Does management have incentives to disclose their internal control weaknesses if the companies are exempted from 404 (b)?

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ABSTRACT

The Section 404(b) of the Sarbanes-Oxley Act (**SOX**) has become a controversial topic since it was issued in 2002. Several regulatory rollbacks such as Dodd-Frank Act (in 2010) and JOBS Act (in 2012) exempts non-accelerated filers and emerging growth companies from Section 404(b) requirements, respectively. However, some organizations such as the American Institute of Certified Public Accountants (AICPA), the Center for Audit Quality (CAQ), the Council of Institutional Investors (CII) and CFA Institute continue expressing the opposing opinions on any legislation that would erode Section 404(b) since 2010. This study explores the trends of internal control disclosures by management in five consecutive years from 2013 to 2017. The results of this study support the opinions of AICPA, CAQ, CII, and CFA Institute. For non-accelerated filers and emerging growth companies, specifically in services, refining, bank, and mining industries, the internal control weakness disclosures by management progressively have declined year by year since 2013 after they had been exempted from 404(b) attestation. However, for large accelerated and accelerated filers required 404(b) reporting, internal control weakness disclosures by management remain relatively stable year by year. This study has implications for policymakers such as PCAOB, securities regulators such as SEC, investors and academic researchers. 404(a) is not an effective substitute for 404(b). If the loosening of 404(b) continues, more and more companies will lose the audit oversight and thus they have no incentives to seriously attest their internal control over financial reporting and disclose any internal control weakness.

Keywords: 404(a), 404(b), Exemption, ICFR, SRC, Accelerated filers

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INTRODUCTION

In reaction to the accounting scandals in early 2002, the U.S. Congress passed the Sarbanes Oxley Act (SOX) to increase companies' reporting quality and restore investors' confidence in the financial market. Section 404 of the SOX requires management of public companies and auditors to provide reports on the effectiveness of internal control over financial reporting (ICFR). Section 404(a) requires public companies to include a statement about the effectiveness of their ICFR. Section 404(b) requires an auditor to attest to the effectiveness of a company's ICFR, which incur additional costs to comply with these requirements. Section 404(b) is one of the most controversial sections of the SOX. On one hand, several regulatory rollbacks have been issued since 2010. Congress signed the Dodd-Frank Wall Street Reform and Consumer Protection Act (Dodd-Frank Act) and the Jumpstart Our Business Startups Act (JOBS Act) into laws to exempt non-accelerated filers and emerging growth companies from SOX Section 404(b) requirements, respectively. The Securities and Exchange Commission (SEC) implemented these acts and further proposed and passed an amendment to raise the threshold of accelerated filers to exempt more companies (SEC, 2019a; SEC, 2019b; SEC, 2020). Except for the legitimate concerns on compliance cost of Section 404(a), the regulatory rollbacks are driven by the view that Section 404(b) may not be an efficient way to benefit and protect investors (SEC 2019b) and Section 404(a) is a cost-effective alternative to Section 404(b) (Kinney and Shepardson, 2011; Fan, Li and Raghunandan 2017).

On the other hand, some organizations such as the American Institute of Certified Public Accountants (AICPA), the Center for Audit Quality (CAQ), the Council of Institutional Investors (CII) and the CFA Institute continue expressing the opposing opinions on any legislation that would erode Section 404(b) since 2010. They oppose not only the exemption of Section 404(b) by Dodd-Frank Act and JOBS Act but also the raising of thresholds for the "large accelerated filer" and "accelerated filer" definitions in Rule 12b-2 under the SEC Exchange Act of 1934 (AICPA, 2012; CAQ and CII, 2012; CAQ and CII, 2014; CAQ, 2017).

This study supports the opinions of AICPA, CAQ, CII, and CFA Institute. Auditors fulfill the "public watchdog" function to oversee public companies by examining the fairness of their financial statements and effectiveness of ICFR. Based on the institutional theory, auditors' work creates regulative pressures on the management self-attestation behavior (Meyer and Rowan,1977; DiMaggio and Powell, 1983; Scott, 1995). If audit oversight from Section 404(b) is required, the mandatory rule will enhance the management to implement Section 404(a) seriously. Without the external pressure of Section 404(b), non-accelerated filers and emerging growth companies may not seriously comply with Section 404(a) (Levy, 2016). They may take shortcuts to evaluate and test the internal control. Therefore, they often underestimate the severity of internal control deficiencies (Bedard and Graham 2011). The purpose of this study is to justify the opinions of AICPA, CAQ, CII, and CFA Institute. In this study, we explore the trends of internal control weakness disclosures by management of non-accelerated filers and emerging growth companies in five consecutive years from 2013 to 2017.

