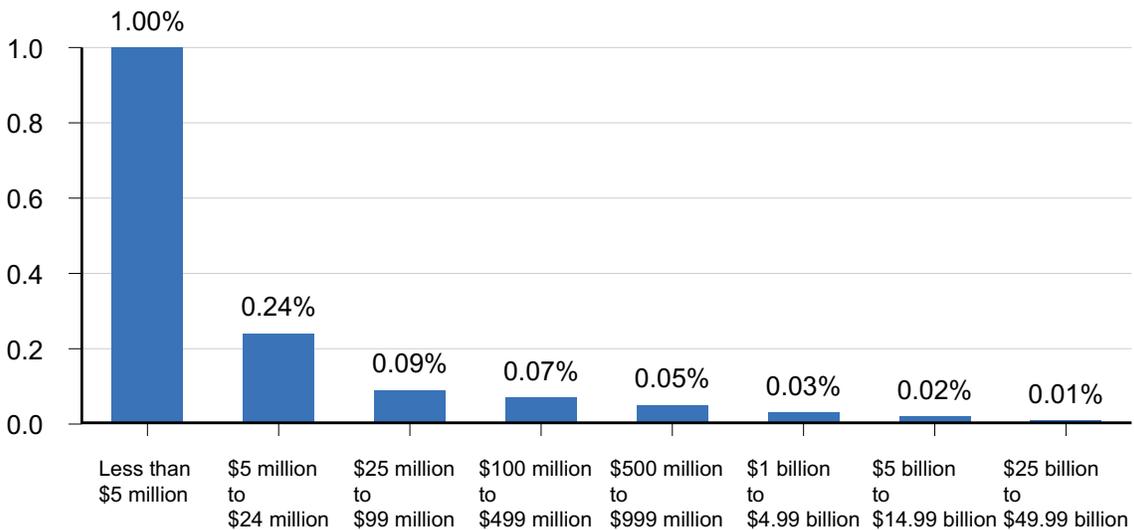


### Median Increase from PY by Revenue Ranges

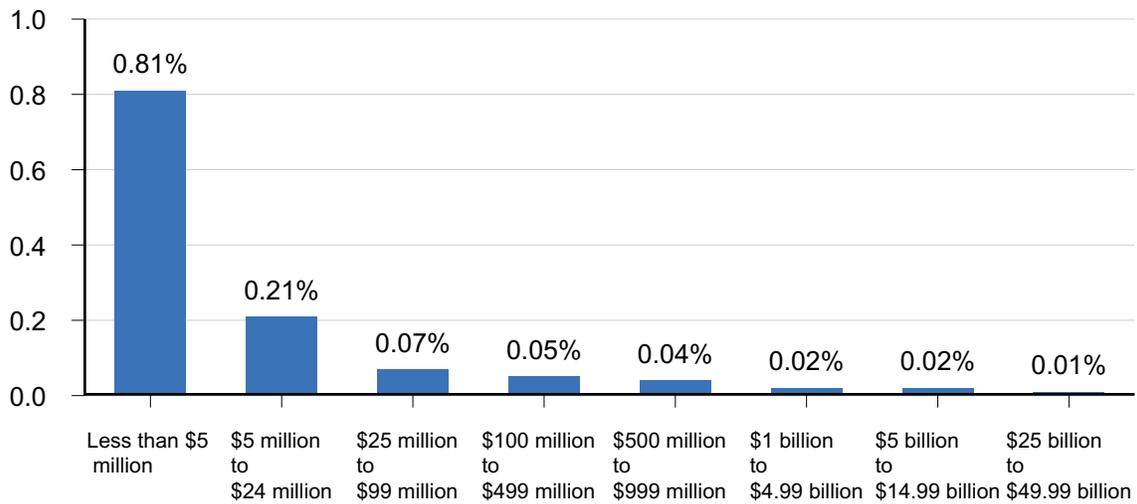


Similar to that of the public companies, annual audit fees as a percentage of annual revenues were calculated using the average audit fees per revenue range divided by the midpoint of each revenue range provided. As a percentage of annual revenues, audit fees were highest at 1 percent of revenues for all companies that reported revenues less than \$5 million, with responses of 5 (Exhibit C).

### Annual Average Audit Fees as a % of Annual Revenues



### Annual Median Audit Fees as a % of Annual Revenues

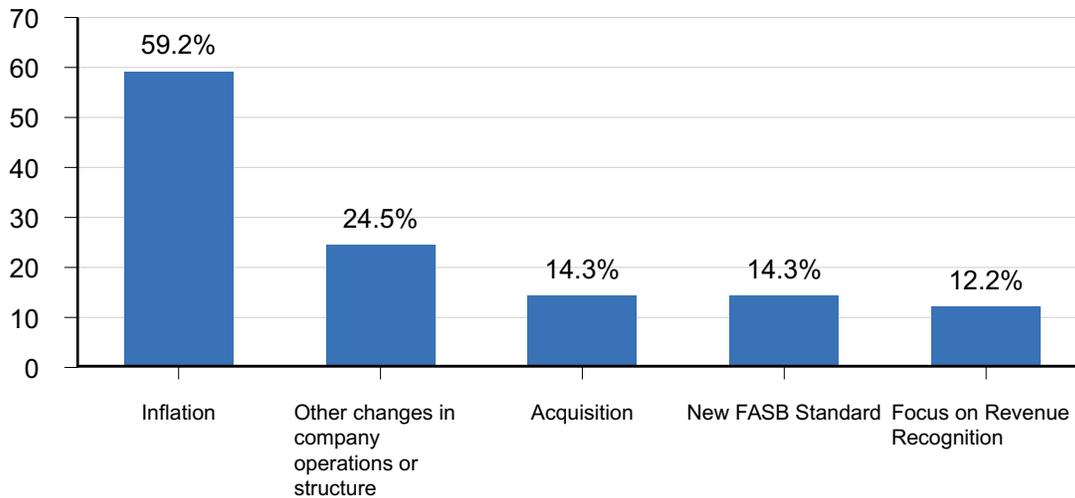


A total of 30 private companies provided the total number of audit hours, which averaged 2,800 with a median of 850 and approximated \$159 per hour (median of \$200 per hour) of audit work (Exhibit B).

### Reasons for Increase in Audit Fees

A total of 53.2 percent or 49 respondents indicated that they experienced an increase in audit fees. Over half (29 or 59.2 percent) indicated inflation as one of the reasons for the increase (Exhibit D).

#### **Top Reasons for Increase in Audit Fees**



13

### Centralized vs. Decentralized Operations

Consistent with the prior year, responses support the assumption that an audit of the financial statements of a company with centralized operations could be more efficient; and therefore, less costly than that of a company with decentralized operations.

Of the 92 private company respondents, 78 (85.0 percent) have centralized operations while 14 (15.0 percent) have decentralized operations. On average, private companies with centralized and decentralized operations paid \$231,445 and \$382,861, respectively (medians of \$59,250 and \$265,000, respectively), for their annual financial statement audits (Exhibit E).

### Primary Audit Firm

A total of 92 private companies provided the names of their audit firms. Grant Thornton garnered the most mentions with 9 responses, but PwC was second with 8 responses (Exhibit F). The “other” category had 30 responses, which represented various regional firms.

