

SOX compliance: Are you ready?

A modernized approach
to SOX readiness

Deloitte.





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SOX compliance: Strategic importance and practical preparation



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SOX readiness: Key actions for success



Chart your course

Tailor your SOX plan to fit your unique priorities and timeline.



Build your team

Bring together experts, promote collaboration, and assess your controls.



Start early

Begin now to allow time for testing, training, and communication.

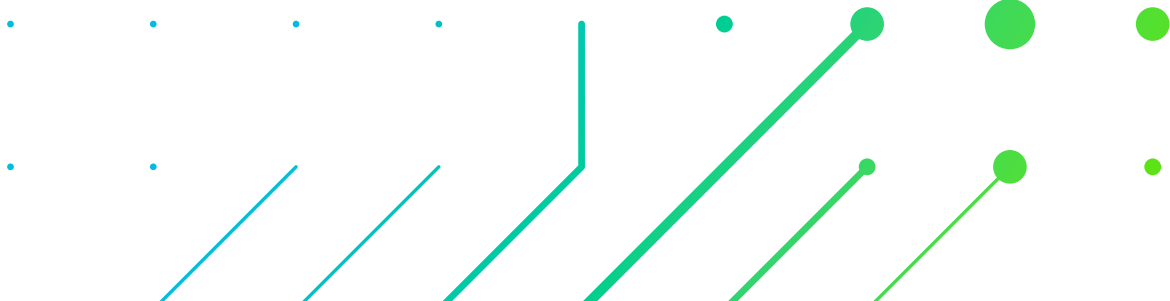


Turn compliance into advantage

Use SOX to build trust, strengthen operations, and add value.

When companies decide to enter the public market—whether through a traditional initial public offering (IPO), a special purpose acquisition company (SPAC), or merger and acquisition (M&A) activity—they face an important requirement: compliance with the Sarbanes-Oxley Act of 2002 (SOX). Meaningful investment in internal controls should be considered a foundational element from the very beginning, not an afterthought. By prioritizing internal controls early in the process, companies can maximize their return on investment, align controls with strategic objectives, and lay the groundwork for a sustainable SOX program that embeds compliance into the organization’s culture and operations.

CEOs and CFOs are crucial to SOX compliance—they must personally certify the accuracy of Securities and Exchange Commission (SEC) filings each quarter, under Sections 302 and 906,¹ demonstrating leadership’s commitment to transparency and accountability. A structured certification process, managed by a dedicated SOX team, helps identify control issues early and supports informed executive decisions. Active C-suite involvement ensures compliance aligns with corporate strategy and builds organizational trust and resilience, including fostering a culture of integrity.