The specific timeframe of 2013 to 2017 is chosen because non-accelerated filers have been exempted from Section 404(b) by Dodd-Frank Act starting from July 2010 while emerging growth companies have been exempted by JOB Act starting from April 2012. The data are from the internal control data module of Audit Analytics Company (auditanaytics.com). The results indicate that for non-accelerated filers and emerging growth companies, the amounts and types of the internal control weakness disclosures by management progressively decline over these five

years, specifically in services, refining, bank, and mining industries. However, for accelerated filers and large accelerated filers, required by Section 404(b), the amounts of internal control weakness disclosures by management remain relatively constant year after year from 2013 to 2017. In addition, for non-accelerated filers and emerging growth companies, internal control weakness disclosures are decreasing at a faster rate than total 404(a) disclosures.

The major contribution of this study is that it provides preliminary evidence in support of the opinions of AICPA, CAQ, CII, and CFA Institute. The findings imply that an external audit on ICFR not only directly examines the management's ICFR, but also performs its "watchdog" function to oversee and regulate the management's self-attestation on its ICFR. Since the loosening of 404(b), from 2013 to 2017, more and more non-accelerated filers and emerging growth companies are reluctant to disclose their internal control weaknesses without the audit oversight of internal control attestation. 404(a) is not an effective substitute for 404(b). Our study has practical implications for policymakers such as PCAOB, securities regulators such as the SEC, investors, and academic researchers.

LITERATURE REVIEW

2.1.Background information

The SOX Act was passed in 2002 by the Congress in response to a series of corporate accounting scandals such as WorldCom and Enron. To restore the public's faith in public companies, SOX Section 404 requires that both management and its auditor assess the ICFR of the company. In detail, Section 404(a) requires management to certify its ICFR in the annual report, including an assessment of the effectiveness of the ICFR. Section (b) requires the external auditors to attest to and to report on the ICFR (H.R.3763 - Sarbanes-Oxley Act of 2002, 2002). The SEC adopted rule and form amendments to implement requirements of Section 404 in 2003 (SEC, 2003). Because Section 404(b) compliance results in the extra audit fee (Ge, Koester, and McVay, 2017) and the compliance cost of Section 404(b) is unexpectedly high (SEC, 2009), regulators have started to make efforts to reduce the costs yet to retain the effectiveness of the ICFR since 2007.

Regulators have loosened Section 404(b) starting from exempting non-accelerated filers from the SOX Section 404(b). According to Rule 12b-2 under the Securities Exchange Act of 1934**,** SEC classifies the public companies as three groups: non-accelerated filers with public float of less than $75 million, accelerated filers with public float between $75 million and $700 million, and large accelerated filers with public float of $700 million or more. The first regulatory rollback is the Dodd-Frank Act signed into law by President Obama on July 21, 2010. Section 989G of the Act adds Section 404(c) for SOX to exempt non-accelerated filers from SOX Section 404(b). The SEC passed the Rule 33-9142 to implement Section 989G of the Dodd-Frank Act (SEC 2010). On April 5, 2012, the JOBS Act was signed into law as another regulatory rollback to further exempt emerging growth companies from Section 404(b) requirements. An emerging growth company is a company with annual gross revenues of less than $1,070,000,000 during its most recent fiscal year. On May 9, 2019, SEC proposed amendments to raise the threshold of the accelerated filers and large accelerated filers in Securities Exchange Act of 1934 Rule 12b-2. On March 12, 2020, SEC voted to approve final amendments to "large accelerated filer" and "accelerated filer" definitions in Exchange Act Rule 12b-2. This amendment excludes smaller reporting companies (SRC) with less than $100 million

annual revenue from the accelerated filer and large accelerated filer definitions, which loosens more companies from Section 404(b) requirements (SEC, 2020).