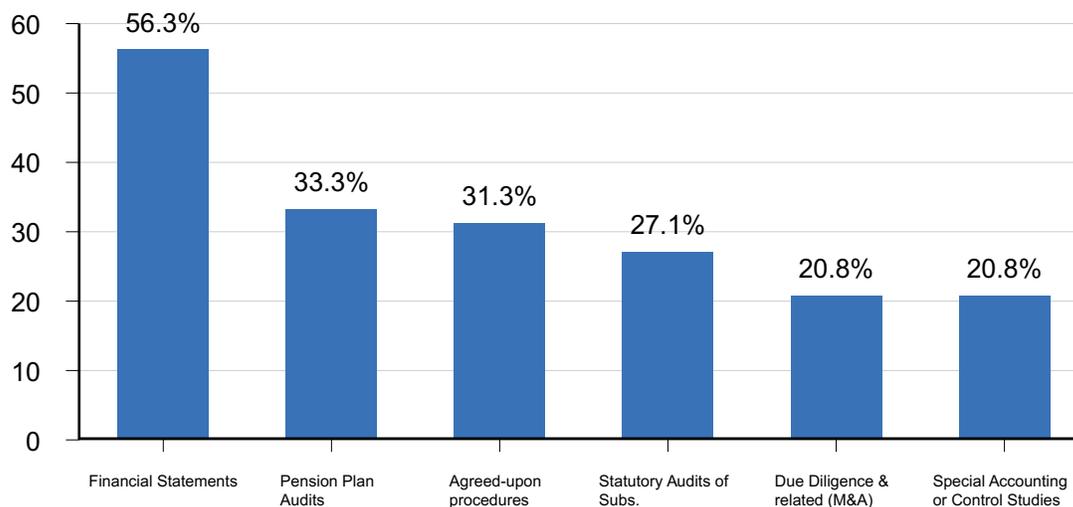
---

<sup>13</sup> Respondents were allowed to select all that applied.

## Other Audit Fees

Using the same definitions of audit-related, tax, and other audit fees provided in the Section<sup>14</sup>, 48 private companies paid an average audit-related fee of \$79,389 with a median of \$25,000, which included the following services:

### Top Reasons for Increase in Audit Fees



15

*Tax-related fees* were \$87,150 with a median of \$35,000 based on 83 responses (Exhibit G).

## Auditor Relations

When asked whether the volume of work for external auditors changed to obtain an auditor's report for the financial statements, 57.8 percent indicated that the amount of work remained the same (Exhibit H).

---

<sup>14</sup> § 240.14a-101 of Schedule 14A

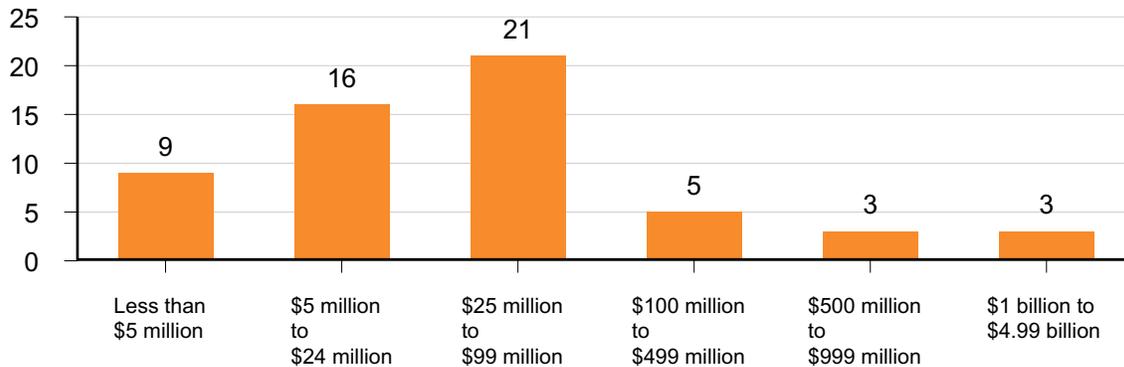
<sup>15</sup> Respondents were allowed to select all that applied.

## Nonprofit Companies

### Company Size

Of the 57 respondents, most respondents (21 or 36.8 percent) were between the annual revenue range of \$25 million to \$99 million.

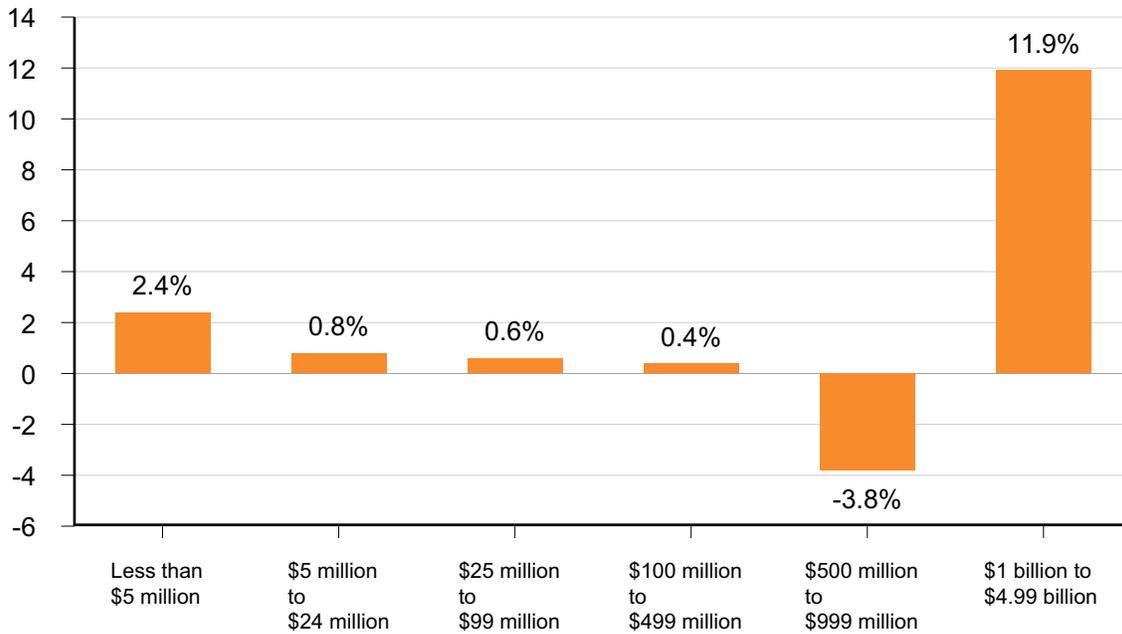
### Nonprofit Company Size by Annual Revenues



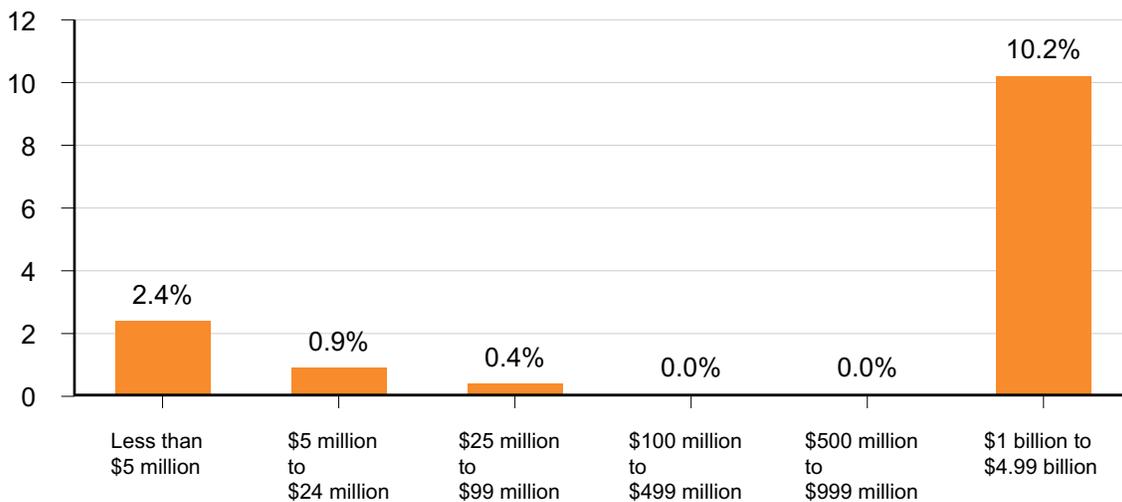
### Audit Fees for 2014

Average audit fees paid by the 57 nonprofit respondents were \$107,208 with a median of \$36,440, which was an average increase of 1.3 percent greater (median was flat at 0 percent) than 2013. However, average fees by size of company ranged from an increase of 11.9 percent for organizations with revenues in the range of \$1 to \$4.9 billion to a decrease of 3.8 percent for organizations with revenues ranging between \$500 to \$999 million (Exhibit C).

