What Would YOU Do?

You are on the Audit Committee of a Public Company. Management and the CPA Audit Firm Won't Compromise.

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You are a board member of a **publicly traded company** that is subject to the Sarbanes-Oxley Act (SOX). Your external auditors have raised a **material weakness finding in your IT general controls**. According to them, deficiencies in IT change management and access controls rise to the level of material weakness, requiring disclosure in your 10-K.

Management disagrees. Your in-house CIO, compliance team, and a retained **cybersecurity & IT compliance advisory firm** (who independently tests IT controls) argue that the deficiencies are **not material** and do not rise to the SOX reporting threshold. They believe the auditors are overstating the impact.

One of your advisors has connections within the **PCAOB**. This is the Public Accounting Oversight Board. A PCAOB contact has informally reviewed the auditor's claim. This contact agrees with the IT compliance advisory firm: the weakness is **not material**.

The Dilemma:

The Audit Committee must decide whether to support the external auditor's position or side with management and advisors.

- **If you accept the auditor's position:** You will publicly disclose a material weakness, damaging investor confidence, potentially affecting credit ratings, and likely impacting stock price.
- **If you reject the auditor's position:** You may be accused of "auditor shopping" if you dismiss the firm. Firing the auditor over a dispute on what constitutes a material weakness is controversial and could invite heightened scrutiny from regulators and shareholders.
- **If you seek arbitration or escalate:** You risk prolonging uncertainty, with reputational costs and delayed filings.