Some studies support the exemptions of the Dodd-Frank Act and JOBS Act. They conclude that Section 404(a) is a cost-effective substitute of Section 404(b). For instance, Kinney and Shepardson (2011) compare the internal control material weakness disclosure rates for companies subject to both Section 404(a) and 404(b) to companies subject to Section 404(a) only. They find no significant difference exists between these two groups and conclude that internal control reported by management and financial audits may be a cost-effective alternative to SOX Section 404(b). Fan, Li and Raghunandan (2017) find that non-accelerated filers subject to Section 404(a) alone have a greater reduction in the rate of material misstatements compared to accelerated filers subject to both Section 404(a) and 404(b). Their findings support the view that Section 404(a) may be a cost-effective substitute for Section 404(b) requirements for smaller public companies.

2.2. Regulative Pressure of Section 404(b) on Management Self-attestation to and Report on its ICFR

Although the SEC has implemented the provision of Dodd-Frank and JOBS Act and further proposed and passed an amendment to raise the threshold of the accelerated filers, these regulatory rollbacks have been opposed by several important business organizations such as the AICPA, CAQ, CII, and CFA Institute (AICPA, 2012; CAQ and CII, 2012; CAQ and CII, 2014). Specifically, in May 2017, the CAQ, CII and CFA Institute wrote a joint letter to the Chairman and Ranking Member of the House Financial Services Committee, expressing their opposing opinions on any regulations to loosen Section 404(b) and to revise the threshold in the definition of accelerated filers. The commenters think that these rollbacks increase the chance of future accounting frauds. We support the opinions of AICPA, CAQ, CII, and CFA Institute because the oversight of external audits adds regulative pressure to enhance the management behavior.

Based on the institutional theory, institutions work creates social pressures and restrictions on individuals and organizations (Davidsson, Hunter, and Klofsten, 2006). One of the social pressures is named regulative pressure or coercive pressure that refers to rules or laws from formal institutions (Meyer and Rowan,1977; DiMaggio and Powell, 1983). In terms of statements and policies signed into laws, legislative and judicial authorities are responsible for creating and interpreting these requirements, and governmental agencies are responsible for establishing rules of practice. Moreover, regulators inspect compliance with these rules and laws and impose sanctions to influence the management behavior (Scott, 1995).

Complying with SOX Section 404(b), auditors conduct independent external attestations to and reports on the companies' ICFR. This activity provides necessary discipline and establishes regulative pressure to affect the management self-attestation and self-disclosure of its internal control weakness. The threat of violations of Section 404(b) further enhances the management behaviors. That is, if audit oversight from Section 404(b) is required, the mandatory rule will enhance the management to critically implement Section 404(a). Without the external pressure of Section 404(b), non-accelerated filers and emerging growth companies may not thoroughly comply with Section 404(a) (Levy, 2016.). They may instead take shortcuts to evaluate and test the internal control. For instance, they often underestimate the severity of internal control deficiencies (Bedard and Graham, 2011). In summary, management has no

incentives to self-attest and disclose their internal control weakness without the regulative pressures from 404(b).

Based on institutional theory, we expect that management of non-accelerated filers and emerging growth companies have no incentives to disclose their respective, internal control weaknesses without the pressures of external auditors' attestation on their ICFR. Therefore, we posit the following hypothesis:

H1: The internal control weakness disclosures by management of non-accelerated filers and emerging growth companies progressively decline with years after the firms are exempted from SOX Section 404(b).

Conversely, because management of large accelerated and accelerated filers are still under the threat of the external attestations, the internal control weakness disclosures they would provide would not change substantially. In light of this, our hypothesis is:

H2: The internal control weakness disclosures by the management of large accelerated and accelerated filers remain relatively stable with years.

METHODOLOGY

Our study analyzes the trends of internal control weakness disclosed by management from fiscal years 2013 to 2017. The data are from Audit Analytics Company, a leading independent research provider (auditanaytics.com). We use its SOX 404: internal control data module, which is one of the Audit and Compliance data modules of the Audit Analytics database. The Audit and Compliance module covers all SEC registrants. Our study is based on a sample of 8,535 reports that includes internal control weakness disclosures by management of all SEC registrants from 2013 to 2017.

