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SOX Compliance - Spreadsheet Controls
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You can efficiently and effectively analyze your company's spreadsheets for Sarbanes-Oxley compliance purposes. Here's how:

Consider the types of spreadsheets maintained by your company…certain spreadsheets are relatively simple to use and understand, and have minimal financial statement impact, while others are complex and have a significant impact on your company's financial statements.

Spreadsheets fall into three categories: basic, significant, and critical. We will address significant and critical spreadsheets here.

Significant spreadsheets heavily impact financial statements, footnote disclosures, or both, and must possess significant quantitative and qualitative characteristics. Quantitative characteristics pertain to financial statement materiality thresholds, while qualitative characteristics pertain to the size, scope, and complexity of the spreadsheet.

Could an error in a spreadsheet go undetected? If so, that spreadsheet likely contains significant qualitative characteristics.

Critical spreadsheets not only possess significant quantitative and qualitative characteristics, but are so complex that users rely heavily on the formulas and structure of the worksheet. Such complexity makes it difficult to conclude with certainty that results are accurate simply by viewing inputs and variables, thus there is more risk that a significant error may go undetected.

Significant and critical spreadsheets should be stored on systems that are backed up each day, and access to such spreadsheets must be restricted both from a storage standpoint (on a restricted drive) and from an access standpoint (password- and cell-protected). Keep in mind, however, that it may not be practical to protect cells of spreadsheets that require inserting or updating rows or columns of data.

Spreadsheets and workbooks (in general) should be named using your company's standard naming convention, and versions should be included in your naming convention so that you can easily identify the most current version. You should also include a Change Control tab in workbooks that include significant and critical spreadsheets to inform users about all significant changes made throughout the life cycle of the spreadsheet. Include the change and the person responsible for making the change on the Change Control worksheet.

It's important to design input controls to ensure that variable data added to spreadsheets is accurate and transparent. Accurate and transparent input coupled with proper access and security controls results in accurate financial statements and footnote disclosures. Following are input controls to consider for significant and critical spreadsheets:

- Segregate values from cells containing formulas
- Format cells with values in a manner that distinguishes them as inputs (shaded, blue text, etc.)
- Do not include in workbooks embedded links to outside files
- Reference significant data inputs to their sources and include evidence of review
- In large or multi-sheet workbooks, include a separate section or sheet containing all significant values or variables used throughout the workbook
- In single page worksheets, segregate values and inputs in a designated section at the top of the spreadsheet using shaded cells
- Use data validation tools to restrict the type and range of inputted data
- Use internal hyperlinks to cross reference data sources and destinations within the spreadsheet
- For spreadsheets designed to generate reports include the filename/path and date in the footer

Use your judgment to assess whether your company's spreadsheets should be designated as significant or critical, and verify your assessment with your company's external auditors. Spreadsheet controls are an important part of your company's internal control system, and you should ensure that your company's significant and critical spreadsheets support sound financial reporting.