

What Pre-IPO Companies Should Solve Before Year-One SOX Pressure

Going public doesn't create control problems — it exposes the ones already there.

Many companies wait until the IPO process is underway to think seriously about SOX readiness. By then, finance teams are trying to build controls while simultaneously managing audits, SEC reporting, scaling operations, and investor scrutiny.

The strongest pre-IPO companies treat SOX readiness as an operational maturity exercise — not just a compliance project.

Here are the areas that matter most before Year 1 SOX pressure begins.

1. Undefined Ownership Creates Control Failure

One of the biggest issues in emerging companies is unclear accountability.

Questions like:

- Who owns revenue recognition?
- Who reviews journal entries?
- Who certifies data completeness?
- Who approves system access?

...often have inconsistent answers across teams.

Before IPO readiness begins, companies should establish:

- Clear process ownership

- Defined approval authority
- Segregation of duties
- Escalation protocols
- Consistent documentation standards

SOX testing becomes significantly harder when responsibilities live informally in Slack messages or institutional knowledge.

2. Manual Processes Become a Scalability Risk

Fast-growing companies often rely on spreadsheets, offline reconciliations, and key-person dependencies.

That may work at Series B or C scale.

It rarely survives public company scrutiny.

Common pressure points include:

- Spreadsheet-driven close processes
- Manual revenue calculations
- Offline approval workflows
- Shadow accounting processes
- Lack of evidence retention
- Version control issues

The goal is not eliminating every manual process.

The goal is understanding:

- Which manual controls are key
- Which can be automated
- Which introduce material risk

3. System Access & Change Management Are Usually Underestimated

Technology controls are often the most underestimated IPO readiness gap.

Companies frequently discover too late that:

- Users have excessive access
- Developers can move code into production
- Access reviews are informal or nonexistent
- Terminated users remain active
- Critical ERP changes lack approval evidence
- ITGC deficiencies can impact reliance across entire business processes.

Pre-IPO companies should prioritize:

- User access governance
- Provisioning/deprovisioning controls
- Periodic access reviews
- Change management discipline
- Audit trail retention
- Role design and segregation

4. The Close Process Must Become Repeatable

Public companies are expected to produce reliable reporting under compressed timelines.

If the monthly close depends on heroic effort, undocumented workarounds, or a few key individuals...the environment becomes fragile quickly.

Strong pre-IPO organizations focus on:

- standardized reconciliations,
- documented review controls,
- close calendars,
- issue tracking,
- and evidence retention.

The objective is sustainability — not just speed.

5. Risk Assessments Need Executive Visibility

Many private companies operate reactively: issues are solved when they surface.

Public company environments require proactive risk governance.

Leadership teams should already understand financial reporting risks, process vulnerabilities, cybersecurity dependencies, third-party reliance and emerging operational exposures.

A mature risk assessment process helps management prioritize remediation, align resources and avoid over-engineering controls later.

6. SOX Is Not Just a Finance Project

The companies that struggle most during SOX implementation are the ones that position it solely within accounting.

Effective SOX readiness requires coordination across:

- Finance
- IT
- Operations
- HR
- Legal

- Procurement
- Security
- Executive leadership

Without cross-functional alignment, controls become fragmented and inconsistent.

7. Over-Engineering Too Early Is Also a Mistake

Some organizations respond to IPO readiness by creating excessive layers of controls, approvals, and documentation.

That approach often leads to inefficient control environments, reviewer fatigue, excessive testing costs and poor adoption by business teams.

The best SOX programs are:

- risk-based,
 - scalable,
 - operationally practical,
 - and aligned to how the business actually functions.
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Final Thought

The most successful IPO readiness journeys start long before external auditors arrive.

Companies that invest early in:

- governance,
- process ownership,
- scalable controls,
- technology discipline,
- and operational consistency

...typically experience smoother audits, lower remediation costs, and more sustainable public-company readiness.

SOX maturity should support growth — not slow it down.

— **CORE SOX Advisory**