### Average Increase/Decrease from PY by Annual Revenue Ranges

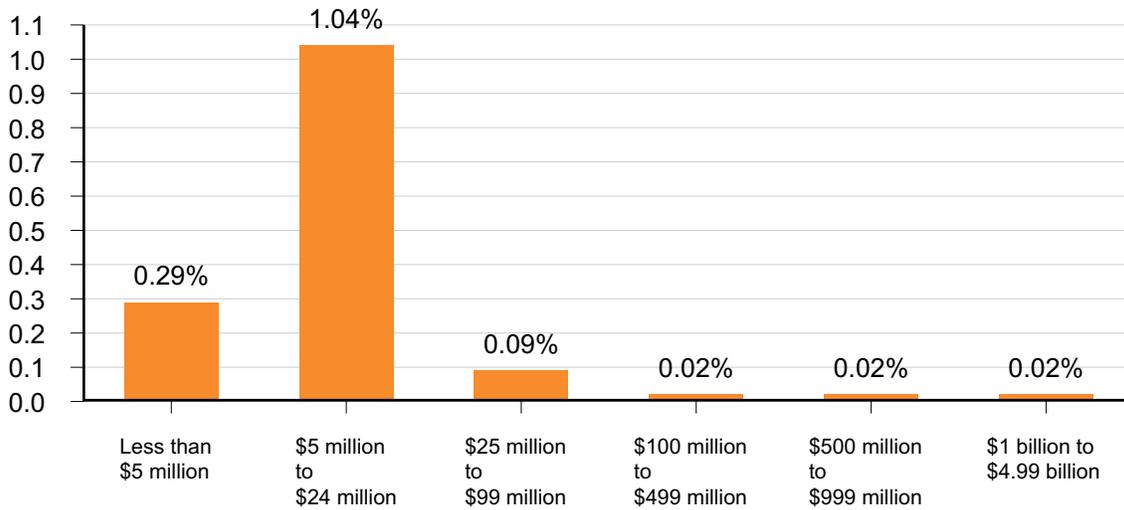


### Median Increase/Decrease from PY by Annual Revenue Range

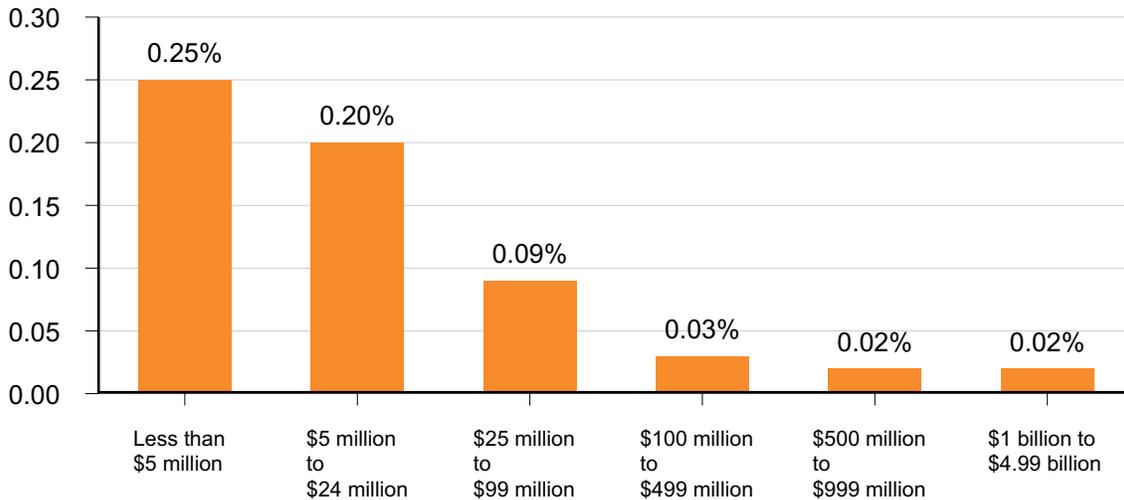


Audit fees as a percentage of revenues were also highest for companies with revenues ranging from \$5 million to \$24 million at 1.04 percent. However, from a median perspective, companies with less than \$5 million in revenues were the highest at .25 percent.

### Annual Average Audit Fees as a % of Annual Revenues



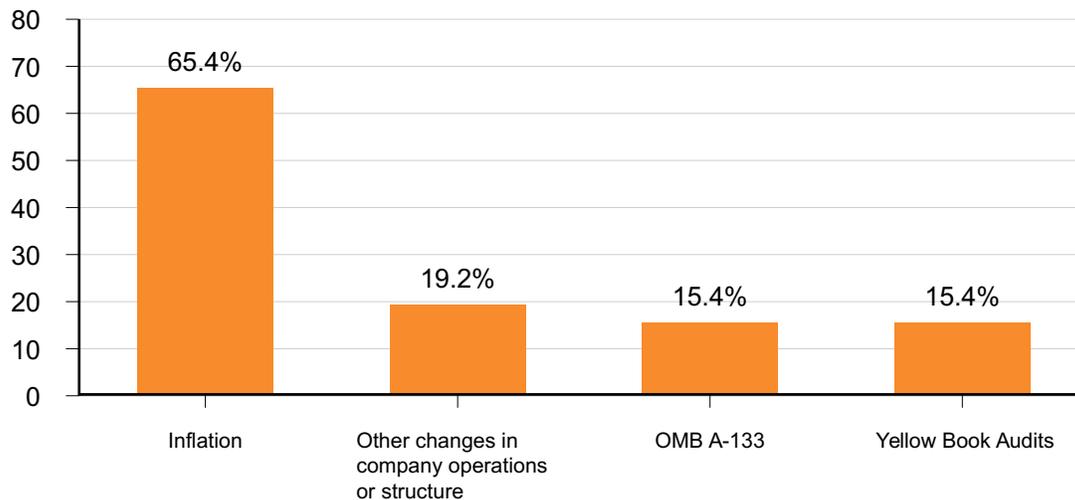
### Annual Median Audit Fees as a % of Annual Revenues



### Reasons for Increase in Audit Fees

Of the 26 respondents, 65.4 percent indicated that the reason for the increase was primarily inflation. The top reasons for the increase include the following:

#### **Top Reasons for Increase of Audit Fees**



### Centralized vs. Decentralized Operations

Of the total 57 respondents, 55 (96.0 percent) have centralized operations and 2 (4.0 percent) have decentralized operations. On average, those with centralized and decentralized operations paid \$107,499 and \$99,350, respectively (median of \$34,250 and \$99,350, respectively), for their annual financial statement audits (Exhibit E).

