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The post-IPO accounting and finance to-do list

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Here's the thing about your run-up to ringing the bell–there's really no finish line for accounting and finance. Or several other teams within your organization, for that matter. Sure, you're technically a public entity once a successful initial public offering is behind you, but there are countless other items on the ol' to-do list that aren't going to disappear into the financial ether by themselves.

Long story short, there are busy days ahead for your accounting and finance teams after you go public. So to help your people avoid the operational whiplash many organizations experience after crossing the public company threshold, we wanted to provide you with some handy post-IPO insights. Keep these in mind as you dive into the post-IPO capital market waters and you're bound to have a smoother, more efficient swim.

Get familiar with your new public digs

First and foremost, it's essential that CFOs and CAOs–along with other people and teams impacted–get comfortable with the notion that life is different as a public entity. This is a process that isn't necessarily "post-IPO" per se–more of a sooner-the-better kind of thing–but is vital for the different points we discuss throughout this guide.

Stay on the right side of the law

To state the obvious, post-IPO responsibilities go well beyond a simple tweak to ongoing tasks across accounting and finance. There's a slew of new legalities involved as well, starting with the ubiquitous sarbanes oxley act of 2002 but also including other areas like segment reporting that, generally speaking, your accounting team probably won't feel too comfortable with, at least initially.

Therefore, it's always a good idea to have someone in your legal department with SEC experience. Further, many companies maintain the relationship they developed during their roadshow with external counsel, keeping a critical partner in the ongoing battle to stay up-to-speed on changes from the fine people at the securities and exchange commission.

Since this is an area where every new public company wrestles with to some extent, we thought it best to cover a couple of especially critical highlevel points on SOX before launching into a more detailed look at post-IPO topics.

SOX certifications

Your mandatory SOX 302 quarterly certifications–and, thus, subcertifications from team members–are extremely important, certifying that your control environment is effective and reporting materially accurate, amongst other things. How important are they, you ask? knowingly and willingly falsifying this information could mean prison time for a CEO and CFO.

It's in every public company's best interest to develop clean and smooth quarterly certification processes to ensure everything is accurate and above-board.

This includes providing an avenue where those involved in the sub-certification workflow can speak up if something's awry.

Board composition

Public companies must have an audit committee composed of independent outside directors, at least one of which must be considered a financial expert. Another component of SOX, these safeguards are in place to ensure that the audit committee always sees everything through a clear and unbiased lens.

We led with these items for a reason–we don't want them to get lost in the mix. Sure, SOX isn't the *only* thing to keep in mind after you ring the bell but should always be near the top of the list. For a closer look into the ins-and outs of SOX compliance, take a gander at our previous insights on SOX requirements, controls, audits, and more. It's time well-spent.

A whole new reporting world

Another biggie on the to-do list is the 800-pound reporting gorilla now sitting in your lobby. While it's probably no surprise that your reporting requirements significantly expand post-IPO, many first-year companies are still caught off-guard by just how much they're now expected to do, especially on the–you guessed it–SOX front.

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Of course, all companies are different so it's unfair to say that every team in every organization is unprepared when it comes to financial reporting. To that point, businesses that fast-tracked their IPO or maybe went from a small business or startup to public entity in a short amount of time are typically the ones that struggle, at least at first, with public company reporting, mostly around:

- Management's internal controls, including addressing deficiencies or material weaknesses
- Compliance and reporting for SOX
- Additional accounting and reporting considerations under US GAAP and SEC regulations
- Calculating and monitoring public float and filer status, ex. non accelerated vs. large accelerated
- Timeline management for 10-K,10-Q, and other regulatory filing deadlines

Choose and implement a robust reporting tool

That last bullet point, timeline management, can wreak a special brand of havoc if you don't prepare for your reporting well in advance.

That's why shared filing calendars with mapped out task deadlines and designations are so essential.

Remember, reporting is an iterative, collaborative effort that only requires a single weak link to throw the entire process into a backlogged, inefficient mess.

And, no, we're not exaggerating when we say that. Efficient, accurate reporting relies on many different groups–both in-house and outside–to work in unison with one another.

As a best practice, a reporting solution can streamline nearly every facet of your reporting function, including collaboration. While we prefer Workiva's Wdesk suite here at Embark, there are certainly others in the marketplace to choose from. Just make sure that whatever you ultimately pick, it features those essential collaborative tools so your team stays locked in and on track.

In other words, Wdesk is a good place to begin your due diligence. However, your goal is to find a solution and vendor that check the most boxes for your specific needs. A streamlined, efficient, and reliable record to report process can be a massive benefit to you as a new public company, and technology can play an essential role in helping you achieve those goals.

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Start the reporting process early

Another common reporting snag for newly public companies is the short amount of time you have until your first filing. The 10-Q or 10-K might be your first *major* filing milestone, but not necessarily your first official filing. Depending on the circumstances, you could very well have to file an 8-K or some other more ancillary form before the reporting heavyweights.

Naturally, that means many companies won't have an awful lot of time to get their reporting calendars or software solutions up and running. Ideally, you'll start planning for such things in the pre-IPO stage to prevent a manic rush afterward. Granted, the fast-paced days before your IPO are usually filled with their own unique brand of chaos, so do your best.

However, if the 10-Q *is* your first filing, the good news is that you've already completed much of the legwork in the prospectus to your S-1 registration statement. Even so, a critical best practice is to start ramping up your reporting function as early as you can. Otherwise, your entry into life as a public entity could go through some rough seas. And reporting delays right out of the IPO gate don't provide much confidence to an investment world that is still getting to know you.

