On Association of Internal Controls Weaknesses and XBRL Filing Deficiencies

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Key provisions of the Sarbanes–Oxley Act of 2002:

... the reliance on internal controls in the financial reporting process (SOX 2002) to improve reliability of reports to the public. Further, a report on effectiveness of internal controls over financial reporting process of the company is required and has to be signed by chief executive officer (CEO) and chief financial officer (CFO).
XBRL and Internal Controls

- XBRL Non Compliance Reporting => Misleading Information =>
- Reliability and Creditability of Financials Reports
  - Obviously any misrepresentation of elements of financial statements or non-compliance with the US GAAP taxonomy may produce misleading information and impact the reliability and creditability of financial
On Association of Internal Controls Weaknesses and XBRL Filing Deficiencies

**Theory:** Using ERM framework, weaknesses of internal controls have negative consequences on financial reporting process. Weaknesses of IC are often pervasive. ERM #1 ……ERM#8

Research question: determine the association of company' internal controls weaknesses and deficiencies with accuracy of XBRL filings with the SEC

**Hypothesis:** weaknesses in internal controls are associated with XBRL filing deficiencies

Data was collected from SEC filings June -December 2011, new filers, 6,648 filings, source XBRL Cloud EDGAR Dashboard, and commercial IC weaknesses database
Tentative Results

- We found a trend/direction that firms with more internal controls weaknesses also exhibit more deficiencies with XBRL filings, however, the statistical test is not significant.