First, we categorize all SEC registrants into two groups. One group consists of non-accelerated filers and emerging growth companies, whose capital sizes are less than $75 million. The group is exempted from the external auditing of ICFR. Another group consists of accelerated filers and large accelerated filers that are under Section 404(b) control. Each filer's capital size is over $75 million. In this study, we ignore the difference between market capital and public float and use market capital instead of public float to classify these two groups. We use descriptive analysis of SPSS to respectively analyze the internal control weakness discloses for these two groups from 2013 to 2017. Furthermore, we analyze the trend of internal control weakness disclosures by management of non-accelerated filers and emerging growth companies in different industries. The industries are classified into 17 groups based on the Standard Industrial Classification (SIC). They are agriculture, mining, food, textiles, chemicals, drugs, rubber, industrial, electrical, equipment, computers, transportation, utilities, retail, bank, refining, services, and others.

Finally, we examine the trend of the disclosures on different types of internal control weakness by management of non-accelerated filers and emerging growth companies from 2013 to 2017. The types of internal control weakness includes (1) Inadequate disclosure controls (timely, accuracy, completeness), (2) Accounting documentation, policy and/or procedures, (3) Information technology, software, security & access issues, (4) Segregations of duties/ design of controls (personnel), (5) Accounting personnel resources, competency/training, (6) Ineffective, non-existent or understaffed audit committee, (7) Material and/or numerous auditor /YE adjustments, (8) Treasury Control Issues, (9) Restatement of previous 404 disclosures, (10) Restatement or non-reliance of company filings, (11) Journal entry control issues, (12)

Insufficient or non-existent internal audit function, (13) Senior management competency, tone, reliability issues, (14) Ethical or compliance issues with personnel, (15) Ineffective regulatory compliance issues, (16) Non-routine transaction control issues, (17) Management/Board/Audit Committee investigation(s), (18) Scope (disclaimer of opinion) or other limitations, and (19) SEC or other regulatory investigations and/or inquiries.

RESULTS

4.1. Internal Control Weakness Disclosed by Management from 2013 - 2017

Table 1 (Appendix) and Figure 1 (Appendix) display the internal control weakness disclosures by management of two groups from 2013 to 2017. The result supports hypotheses H1 and H2. For the non-accelerated filers and emerging growth companies, the amounts of the internal control weakness disclosures by management progressively decrease with year. Table 1 and Figure 1 show that there are 1685 disclosures in 2013, 1642 disclosures in 2014, 1518 disclosures in 2015, 1451 disclosures in 2016, 1293 disclosures in 2017. Their percentages of the total internal control weakness disclosures are 91.13% in 2013, 88.71% in 2014, 88.26% in 2015, 87.41% in 2016, and 88.87% in 2017. However, for the accelerated filers and large accelerated filers, the result indicates that the amounts of internal control weakness disclosures by management do not demonstrate a large variation from 2013 to 2017. These amounts and their percentages of total internal control weakness disclosures are 164 disclosures (8.87%) in 2013, 209 disclosures (11.29%) in 2014, 202 disclosures (11.74%) in 2015, 209 disclosures (12.59%) in 2016, and 162 disclosures (11.13%) in 2017.

The results imply that the management of non-accelerated filers and emerging growth companies have no incentives to disclose their internal control weakness without the pressure of audit oversight. Their unwillingness suggests that the amounts of internal control weakness disclosures gradually decline year by year. In contrast, for accelerated filers and large accelerated filers, the independent external attestation of the ICFR report by management is still required after 2012. Based on institutional theory, this requirement puts mandatory pressure on management and thus affects their self-attest on the effectiveness of ICFR. Their disclosures remain consistent for five years.

4.2. Percentages of Internal Control Weakness Disclosures in Relation to Total Internal Control Disclosures by Management from 2013 to 2017

Table 2 (Appendix) presents the percentages of two groups' internal control weakness disclosures to the total internal control disclosures by management from 2013 to 2017. For the non-accelerated filers and emerging growth companies, the percentages are 37.49% in 2013, 37.45% in 2014, 34.57% in 2015, 35.71% in 2016, and 34.86% in 2017. These data indicate that although the amounts of total internal control disclosures by management gradually decrease, the internal control weakness disclosures by non-accelerated filers and emerging growth companies are decreasing at a slightly faster rate than the total disclosures. However, for large accelerated and accelerated filers, the percentages are 3.65% in 2013, 4.77% in 2014, 4.60% in 2015, 5.14% in 2016, and 4.37% in 2017. These percentages stay relatively stable from 2013 to 2017.