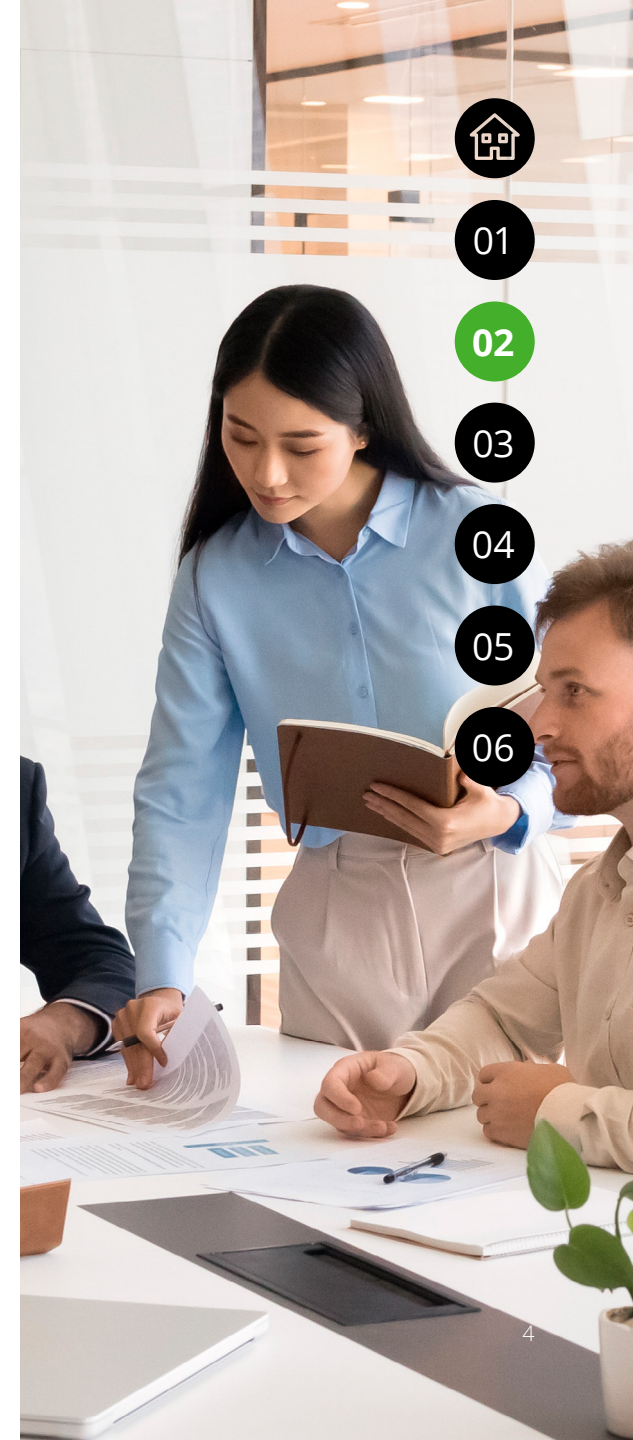
Why does SOX matter beyond regulatory compliance?

For companies that went public via traditional IPO between 2022 and 2024, **more than 50%**² disclosed a material weakness in their first quarterly or annual filing as a public company.

Achieving timely and effective SOX compliance builds a strong control environment, enhances financial accuracy, and demonstrates a commitment to integrity and transparency. Beyond meeting legal requirements, SOX compliance is a proactive way to safeguard your brand and create long-term stakeholder trust.

Strong internal controls can provide strategic benefits

- **Investor confidence:** Rigorous standards for financial reporting and internal controls foster transparency, which could help build trust with investors and influence reputational perception.
- **Risk management:** Proactive identification and mitigation of fraud, errors, and inefficiencies could help reduce the likelihood of costly issues.
- **Operational efficiency:** While SOX compliance is a regulatory requirement for public companies, treating it as a strategic initiative allows organizations to unlock significant operational benefits.



Why does SOX matter beyond regulatory compliance? (cont.)

The required timing of SOX compliance can vary and depend on your company's specific facts and circumstances, and there is no one-size-fits-all approach. For many public companies, it can take 12 to 18 months to meet requirements. So, it is beneficial to start the process early, with milestones established to assess and reassess readiness throughout the process to help reduce risk.³

Illustrative timeline for SOX compliance readiness	Minimum 12 months prior	Minimum 6 months prior	IPO (effective date)	1st 10-Q	1st 10-K	2nd 10-K
Management responsibilities						
Section 306 and 403 adoption — Insider transactions	→		●	●●●	●●●	●●●
Section 406 adoption — Code of ethics	→		●	●●●	●●●	●●●
Section 806 adoption — Whistleblower	→		●	●●●	●●●	●●●
Sections 302 and 906 — CEO and CFO certification	→			●	●●●	●●●
Section 404(a) — Management's report on internal control over financial reporting*	→					●

*SOX 404(b) — The independent auditors' attestation may be required as of the filing of a company's second Form 10-K; however, the applicability of SOX 404(b) depends on EGC and filer status.

● Adoption or comply date ●●● Maintain





Focus areas in becoming SOX ready

Operating model

When establishing a SOX program, a leading practice is to focus on three overarching pillars—operating model, program execution, and technology and automation—which form its foundation.

Building and sustaining an effective SOX program requires cross-functional engagement. While SOX is focused on internal controls over financial reporting (ICFR), input from finance, information technology (IT), operations, and compliance, among others, is important. Establishing a cross-functional SOX Steering Committee can set a strong tone at the top, reinforce accountability, and create alignment among stakeholders. Leading organizations recognize that building a [purpose-built operating model](#) from day one can pay dividends—transforming compliance from a box-checking exercise into an engine for operational efficiency.