### Primary Audit Firm

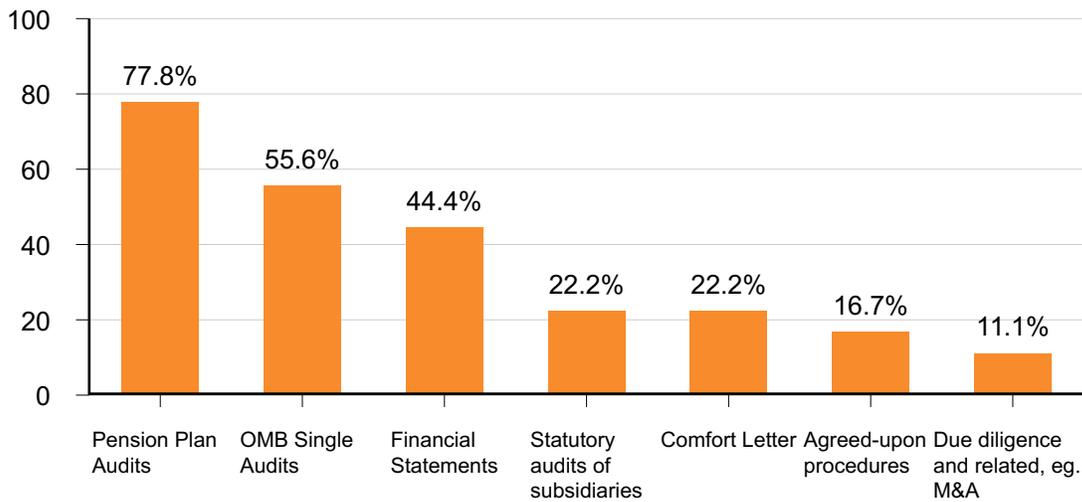
Only 5 nonprofit respondents or approximately 8.9 percent use the Big 4 led by EY and KPMG (2 each); while over 73.2 percent indicate they use non-Big 4 auditors. Other national, regional, or local audit firms that were mentioned include Fortenberry & Ballard, PC; Hudson & Cisne; Lawrimore & Lawrimore; Parente Beard, LLC; and Wipfli (Exhibit F).

**Other Audit Fees**

Similar to public and private companies, nonprofits were asked to provide audit-related services, taxes, and all other fees. According to the 18 responses received, the average audit-related fee for nonprofit respondents was \$166,544 with a median of \$19,000.

Pension audits were the most frequent audit-related service at 77.8 percent of the 18 responses. Alternative services include:

**Total Non Profit Audit-Related Fee**



The fees for tax-related services were \$27,365 with a median of \$5,000 (Exhibit G).

## Exhibit A: 2014 Average Audit Fees by Filing Status

		Accelerated						
	Smaller Reporting Companies	Non-Accelerated	\$75 to \$699 million	Large Over \$700 million	Total Public	Private	Nonprofit	Grand Total
Survey Responses		9	23	44	76	92	57	225
Average Audit Fees		\$516,786	\$1,487,718	\$13,195,521	\$8,150,941	\$254,740	\$107,208	\$2,908,773
% Increase from Prior Year		-1.8%	17.3%	9.6%	10.7%	2.7%	1.3%	5.1%
Median Audit Fees		\$306,000	\$910,500	\$6,630,500	\$2,189,000	\$70,000	\$36,440	\$139,000
Median % Increase from PY		-0.5%	7.8%	2.3%	3.1%	2.0%	—%	1.9%
SEC Filers	2,939	779	1,403	1,950	7,071	N/A	N/A	N/A
Average Audit Fees	\$142,188	\$1,691,534	\$909,018	\$4,006,489	\$1,533,438	N/A	N/A	N/A
% Increase from Prior Year	39.1%	71.2%	21.2%	11.0%	30.9%	N/A	N/A	N/A
Median Audit Fees	\$55,507	\$808,000	\$604,500	\$2,061,538	\$402,812	N/A	N/A	N/A
Median % Increase from PY	2.0%	4.0%	4.3%	4.3%	3.4%	N/A	N/A	N/A

## Exhibit B: 2014 Average Audit Hours by Filing Status

	Non-Accelerated	Accelerated		Total Public	Private	Nonprofit	Grand Total
		\$75 to \$699 million	Large Over \$700 million				
Number of Responses	3	12	19	34	30	6	70
Average Audit Fees*	\$836,837	\$1,558,685	\$9,052,082	\$5,682,479	\$446,394	\$104,789	\$2,960,355
Average Audit Hours	4,376	6,684	40,379	25,310	2,800	585	13,544
Average \$ per hour	\$191	\$233	\$224	\$225	\$159	\$179	\$219
Median Audit Fees*	\$966,000	\$1,111,523	\$4,778,020	\$1,410,006	\$170,000	\$47,590	\$567,599
Median Audit Hours	5,629	4,963	15,000	6,720	850	400	2,900
Median \$ per hour	\$172	\$224	\$319	\$210	\$200	\$119	\$196

NIA = No Information Available  
 \*only of those that provided hours

## Exhibit C: 2014 Average Audit Fees by Sales Revenue

	Average All Responses	No Reported Revenue	Less than \$5 million	\$5 to \$24 million	\$25 to \$99 million	\$100 to \$499 million	\$500 to \$999 million	\$1 to \$4.9 billion	\$5 to \$14.9 billion	\$15 to \$24.9 billion	\$25 to \$49.9 billion	More than \$50 billion
<b>SEC Filers</b>	<b>7,071</b>	391	1,958	599	792	1,118	554	1,054	356	115	72	62
<b>Percent of Responses</b>	<b>100%</b>	5.5%	27.7%	8.5%	11.2%	15.8%	7.8%	14.9%	5.0%	1.6%	1.0%	0.9%
<b>Average Audit Fees</b>	<b>\$1,533,438</b>	\$160,271	\$158,697	\$207,052	\$407,329	\$913,407	\$1,493,759	\$2,771,197	\$5,776,079	\$8,476,115	\$12,050,449	\$21,676,689
<b>Average % Increase/ (Decrease) from PY</b>	<b>30.89%</b>	35.01%	51.31%	24.09%	39.10%	28.55%	19.47%	13.81%	7.68%	8.12%	0.76%	5.38%
<b>Median Audit Fees</b>	<b>\$402,812</b>	\$40,545	\$36,750	\$127,500	\$273,000	\$739,800	\$1,262,000	\$2,227,007	\$4,981,500	\$7,850,500	\$8,741,700	\$14,451,000
<b>Median % Increase/ (Decrease) from PY</b>	<b>3.39%</b>	0.80%	2.42%	2.78%	3.67%	4.27%	4.96%	4.30%	4.90%	2.27%	1.41%	2.09%
<b>Average Audit Fees as a % of Revenue*</b>	<b>0.06%</b>	—%	89.48%	1.55%	0.76%	0.36%	0.21%	0.12%	0.07%	0.04%	0.03%	0.02%
<b>Median Audit Fees as a % of Revenue*</b>	<b>6.63%</b>	—%	535.29%	1.00%	0.57%	0.32%	0.18%	0.10%	0.06%	0.04%	0.02%	0.02%

## Exhibit C: 2014 Average Audit Fees by Sales Revenue Continued

	Average All Responses	Less than \$5 million	\$5 to \$24 million	\$25 to \$99 million	\$100 to \$499 million	\$500 to \$999 million	\$1 to \$4.9 billion	\$5 to \$14.9 billion	\$15 to \$24.9 billion	\$25 to \$49.9 billion	More than \$50 billion
<b>Public</b>											
Number of Responses	76	4	3	4	11	13	10	12	3	3	13
Percent of Responses	100%	5.3%	3.9%	5.3%	14.5%	17.1%	13.2%	15.8%	3.9%	3.9%	17.1%
Average Audit Fees (\$)	\$8,150,941	637,613	447,462	251,959	959,936	1,272,654	2,399,310	5,555,663	13,663,333	13,168,333	32,023,923
Average % Increase/ (Decrease) from PY	10.7%	12.3%	7.1%	0.5%	8.7%	21.9%	26%	5.4%	6.2%	1.1%	0.4%
Median Audit Fees	2,189,000	636,000	151,750	282,500	830,000	1,018,510	2,125,000	5,541,500	13,899,000	11,500,000	31,499,000
Median % Increase/ (Decrease) from PY	3.1%	11%	20.5%	(0.3)%	4.8%	13.1%	4.9%	0.7%	4%	2.7%	(0.4)%
Average Audit Fees as a % of Revenue*		12.75%	3.09%	0.41%	0.32%	0.17%	0.08%	0.06%	0.07%	0.04%	0.06%
Median Audit Fees as a % of Revenue*		12.72%	1.05%	0.46%	0.28%	0.14%	0.07%	0.06%	0.07%	0.03%	0.06%
Average Audit Hours**	25,310	6,180	500	NIA	5,141	5,217	9,103	27,767	37,000	NIA	125,979
Median Audit Hours **	6,720	6,180	500	NIA	4,242	2,650	6,000	15,000	37,000	NIA	85,458
Number of Responses	34	2	1	NIA	8	5	7	5	2	NIA	4
<b>Private</b>											
Number of Responses	92	5	14	25	34	6	6	1	NIA	1	NIA
Percent of Responses	100%	5.4%	15.2%	27.2%	37.0%	6.5%	6.5%	1.1%	NIA	1.1%	NIA
Average Audit Fees (\$)	\$254,740	50,079	34,300	54,713	202,490	384,805	848,118	2,335,000	NIA	4,500,000	NIA
Average % Increase/ (Decrease) from PY	2.7%	11.2%	2.0%	3.1%	0.4%	6.4%	6.9%	2.3%	NIA	(8.2)%	NIA
Median Audit Fees	\$70,000	40,397	30,000	45,000	137,500	324,915	725,400	2,335,000	NIA	4,500,000	NIA
Median % Increase/ (Decrease) from PY	2%	6.7%	—%	1.4%	1.9%	5.3%	4.3%	2.3%	NIA	(8.2)%	NIA
Average Audit Fees as a % of Revenue*		1.00%	0.24%	0.09%	0.07%	0.05%	0.03%	0.02%	NIA	0.01%	NIA
Median Audit Fees as a % of Revenue*		0.81%	0.21%	0.07%	0.05%	0.04%	0.02%	0.02%	NIA	0.01%	NIA

