

# Five Key SOX Considerations for SRCs in 2026

Although SOX applies broadly to all public companies, the compliance landscape for [Smaller Reporting Companies](#) (SRCs) differs meaningfully from that of accelerated filers. Because SRCs are only required to comply with Section 404(a), management retains sole responsibility for assessing the effectiveness of internal controls over financial reporting (ICFR), without the additional auditor attestation required under Section 404(b).

This reduced obligation creates both flexibility and pressure: SRCs must still demonstrate a robust, well designed ICFR framework, but they have greater discretion in how to scale their approach. As regulatory expectations continue to evolve, SRCs should focus on the areas most likely to influence the quality and credibility of their SOX program.

Here are five key considerations for SRCs in 2026 to maintain compliance and turn SOX into a strategic advantage.

## Resource Allocation

By their definition, SRCs are smaller in nature, which means they typically operate with more limited resources compared to larger corporations. Ensuring SOX compliance requires careful resource allocation. Outsourcing or co-sourcing functions to outside auditors or consultants can be cost-effective, providing internal teams with specialized expertise, sharing resource constraints, and managing peak workloads. Partnering with [third-party service providers](#) is a strategic approach to enhance the internal audit function.

## Internal Controls

Effective internal controls are crucial for SOX compliance. Companies need to design, implement, and maintain robust systems to ensure accurate financial reporting. This includes regular risk assessments, identifying potential weaknesses, and implementing controls to mitigate these risks. Additionally, companies must carefully consider whether to reduce or accept risks in areas where the cost of mitigation may not be justified. Regularly reviewing and updating internal controls to address new risks and changes in the business environment is essential for maintaining compliance.

## External Auditors Collaboration

Effective collaboration with external auditors is crucial. Internal audit teams should establish open lines of communication with external auditors to align on compliance objectives, expectations, and reliance strategies. Sharing documentation, control testing results, and risk assessments, as well as coordinating walkthroughs, can streamline the audit process and reduce redundancy.

## Leveraging Technology for Compliance

Technology can significantly enhance SOX compliance efforts. Internal audit teams should leverage automated tools for monitoring and testing internal controls. Digital tools offer real-time insights, streamline documentation, and facilitate more efficient testing processes. Additionally, [data analytics](#) can help identify anomalies and trends that may indicate potential control weaknesses or areas requiring further investigation.

## Training and Awareness

Employee training and awareness are crucial for successful SOX compliance. SRCs should invest in ongoing training programs to educate staff about SOX requirements, internal controls, and their roles in maintaining compliance. Fostering a culture of accountability and integrity within the organization ensures that employees understand the importance of accurate financial reporting and the potential consequences of non-compliance.

## How Can Schneider Downs Help?

Schneider Downs assists SRCs not subject to the SOX 404(b) auditor attestation requirement in achieving SOX compliance that aligns with management, and where necessary, external auditor, expectations. Our experienced team collaborates with companies to design and execute a cost-effective approach for management's attestation of effective internal controls over financial reporting.

For more information contact our team at [contactsd@schneiderdowns.com](mailto:contactsd@schneiderdowns.com) or visit [www.schneiderdowns.com/sox](http://www.schneiderdowns.com/sox).

## About Schneider Downs Risk Advisory

Our team of experienced risk advisory professionals focus on collaborating with your organization to identify and effectively mitigate risks. Our goal is to understand not only the risks related to potential loss to the organization, but to drive solutions that add value to your organization and advise on opportunities to ensure minimal disruption to your business.



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