Consistent with Table 1 and Figure 1, the results of Table 2 and Figure 1 also suggest that the management of non-accelerated filers and emerging growth companies have no incentives to

disclose their internal control weakness if the companies are exempt from Section 404(b). On the contrary, because the disclosures of ICFR by independent auditors, or Section 404(b), are still mandatory for large accelerated and accelerated filers, the attitudes of their management to Section 404(a) have not changed substantially.

4.3. Internal Control Weakness of Different Industries Reported by Management of Non-accelerated Filers and Emerging Growth Companies from 2013-2017

Table 3(Appendix) and Figure 3 (Appendix) show the internal control weakness disclosures by management of non-accelerated filers and emerging growth companies in different industries. Among the 16 identified industries according to the SIC, the top 6 industries that report internal control weakness by management are services (1,269 disclosures), drugs (853 disclosures), transportation (836 disclosures), refining (826 disclosures), bank (679 disclosures), and mining (603 disclosures). Services, refining, bank, and mining industries progressively reduce their internal control weakness disclosures while drugs and transportation industries remain relatively constant year over year.

4.4. Different Types of Internal Control Weakness Reported by Management of Non-accelerated Filers and Emerging Growth Companies from 2013-2017

Table 4 (Appendix) and Figure 4 (Appendix) present the different types of internal control weakness disclosed by management for non-accelerated filers and emerging growth companies. Except the relatively small amounts of the reports for ICW1 - Inadequate disclosure controls (timely, accuracy, completeness), ICW4 - Segregations of duties/ design of controls (personnel), and ICW5 - Accounting personnel resources, competency/training, management reports other 14 types of internal control weakness almost evenly. Every type of the internal control weakness disclosures progressively declines over five years from 2013. The findings provide further detailed information that the management of non-accelerated filers and emerging growth companies reduce the internal control weakness disclosures as a result of not having mandatory audit pressure from Section 404(b).

CONCLUSION

This study explores the changes of internal control weakness disclosures by management within the years from 2013 to 2017. Since the Congress passed the Sarbanes-Oxley Act (SOX) in 2002, its Section 404(b) has become an extremely controversial topic. Since 2010, the regulations have started to roll back the SOX Section 404(b). The Dodd-Frank Act permanently exempted non-accelerated filers from Section 404(b) or ICFR attestation by auditors in 2010 while the JOBS Act further exempted emerging growth companies from Section 404(b) in 2012. In 2020, a new amendment was adopted by SEC to exempt more SRC from Section 404(b) requirement. The SEC’s concerns are the costs to conduct ICPR audits. Some supporters such as Kinney and Shepardson (2011) and Fan, Li and Raghunandan (2017) believe Section 404(a) is an effective alternative to Section 404(b) or external independent audit of ICFR for non-accelerated filers or emerging growth companies. Meanwhile, the AICPA, CAD, CII, and CFA Institute oppose these rollbacks. We agree with their opposing opinions. Based on institutional

theory, we believe that without the oversight pressure of external audits, the management has no incentives to self-disclose their internal control weakness.

The findings of this study justify our point. For non-accelerated filers and emerging growth companies specifically in services, refining, bank, and mining industries, the internal control weakness disclosures by management progressively declined year to year from 2013 after they were exempted from Section 404(b) attestation by external auditors. However, for large accelerated and accelerated filers under Section 404(b) control, internal control weakness disclosures by management remain relatively constant year over year for 2013-2017. Moreover, for non-accelerated filers and emerging growth companies, internal control weakness disclosures are slightly decreasing at a faster rate than total Section 404(a) disclosures.

The major contribution of this study is such that it provides a timely exploration of whether or not SOX Section 404(a) is an effective alternative to Section 404(b) for non-accelerated filers and emerging growth companies. That is, whether the management self-attestation to its ICFR can sufficiently substitute an independent external audit on the company's ICFR. This study provides preliminary evidence to oppose the exemption, which stands on the side of AICPA, CAD, CII and CFA Institute. In May 2017, CAQ, CII and CFA Institute wrote a joint letter to the Chairman and Ranking Member of the House Financial Services Committee to oppose any legislation that would erode Section 404(b) or raise the threshold for the accelerated filer definition in Rule 12b-2 of SEC Exchange Act of 1934. According to the findings of this study, once the SEC exempts more companies such as a company which has a public float of between $75 million and $250 million or a company which has annual revenues of less than $100 million and public float of less than $700 million, we predict that the management of those companies will gradually decrease their internal control weakness disclosures.

