



# 24th XBRL International Conference

“Transparency: with Available, Reliable, Comparable and Re-usable Data”

March 20-22, 2012  
Abu Dhabi, UAE  
Academic and Research Track

On Association of Internal Controls Weaknesses and XBRL Filing Deficiencies

**Saeed Roohani and Xiaochuan Zheng**

**Bryant University, USA**

**March 22, 2012**

# XBRL Filings and Internal Control:

## Research in Progress

- ▶ 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.