When choosing a SOX operating model, companies should evaluate which model is appropriate for their resources, culture, and compliance circumstances:

- **Outsourcing:** Engage experienced providers for rapid deployment and scalability.
- **Cosourcing:** Blend internal and external resources for flexibility in deployment of resources and support of knowledge transfer.
- **In-house:** Build a dedicated team that can scale and flex to your program and other strategic initiatives, starting with a SOX or internal audit leader, supplemented early on with advisers to assist with program implementation.



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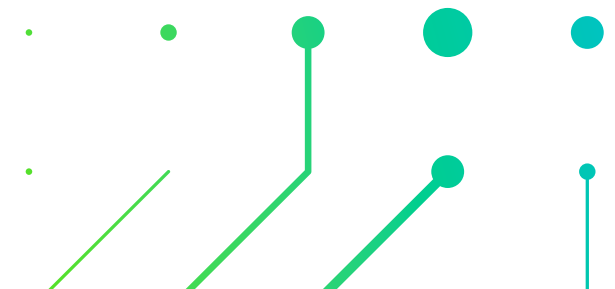
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Focus areas in becoming SOX ready (cont.)

Program execution

SOX compliance can present challenges due to its broad scope and complex risk landscape, but approaching it with a well-structured, risk-driven methodology creates an opportunity to strengthen organizational resilience and instill confidence among stakeholders.

There are a lot of different approaches that could be applied to becoming SOX compliant, and there is not a one-size-fits-all approach for the readiness phase itself. SOX programs should be built on a foundation that is focused on the areas of greatest risk, with a laser focus on scope and planning to determine where the company should prioritize investing its time and resources. Leverage tested methodologies (such as COSO⁴) to support compliance and risk management, but with a lens of efficiency.

Technology and automation

Technology advancements—including those related to cloud, artificial intelligence (AI), automation, and digitization—are transforming SOX compliance. Automation can streamline controls and reduce risk of error, while AI can enhance monitoring and risk assessments. However, these advancements also introduce new risks, making adaptive controls and oversight essential.

Additionally, governance, risk, and compliance platforms centralize SOX management, but many organizations underutilize advanced features like automated monitoring and real-time dashboards, which can help to further improve efficiency and oversight. Taking advantage of these features in a strategic manner can help position compliance functions to provide additional value and enhance risk mitigation.



A path forward

SOX readiness is an ongoing journey requiring strategic planning, cross-functional collaboration, and continuous improvement. As you move forward, remember these takeaways and actionable steps:

- SOX compliance is a strategic imperative, not only a regulatory requirement.
- Early integration into IPO, SPAC, and M&A planning can help drive ROI and operational efficiency.
- Cross-functional teams, a SOX Steering Committee, and the applicable personnel operating model are important.
- Technology and process improvements could unlock efficiency and reduce risk.
- Deloitte’s demonstrated methodology and insights can guide clients as they work toward sustainable compliance and long-term value.

Actionable steps

- Assess your current internal controls and technology landscape.
- Identify and prioritize gaps across people, process, and technology.
- Establish a SOX Steering Committee and define your operating model.
- Engage experienced advisers early to accelerate readiness and avoid common pitfalls.
- Leverage technology to automate and monitor controls.
- Foster a culture of accountability and continuous improvement.

Whether you’re starting your SOX journey or modifying an existing program, Deloitte can guide you each step of the way—empowering your organization to achieve compliance and unlock long-term value.