Future studies can extend this study by conducting an experiment to test the effects of external audit pressures on management's ICFR attestation and internal control weakness disclosures. Also, future studies can conduct a survey to explore the reasons for the progressive declines in internal control disclosures to justify the conclusion of this study.

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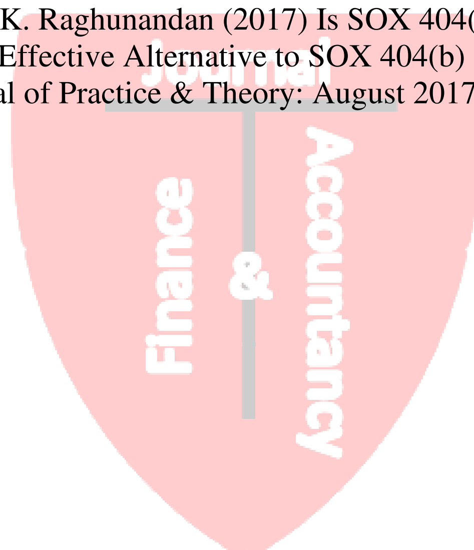

APPENDICES

Table 1: Internal Control Weakness Reported by Management for 2013-2017

Company	Year					Total
	2013	**2014**	**2015**	**2016**	**2017**	
A: Non-Accelerated filers and Emerging Growth Companies	1685	1642	1518	1451	1293	7589
B: Large Accelerated and Accelerated filers	164	209	202	209	162	946
C: Total filers	1849	1851	1720	1660	1455	8535
Percentage 1 = A/C	91.13%	88.71%	88.26%	87.41%	88.87%	88.92%
Percentage 2 = B/C	8.87%	11.29%	11.74%	12.59%	11.13%	11.08%

Figure 1: Internal Control Weakness Reported by Management for 2013-2017

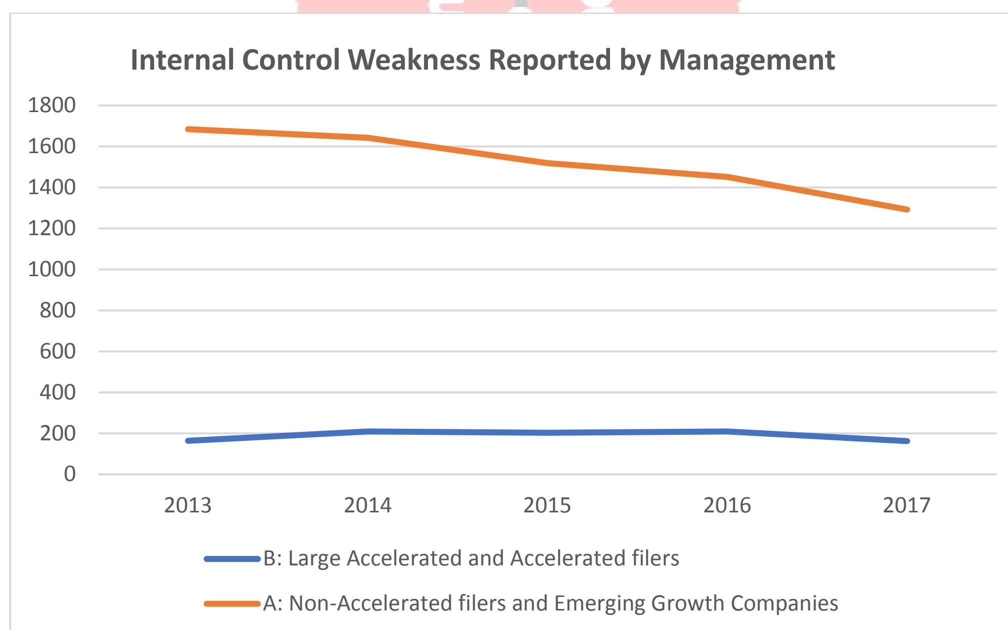

Table 2: Percentages of Internal Control Weakness Disclosures in Relation to Total Internal Control Disclosures by Management from 2013 to 2017