## Exhibit C: 2014 Average Audit Fees by Sales Revenue Continued

	Average All Responses	Less than \$5 million	\$5 to \$24 million	\$25 to \$99 million	\$100 to \$499 million	\$500 to \$999 million	\$1 to \$4.9 billion	\$5 to \$14.9 billion	\$15 to \$24.9 billion	\$25 to \$49.9 billion	More than \$50 billion
<b>Average Audit Hours**</b>	<b>2,800</b>	625	300	446	1,324	2,858	6,044	NIA	NIA	30,000	NIA
<b>Median Audit Hours**</b>	<b>850</b>	625	300	280	1,000	3,000	4,504	NIA	NIA	30,000	NIA
<b>Number of Responses</b>	<b>30</b>	1	1	7	13	3	4	NIA	NIA	1	NIA

<b>Non-Profit</b>											
<b>Number of Responses</b>	<b>57</b>	9	16	21	5	3	3	NA	NA	NA	NA
<b>Percent of Responses</b>	<b>100%</b>	15.8%	28.1%	36.8%	8.8%	5.3%	5.3%	NA	NA	NA	NA
<b>Average Audit Fees</b>	<b>\$107,208</b>	14,671	151,398	55,479	72,457	144,953	514,167	NA	NA	NA	NA
<b>Average % Increase/ (Decrease) from PY</b>	<b>1.3%</b>	2.4%	0.8%	0.6%	0.4%	(3.8)%	11.9%	NA	NA	NA	NA
<b>Median Audit Fees</b>	<b>\$36,440</b>	12,500	29,250	56,090	76,335	158,000	452,000	NA	NA	NA	NA
<b>Median % Increase/ (Decrease) from PY</b>	<b>—%</b>	2.4%	0.9%	0.4%	—%	—%	10.2%	NA	NA	NA	NA
<b>Average Audit Fees as a % of Revenue*</b>		0.29%	1.04%	0.09%	0.02%	0.02%	0.02%	NIA	NIA	NIA	NIA
<b>Median Audit Fees as a % of Revenue*</b>		0.25%	0.20%	0.09%	0.03%	0.02%	0.02%	NIA	NIA	NIA	NIA
<b>Average Audit Hours**</b>	<b>585</b>	NA	200	420	NA	NA	1,631	NA	NA	NA	NA
<b>Median Audit Hours**</b>	<b>400</b>	NA	200	400	NA	NA	1,631	NA	NA	NA	NA
<b>Number of Responses</b>	<b>6</b>	NA	1	4	NA	NA	1	NA	NA	NA	NA

\*A midpoint of revenue was used to calculate the audit fees as a % of revenue. The actual revenue amount was not asked in the survey.

\*\* As provided

NIA = No Information Available

## Exhibit D: Reasons for Increase in Audit Fees

	Accelerated			Total Public	Private	Nonprofit	Grand Total
	Non-Accelerated	\$75 to \$699 million	Large Over \$700 million				
Number of responses indicating audit fees increase	3	16	22	41	49	26	116
Changed our independent auditor	—	—	—	—	2.0%	—	0.9%
Acquisition	—	56.3%	45.5%	46.3%	14.3%	3.8%	23.3%
Divestiture	—	12.5%	13.6%	12.2%	—	—	4.3%
Other changes in company operations or structure	33.3%	31.3%	40.9%	36.6%	24.5%	19.2%	27.6%
Inflation	33.3%	43.8%	22.7%	31.7%	59.2%	65.4%	50.9%
New FASB standards	—	6.3%	13.6%	9.8%	14.3%	7.7%	11.2%
New GASB standards	—	—	—	—%	—	7.7%	1.7%
Focus on Revenue Recognition	—	18.8%	18.2%	17.1%	12.2%	—	11.2%
Foreign currency adjustments	—	12.5%	13.6%	12.2%	2.0%	—	5.2%
Review of manual controls resulting from PCAOB inspections	33.3%	31.3%	45.5%	39.0%	4.1%	—	15.5%
Review of prior year work-papers resulting from PCAOB inspections	—	12.5%	18.2%	14.6%	2.0%	—	6.0%
New SEC reporting requirements	33.3%	18.8%	22.7%	22.0%	6.1%	—	10.3%
New COSO Framework	—	37.5%	31.8%	31.7%	2.0%	—	12.1%
XBRL review	—	—	13.6%	7.3%	—	—	2.6%
Turnover of key audit firm team members and/or mandatory partner rotation	—	37.5%	9.1%	19.5%	4.1%	3.8%	9.5%
Additional review as a result of a SEC Comment Letter or Inquiry	33.3%	25.0%	9.1%	17.1%	—	—	6.0%
Turnover in staff	—	18.8%	9.1%	12.2%	4.1%	7.7%	7.8%
OMB A-133	—	—	4.5%	2.4%	2.0%	15.4%	5.2%
Yellow Book Audits	—	—	—	—	—	15.4%	3.4%

## Exhibit E: Centralized vs. Decentralized Operations/ Domestic and International Finance Operations

	Centralized	Decentralized
<b>Public</b>		
Number of Responses	50	26
Percent of Responses	65.8%	34.2%
Average Audit Fees	\$6,746,863	\$10,851,092
Median Audit Fee	\$1,192,225	\$3,674,000
<b>Private</b>		
Number of Responses	78	14
Percent of Responses	84.8%	15.2%
Average Audit Fees	\$231,445	\$382,861
Median Audit Fee	\$59,250	\$265,000
<b>Nonprofit</b>		
Number of Responses	55	2
Percent of Responses	96.5%	3.5%
Average Audit Fees	\$107,499	\$99,350
Median Audit Fee	\$34,250	\$99,350
<b>Grand Total</b>		
Number of Responses	183	42
Percent of Responses	81.3%	18.7%
Average Audit Fees	\$1,994,306	\$6,849,694
Median Audit Fee	\$82,400	\$1,410,006