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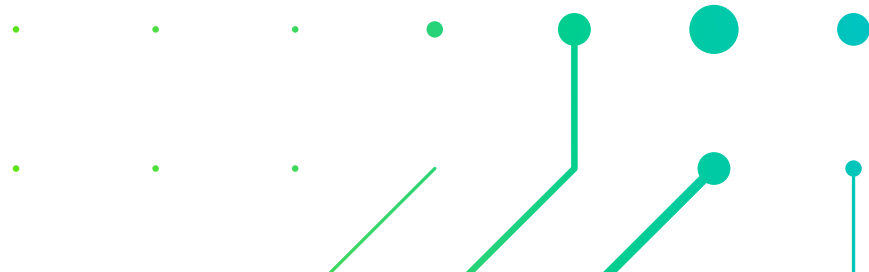
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Authors



Sam Strano

Audit & Assurance, Managing Director
Accounting, Controls & Reporting Advisory
Deloitte & Touche LLP
sstrano@deloitte.com



Jonathan Tambourine

Audit & Assurance, Partner
Accounting, Controls & Reporting Advisory
Deloitte & Touche LLP
jtambourine@deloitte.com



Brad Niedzielski

Audit & Assurance, Partner
Accounting, Controls & Reporting Advisory
Deloitte & Touche LLP
bniedzielski@deloitte.com



Michon Morgan

Audit & Assurance, Senior Manager
Accounting, Controls & Reporting Advisory
Deloitte & Touche LLP
micmorgan@deloitte.com



Kajal Shah

Audit & Assurance, Partner
Accounting, Controls & Reporting Advisory
Deloitte & Touche LLP
kajshah@deloitte.com

Contributors



Sandra Teixeira

Audit & Assurance, Managing Director
Accounting, Controls & Reporting Advisory
Deloitte & Touche LLP
sateixeira@deloitte.com



Courtney Connors

Audit & Assurance, Senior Manager
Accounting, Controls & Reporting Advisory
Deloitte & Touche LLP
cconnors@deloitte.com

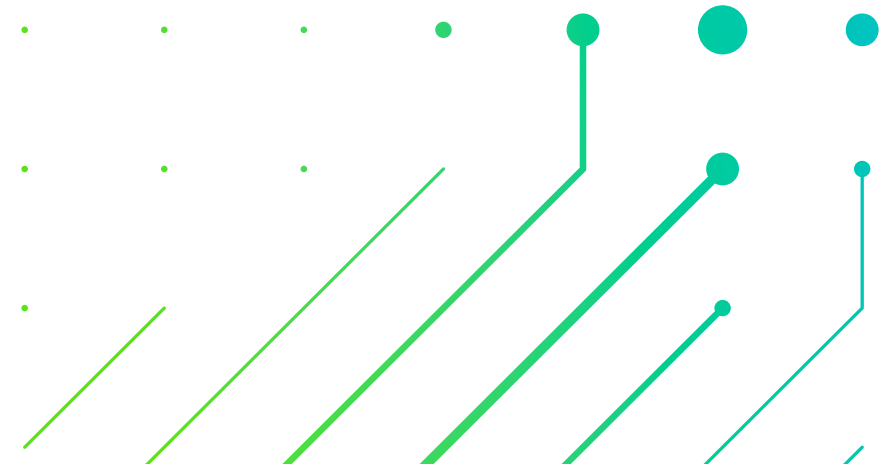


Jennifer DeVinny

Audit & Assurance, Senior Manager
Accounting, Controls & Reporting Advisory
Deloitte & Touche LLP
jdevinny@deloitte.com

Endnotes

- ¹ Section 302 of the Sarbanes-Oxley Act (SOX) requires a company's CEO and CFO to certify the accuracy and completeness of financial reports and the effectiveness of internal controls each quarter. Section 906 adds that these executives must also attest that the reports fairly present the company's financial condition and performance, subjecting false certifications to potential criminal penalties.
- ² This statistic was developed based on Audit Analytics data and considered companies that went public via traditional IPO with a filing date between January 1, 2022, and December 31, 2024. Data includes consideration of any scenario in which a new public company, upon going public, disclosed (1) a material weakness in management's report on internal controls over financial reporting and/or (2) ineffective disclosure controls and procedures.
- ³ This timeline is for illustrative purposes only and companies should consult with their legal counsel when determining adoption requirements.
- ⁴ The Committee of Sponsoring Organizations of the Treadway Commission, or COSO, created the *Control—Integrated Framework*, which is a framework for designing, implementing, and conducting internal control and assessing the effectiveness of internal control. This framework was designed to assist public companies in complying with Section 404 of SOX.





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