Company	Year					Total
	2013	2014	2015	2016	2017	
A: Internal Control Weakness Disclosures of Non-Accelerated filers and Emerging Growth Companies	1685	1642	1518	1451	1293	7589
B: Large Accelerated and Accelerated filers	164	209	202	209	162	946
C: Total Internal Control Weakness Disclosures of All filers	4495	4384	4391	4063	3709	21042
Percentage 1 = A/B	37.49 %	37.45 %	34.57 %	35.71 %	34.86 %	36.07 %
Percentage 2 = A/C	3.65%	4.77%	4.60%	5.14%	4.37%	4.50%

Figure 2: Percentages of Internal Control Weakness Disclosures in Relation to Total Internal Control Disclosures by Management from 2013 to 2017

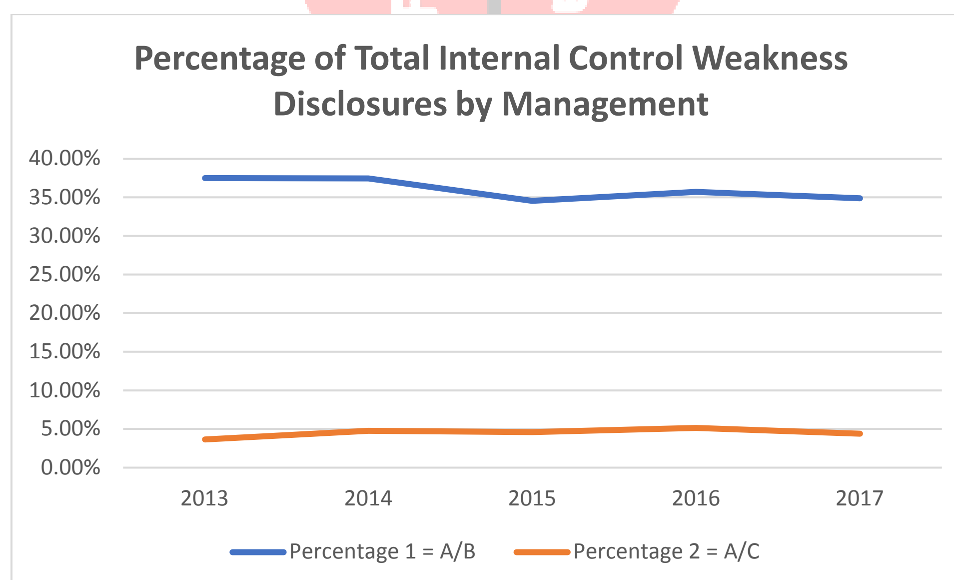

Table 3: Internal Control Weakness of Different Industries Reported by Management from 2013-2017

Industries	Year					Total	Percent
	2013	2014	2015	2016	2017		
Agriculture	17	21	21	21	17	97	1.28%
Mining	163	133	113	106	88	603	7.95%
Food	49	45	47	44	40	225	2.96%
Textiles	35	43	33	31	32	174	2.29%
Chemicals	52	46	44	42	44	228	3.00%
Drugs	167	169	177	177	163	853	11.24%
Rubber	118	103	80	68	60	429	5.65%
Industrial	44	48	45	42	31	210	2.77%
Electrical	65	64	58	52	44	283	3.73%
Equipment	34	40	39	38	36	187	2.46%
Computers	70	59	54	51	52	286	3.77%
Transportation	162	175	167	175	157	836	11.02%
Utilities	58	56	45	48	49	256	3.37%
Retail	33	32	31	21	13	130	1.71%
Bank	148	143	140	131	117	679	8.95%
Refining	182	182	165	162	135	826	10.88%
Services	283	281	255	238	212	1269	16.72%
Other	5	2	4	4	3	18	0.24%

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Figure 3: Internal Control Weakness of Different Industries Reported by Management from 2013-2017