	Domestic finance operations only	Domestic and international finance operations
<b>Public</b>		
Number of Responses	25	51
Percent of Responses	32.9%	67.1%
Average Audit Fees	\$1,751,077	\$11,222,410
Median Audit Fees	\$755,000	\$4,778,020
<b>Private</b>		
Number of Responses	65	27
Percent of Responses	70.7%	29.3%
Average Audit Fees	\$192,199	\$220,993
Median Audit Fees	\$46,000	\$144,000
<b>Nonprofit</b>		
Number of Responses	57	—
Percent of Responses	100.0%	—%
Average Audit Fees	\$107,208	N/A
Median Audit Fees	\$36,000	N/A
<b>Grand Total</b>		
Number of Responses	147	78
Percent of Responses	65.3%	34.7%
Average Audit Fees	\$428,147	\$7,520,195
Median Audit Fees	\$57,680	\$1,334,654

## Exhibit F: Primary Audit Firm

	Non-Accelerated	Accelerated		Total Public	Private	Nonprofit	Grand Total
		\$75 to \$699 million	Large Over \$700 million				
<b>Number of Responses</b>	9	23	44	76	92	56	224
<b>PwC</b>	—	4	18	22	8	1	31
<b>EY</b>	3	8	6	17	6	2	25
<b>Deloitte</b>	—	3	11	14	5	—	19
<b>KPMG</b>	—	4	9	13	2	2	17
<b>Grant Thornton</b>	—	1	—	1	9	—	10
<b>BDO</b>	—	1	—	1	7	—	8
<b>Mayer Hoffman McCann</b>	1	—	—	1	4	2	7
<b>McGladrey</b>	1	—	—	1	5	1	7
<b>Crowe Horwath</b>	—	1	—	1	4	1	6
<b>BKD</b>	—	—	—	—	3	2	5
<b>Moss Adams</b>	—	—	—	—	4	1	5
<b>Baker Tilly</b>	—	—	—	—	3	2	5
<b>EKS&amp;H</b>	—	—	—	—	2	1	3
<b>Other</b>	4	1	—	5	30	41	76
<b>Total</b>	9	23	44	76	92	56	224

## Exhibit G: Non-Audit Fees

	Accelerated			Total Public	Private	Nonprofit	Grand Total
	Non-Accelerated	\$75 to \$699 million	Large Over \$700 million				
<b>Audit-Related Fees</b>							
Number of Responses	2	11	35	48	48	18	114
What was the cost of external audit fees billed for audit-related services?							
Average	\$84,867	\$145,520	\$3,459,333	\$2,559,315	\$79,389	\$166,544	\$1,137,330
Median	\$84,867	\$43,200	\$900,000	\$350,821	\$25,000	\$19,000	\$50,950
Pension plan audits	—	18.2%	51.4%	41.7%	33.3%	77.8%	43.9%
Statutory audits of subsidiaries	50.0%	36.4%	77.1%	66.7%	27.1%	22.2%	43.0%
Due diligence and related, eg. M&A	—	36.4%	65.7%	56.3%	20.8%	11.1%	34.2%
Special accounting or control studies	—	27.3%	34.3%	31.3%	20.8%	—	21.9%
Capital market transactions support	—	9.1%	17.1%	14.6%	10.4%	—	10.5%
Financial statements (annual or quarterly)	100.0%	54.5%	42.9%	47.9%	56.3%	44.4%	50.9%
SEC filings	100.0%	63.6%	42.9%	50.0%	—%	—	21.1%
Comfort letters	—	—	14.3%	10.4%	12.5%	—	9.6%
Agreed-upon procedures	—	9.1%	25.7%	20.8%	31.3%	16.7%	24.6%
XBRL Review	—	9.1%	5.7%	6.3%	—	—	2.6%
OMB - A-133 Single Audits	—	—	—	—	—	55.6%	8.8%
Other	—	—	17.1%	12.5%	12.5%	22.2%	14.0%
<b>Tax Fees</b>							
Number of Responses	4	15	40	59	83	25	167
What is the annual cost for other services?							
Average	\$49,223	\$213,259	\$1,271,581	\$934,651	\$87,150	\$27,365	\$374,261
Median	\$51,168	\$101,259	\$380,989	\$219,500	\$35,000	\$5,000	\$57,500

## Exhibit H: Auditor Relations

	Non-Accelerated	Accelerated		Total Public	Private	Nonprofit	Grand Total
		\$75 to \$699 million	Large Over \$700 million				
<b>All Organizations</b>							
<b>To obtain an auditor's report on the financial statements, has the volume of annual audit work by your external auditors changed?</b>							
<b>Number of Responses</b>	8	23	44	75	90	56	221
The amount of auditor's work in 2014 has decreased compared to 2013	—	4.3%	4.5%	4.0%	16.7%	10.7%	10.9%
The amount of auditor's work in 2014 has increased compared to 2013	75%	87%	59.1%	69.3%	25.6%	23.2%	39.8%
The amount of auditor's work in 2014 has remained the same as in 2013	—	8.7%	36.4%	26.7%	57.8%	66.1%	49.3%
<b>To obtain an auditor's report on internal controls, has the volume of annual audit work by your external auditors changed?</b>							
<b>Number of Responses</b>	9	23	44	76	89	56	221
The amount of auditor's work in 2014 has decreased compared to 2013	—	—	4.5%	2.6%	6.0%	—%	3.2%
The amount of auditor's work in 2014 has increased compared to 2013	—	78.3%	68.2%	63.2%	2.0%	4.0%	23.5%
The amount of auditor's work in 2014 has remained the same as in 2013	—	21.7%	22.7%	19.7%	40.0%	66.0%	39.8%
<b>Not applicable</b>	100%	—	4.5%	14.5%	52.0%	30.0%	33.5%

## Exhibit I: Public Company Internal Controls

	Non-Accelerated	Accelerated		Total Public
		\$75 to \$699 million	Large Over \$700 million	
<b>Did your Company update to the 2013 COSO Framework for the most recent year-end?</b>				
<b>Number of Responses</b>	9	22	43	74
<b>Yes</b>	33.3%	68.2%	76.7%	67.6%
<b>No, but we plan to complete by year end</b>	55.6%	27.3%	23.3%	29.7%
<b>No, but we have a target to complete by 6/30/2016</b>	11.1%	4.5%	—	2.7%

<b>Who performs your Sarbanes-Oxley 404 testing?</b>				
<b>Number of Responses</b>	9	22	44	75
<b>Performed by finance / controllers resources</b>	55.6%	18.2%	25%	26.7%
<b>Performed by internal audit</b>	33.3%	63.6%	54.5%	54.7%
<b>Performed by management (decentralized)</b>	—%	9.1%	13.6%	10.7%
<b>Outsourced</b>	11.1%	9.1%	6.8%	8%

<b>Has your company experienced an increase/decrease in its internal costs of compliance with Sarbanes-Oxley Section 404 within the past three years?</b>				
<b>Number of Responses</b>	8	23	44	75
<b>Increase</b>	50%	73.9%	52.3%	58.7%
<b>Decrease</b>	—	—	13.6%	8%
<b>No Change</b>	50%	26.1%	34.1%	33.3%

<b>Reasons for increase included: (entities were allowed to select all that applied)</b>				
<b>Number of Responses</b>	10	37	59	106
<b>Regulatory requirements (e.g. COSO 2013)</b>	40%	24.3%	32.2%	30.2%
<b>Growth of organization/Growth of staff</b>	10%	18.9%	20.3%	18.9%
<b>PCAOB inspection findings/related issues</b>	10%	16.2%	16.9%	16%
<b>The company has completed a large acquisition with additional systems</b>	10%	10.8%	11.9%	11.3%
<b>The company has implemented a new IT system</b>	10%	10.8%	8.5%	9.4%
<b>The company experienced a material weakness or significant deficiency requiring additional SOX testing</b>	—	8.1%	1.7%	3.8%
<b>Cybersecurity threats</b>	—	2.7%	3.4%	2.8%
<b>Other</b>	20%	8.1%	5.1%	7.5%

<b>How would you best describe your company's compliance with Section 404?</b>				
<b>Number of Responses</b>	8	23	44	75
<b>Better internal control, worth the added expense</b>	12.5%	43.5%	52.3%	45.3%
<b>Better internal control, but not worth the added expense</b>	25%	39.1%	40.9%	38.7%
<b>No increase in internal control</b>	37.5%	13%	2.3%	9.3%
<b>Cost of compliance far exceeds any additional internal control</b>	25%	4.3%	4.5%	6.7%