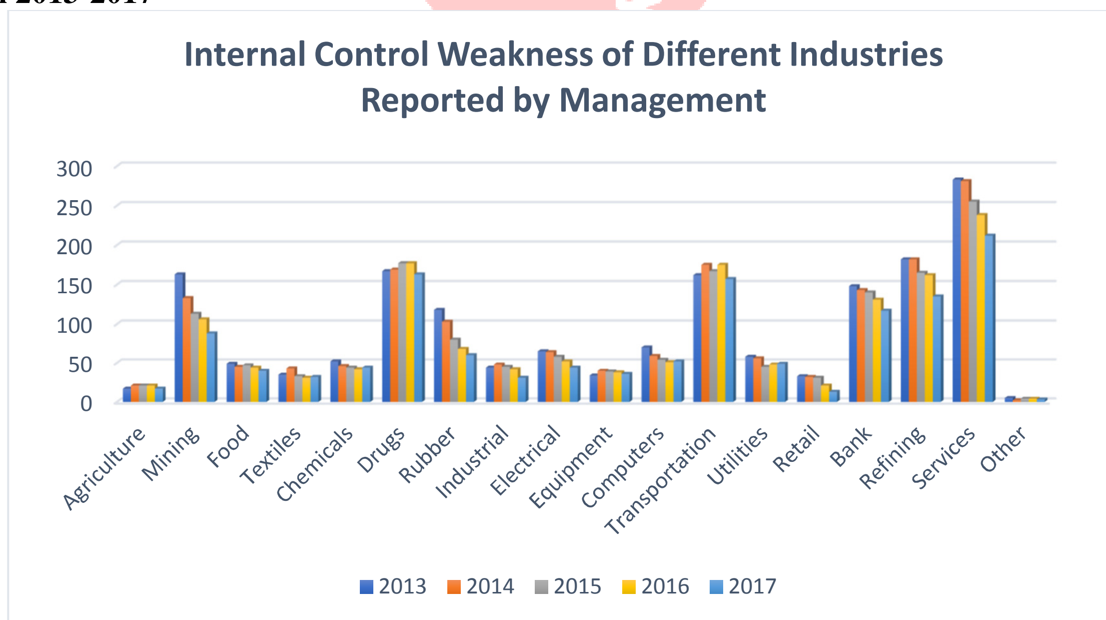

Table 4: Different Types of Internal Control Weakness Reported by Management for 2013-2017

No.	Internal Control Weakness	Year					Total	Percent
		2013	2014	2015	2016	2017		
ICW1	Inadequate disclosure controls (timely, accuracy, completeness)	1291	1322	1204	1155	1014	5986	5.10%
ICW2	Accounting documentation, policy and/or procedures	1	23	4	51	3	82	0.07%
ICW3	Information technology, software, security & access issues	1516	1479	1349	1300	1141	6785	5.78%
ICW4	Segregations of duties/ design of controls (personnel)	481	481	460	448	356	2226	1.90%
ICW5	Accounting personnel resources, competency/training	373	357	325	270	277	1602	1.37%
ICW6	Ineffective, non-existent or understaffed audit committee	1138	1129	1058	1036	932	5293	4.51%
ICW7	Material and/or numerous auditor /YE adjustments	1363	1339	1241	1209	1036	6188	5.27%
ICW8	Treasury Control Issues	1587	1546	1444	1388	1227	7192	6.13%
ICW9	Restatement of previous 404 disclosures	1665	1624	1497	1437	1282	7505	6.39%
ICW10	Restatement or nonreliance of company filings	1624	1602	1484	1422	1247	7379	6.29%
ICW11	Journal entry control issues	1657	1609	1495	1434	1272	7467	6.36%
ICW12	Insufficient or non-existent internal audit function	1636	1598	1467	1412	1265	7378	6.29%
ICW13	Senior management competency, tone, reliability issues	1659	1617	1491	1432	1285	7484	6.38%
ICW14	Ethical or compliance issues with personnel	1683	1642	1512	1449	1293	7579	6.46%
ICW15	Ineffective regulatory compliance issues	1660	1624	1499	1432	1278	7493	6.38%
ICW16	Non-routine transaction control issues	1527	1500	1388	1334	1211	6960	5.93%
ICW17	Management/Board/Audit Committee investigation(s)	1684	1639	1518	1451	1293	7585	6.46%

ICW18	Scope (disclaimer of opinion) or other limitations	1685	1642	1518	1451	1293	7589	6.47%
ICW19	SEC or other regulatory investigations and/or inquiries	1685	1642	1518	1451	1293	7589	6.47%

Figure 4: Different Types of Internal Control Weakness Reported by Management for 2013-2017