## Exhibit J: 2014 Audit Committee Questions

	Accelerated			Total Public	Private	Nonprofit	Grand Total
	Non-Accelerated	\$75 to \$699 million	Large Over \$700 million				
<b>How many times per year does your Audit Committee meet on earnings and quarterly filings?</b>							
<b>Number of Responses</b>	9	23	43	75	N/A	N/A	75
<b>Less than Four</b>	44.4%	56.5%	32.6%	41.3%	N/A	N/A	41.3%
<b>Six</b>	33.3%	21.7%	32.6%	29.3%	N/A	N/A	29.3%
<b>Eight</b>	22.2%	17.4%	25.6%	22.7%	N/A	N/A	22.7%
<b>Ten</b>	—%	4.3%	2.3%	2.7%	N/A	N/A	2.7%
<b>More than Ten</b>	—%	—%	7.0%	4.0%	N/A	N/A	4.0%
<b>How is your internal audit function performed?</b>							
<b>Number of Responses</b>	9	23	44	76	92	57	225
<b>Mix of internal and outsourced resources</b>	22.2%	34.8%	11.4%	19.7%	5.4%	5.3%	10.2%
<b>No internal audit function</b>	44.4%	8.7%	—%	7.9%	64.1%	52.6%	42.2%
<b>Outsourced resources</b>	—%	4.3%	6.8%	5.3%	4.3%	5.3%	4.9%
<b>Separate department</b>	11.1%	43.5%	79.5%	60.5%	13%	8.8%	28%
<b>Shared internal responsibilities</b>	22.2%	8.7%	2.3%	6.6%	13.0%	28.1%	14.7%

## Exhibit K: Public Company Questions

	Accelerated			Total Public
	Non-Accelerated	\$75 to \$699 million	Large Over \$700 million	
<b>If your audit firm was subject to PCAOB oversight review, were the comments of the PCAOB shared with you?</b>				
<b>Number of Responses</b>	8	23	44	75
Yes	37.5%	52.2%	63.6%	57.3%
No	37.5%	8.7%	6.8%	10.7%
Not sure	25.0%	—	9.1%	8.0%
N/A	—	39.1%	20.5%	24.0%

<b>Has your auditor requested that you make changes to your controls as a result of PCAOB requirements or inspection feedback?</b>				
<b>Number of Responses</b>	8	23	44	75
Yes	—	56.5%	47.7%	45.3%
No	75.0%	34.8%	40.9%	42.7%
Not sure	12.5%	—	—	1.3%
N/A	12.5%	8.7%	11.4%	10.7%

<b>Has your auditor requested that you make changes to your controls documentation as a result of PCAOB requirements or inspection feedback?</b>				
<b>Number of Responses</b>	8	23	44	75
Yes	25.0%	73.9%	70.5%	66.7%
No	50.0%	17.4%	18.2%	21.3%
Not sure	12.5%	8.7%	11.4%	10.7%
N/A	12.5%	—	—	1.3%

<b>Did the PCAOB findings result in a restatement of your financial statements?</b>				
<b>Number of Responses</b>	8	23	44	75
Yes	—	—	—	—
No	75.0%	65.0%	77.3%	73.3%
Not sure	13.0%	—%	—	1.3%
N/A	13.0%	35.0%	22.7%	25.3%

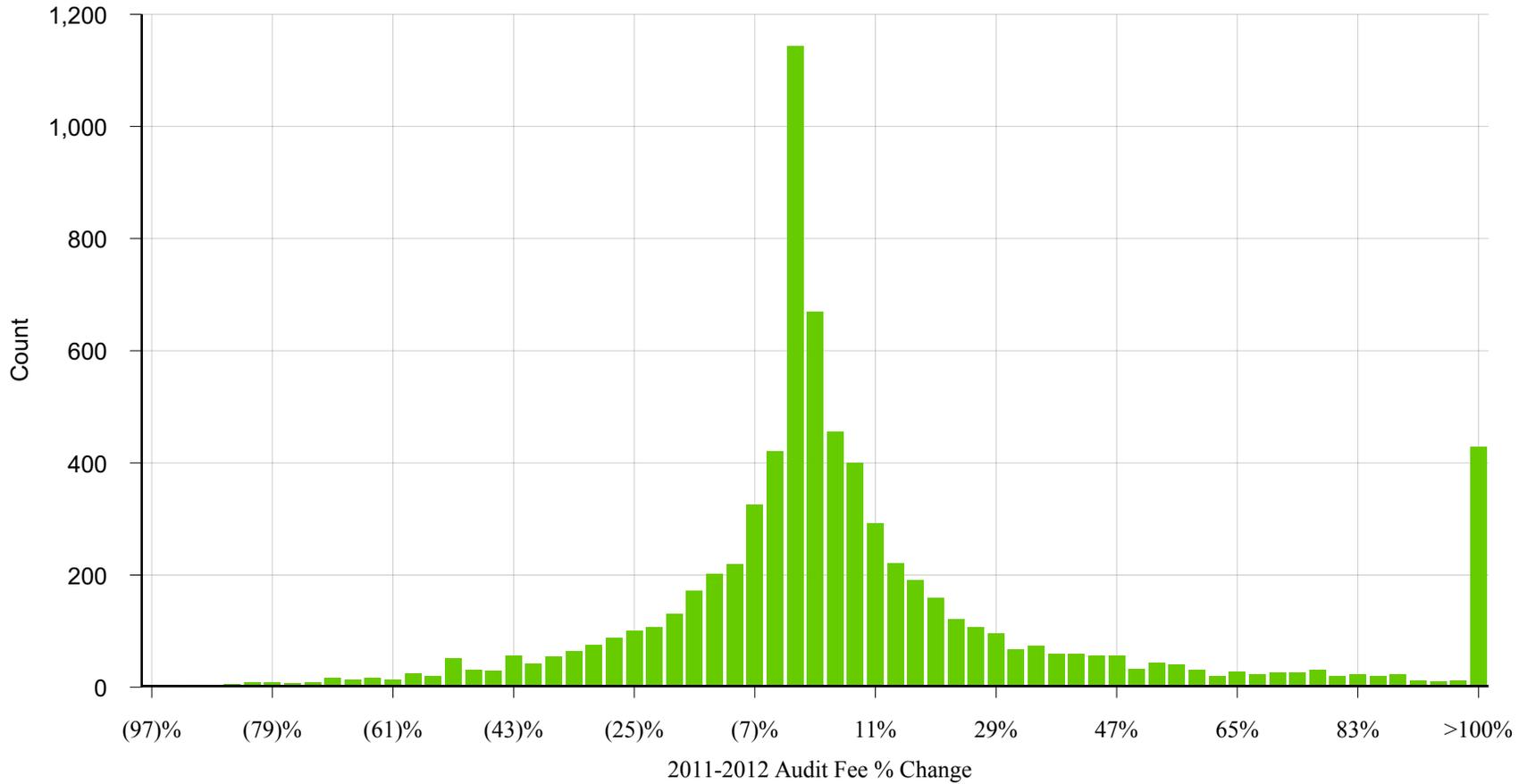
## Exhibit K: Public Company Questions Continued

	Accelerated			Total Public
	Non-Accelerated	\$75 to \$699 million	Large Over \$700 million	
<b>Did the PCAOB findings result to a change in auditor's opinion?</b>				
<b>Number of Responses</b>	8	23	44	75
Yes	—	—	—	—
No	75.0%	65.2%	75.0%	72.0%
Not sure	12.5%	—	—	1.3%
N/A	12.5%	34.8%	25.0%	26.7%

<b>Our external auditors decreased their reliance on work performed by internal audit staff because of the PCAOB inspections.</b>				
<b>Number of Responses</b>	7	23	44	74
Agree	28.6%	26.1%	9.1%	16.2%
Disagree	—	13.0%	27.3%	20.3%
Neutral	71.4%	26.1%	40.9%	39.2%
Strongly agree	—	13.0%	13.6%	12.2%
Strongly disagree	—	21.7%	9.1%	12.2%

**Exhibit L: Audit Fees Percentage Change Distribution - Three year analysis (all filers)**

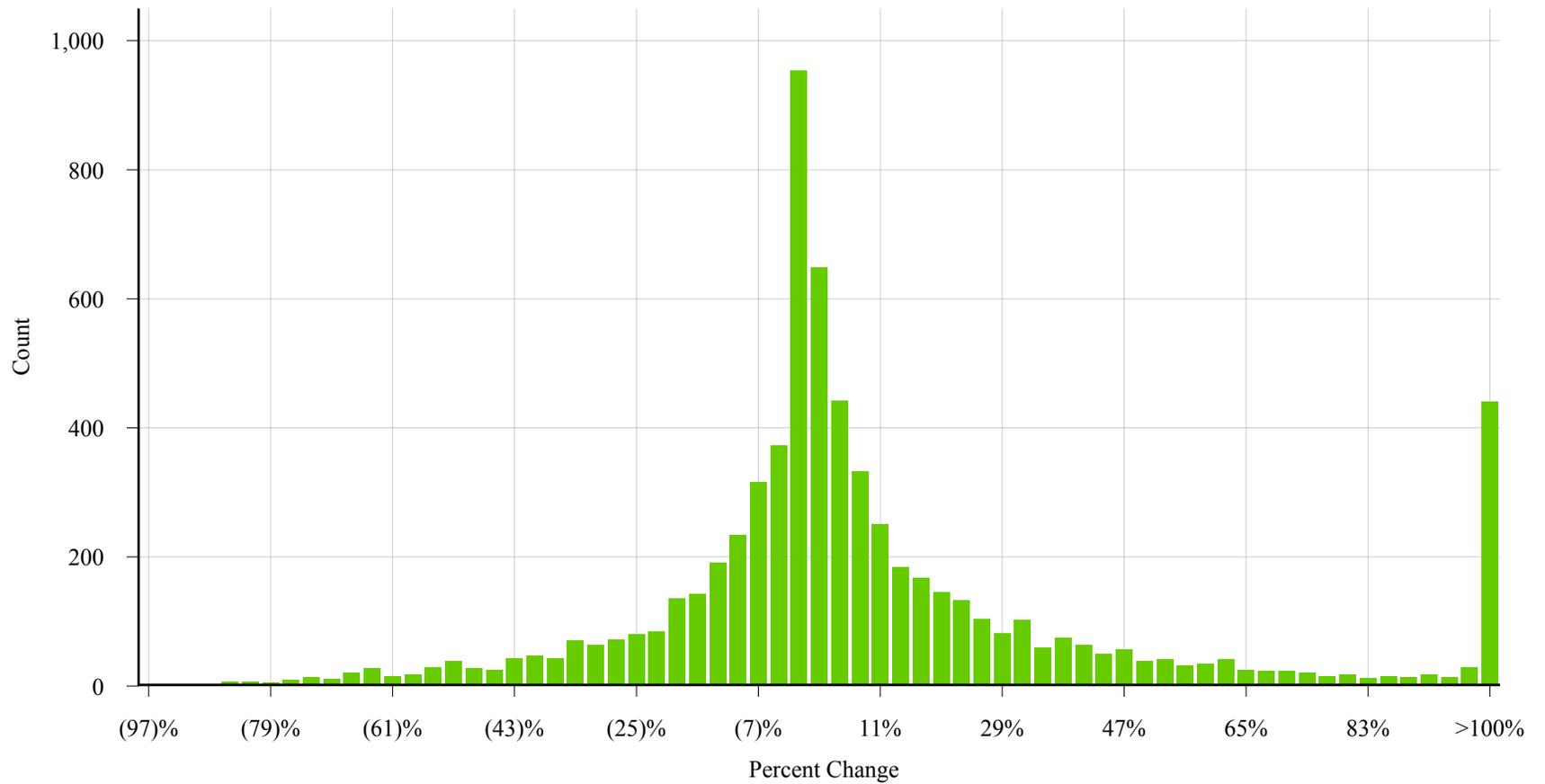
**2011-2012 Audit Fee % Change Distribution**





**Exhibit L: Audit Fees Percentage Change Distribution - Three year analysis (all filers) Continued**

**2013-2014 Audit Fee % Change Distribution**



## About Workiva

Workiva (NYSE:WK) created Wdesk, a cloud-based productivity platform for enterprises to collect, link, report, and analyze business data with control and accountability. Thousands of organizations, including over 65% of the Fortune 500, use Wdesk for risk, compliance, or management reporting. Wdesk proprietary word processing, spreadsheet, and presentation applications are integrated and built upon a data management engine offering synchronized data, controlled collaboration, granular permissions, and a full audit trail. Wdesk helps to mitigate enterprise risk, improve productivity, and give users confidence to make decisions with real-time data. Workiva employs more than 950 people with offices in 15 cities. The company is headquartered in Ames, Iowa. For more information, visit [workiva.com](http://workiva.com).

## About MyLogIQ

MyLogIQ started innovating on Big-Data & analysis more than a decade ago, under its former name LogixData. Offering solution for analyzing public company SEC filings as well as reporting and regulatory trends. Customers access our intelligent databases through our Software-As-A-Service: SECAnalyzer™ or Data-As-A-Service: CompanyIQ™

MyLogIQ solutions are used by External Reporting Teams of Public companies, Big 5 Auditing Firms, Law Firms, Academia and Regulatory body. Users can subscribe to any or all of the following intelligent databases:

- \* Disclosure Research and Benchmarking
- \* SEC Comment Letters and Responses
- \* Audit Fees and SOX Analysis
- \* Corporate Governance Analysis
- \* Executive and Director Compensation Analysis
- \* Financial Analysis
- \* XBRL Liability Analysis
- \* Ownership and Activist Investors

For more details visit us at [www.mylogiq.com](http://www.mylogiq.com) or email [info@mylogiq.com](mailto:info@mylogiq.com)

## About Financial Executives Research Foundation (FERF)

Financial Executives Research Foundation is the nonprofit 501(c) (3) research affiliate of Financial Executives International (FEI). FERF researchers identify key financial issues and develop impartial, timely research reports for FEI members and non-members alike, in a variety of publication formats. FERF relies primarily on voluntary tax-deductible contributions from corporations and individuals. Questions about FERF can be directed to [bsinnett@financialexecutives.org](mailto:bsinnett@financialexecutives.org). The views set forth in this publication are those of the author and do not necessarily represent those of the FERF Board as a whole, individual trustees, employees, or the members of the Research Committee. FERF shall be held harmless against any claims, demands, suits, damages, injuries, costs, or expenses of any kind or nature whatsoever except such liabilities as may result solely from misconduct or improper performance by the Foundation or any of its representatives. FERF publications can be ordered by logging onto <http://www.ferf.org>.

Copyright © 2015 by Financial Executives Research Foundation, Inc.  
All rights reserved. No part of this publication may be reproduced in any form or by any means without written permission from the publisher.

International Standard Book Number  
978-1-61509-192-8  
Printed in the United States of America  
First Printing

Authorization to photocopy items for internal or personal use, or the internal or personal use of specific clients, is granted by Financial Executives Research Foundation, Inc. provided that an appropriate fee is paid to Copyright Clearance Center, 222 Rosewood Drive, Danvers, MA 01923. Fee inquiries can be directed to Copyright Clearance Center at (978) 750-8400. For further information, please check Copyright Clearance Center online at <http://www.copyright.com>.

Cover art: ©[Korovin](#)/iStock/Thinkstock