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Don't take emerging growth company status for granted

Qualifying for emerging growth company status gives you a fair amount of breathing room for adopting new accounting principles and some reporting requirements. But in the *good problem to have department*, some companies just grow too fast to enjoy the benefits of the status for long. And when that happens, you don't have a lot of time to adjust to your new SEC surroundings.

Thus, you need to keep an eagle eye on that emerging growth company status because, once you lose it, you're officially off of that comfy private company adoption schedule and relaxed SEC reporting requirements that emerging growth company status provided. That means, per your friends at the financial accounting standards board, you have the next reporting period to adopt any new standards already effective for public companies which, naturally, affects your reporting.

XBLR tagging

As a more granular best practice that many companies overlook, your XBLR tagging requirements can be a mighty chore in and of themselves. If you don't have the in-house experience to effectively handle them, that's an area where a third party can be a lifesaver.

No matter how you choose to address this responsibility, though, keep in mind that it's a time-consuming process that you should add to your filing calendar to ensure it doesn't cause delays and add another complexity to the run-up to your shareholder meeting.

Rely on experience and expertise

Speaking of lifesaving third parties, many private sector companies don't have the size or skill-level in their in-house groups to immediately handle external reporting or technical accounting requirements, at least with sufficient expertise. And that's not even taking into account your new internal audit and compliance teams. Obviously, it's absolutely vital to build-out these teams and skill sets as much as possible so you can hit the ground running.

Zooming in further, the additional requirements and higher stakes with SEC filings are a different animal than most previously private companies are accustomed to. In fact, aside from new, unfamiliar reports, just the sheer volume of reporting is a big enough hurdle for many companies to stumble over.

Of course, that's why Embark's team of fleet-footed reporting experts exists–so your accounting managers and staff don't get so overloaded and overwhelmed, your team dissolves like a sugar cube in boiling water. Burnout is real and poisonous as arsenic to a company still trying to gain its public entity footing.

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Establish a guidance gameplan

Aside from reporting, earnings guidance is another source of unfamiliarity for newly public companies. Now, since your [IPO roadshow]() is still probably fresh in your memory, you thankfully already have some elements of guidance in place. Still, there's much more to a thorough guidance gameplan than what you established during the pre-IPO process.

First, you need to establish an overarching earnings guidance policy that encompasses everything from providing guidance and investor calls to restating or withdrawing your company's guidance. Also, while issuing guidance isn't technically a requirement for public companies, it might as well be given how central it is to investor expectations. Therefore, as you assemble your gameplan, there are a few essential things to keep in mind:

- What cadence will you use? Quarterly? Annually? Although your choice isn't set in stone, it's a good idea to stay consistent going forward so investors know what to expect. As a best practice, it's good to take a look at how and when other players in the industry, including your key competitors, provide guidance
- Build a narrative. Numbers tell a story, including your earnings, so think about the optics of that story, what you want to convey, and how you want to present it to investors
- Find a balance between transparency and saying too much. Obviously, whatever you disclose is out in the open so anyone, including your competitors, has access to that information

Lastly, while it's usually best to use a single person to conduct the earnings call–CFOs are a good choice because they can readily field follow-up questions–assembling your guidance is a collaborative effort. That said, make sure to include all individuals and teams within your organization that can provide needed insights during your preparation. Accounting and finance might take the lead, but other groups, including marketing & sales and legal, will bring value to the process as well.

Still, this is an area where the CFO is generally in the spotlight, so be prepared to develop and maintain a rapport with your largest investors as well as the sell-side analysts that, hopefully, are painting your organization in a favorable light.

Ain't no party like a shareholder party

The annual shareholder meeting is another potential jolt to a newly public company's system. And since both state law and the SEC require them, it's important to devote adequate time and resources to your shareholder meeting, starting with your articles of incorporation and bylaws. These documents will contain your annual meeting requirements and serve as a template for your preparation.

Annual reports

From a compliance perspective, your shareholder meeting is also when you distribute your annual report and vote on matters included in the proxy statement. As discussed above, these reports require an awful lot of coordination and planning from your team as well as any involved outside parties.

Once again, this underscores the importance of a filing calendar and sufficient bandwidth to efficiently address the many needs involved. If you can't handle these tasks in-house, then you shouldn't hesitate to outsource them to a third party partner that can. The financial information you provide in your annual report and matters soliciting shareholders' votes in the proxy statement are too important to cut corners.

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New audit territory

It shouldn't surprise anyone that public company audits are far more detailed and exhaustive than their private company counterparts. From establishing your audit committee, abiding by the public company accounting oversight board (PCAOB) standards, fleshing out your internal audit group, and choosing an outside audit firm, there's certainly a lot to do on the auditing front. And as usual, not a lot of time to do it.

For more in-depth insights on the topic, we recommend reading our previous thoughts on the differences between AICPA and PCAOB audits, SOX compliance, and improving your internal audit department. Suffice it to say, public companies rightfully face a much higher bar to clear regarding audits since investors rely on accurate, timely information.

However, that notion holds true for all of your compliance as a public company, not just your heightened audit requirements. Things like antimoney laundering (AML) regulations and the foreign corrupt practices act (FCPA), while perhaps not as top-of-mind as SOX, for instance, still very much fall under a CFO's jurisdiction. Thus, all of these are areas you should start preparing for as early as possible.

Educate your team

Lastly, going public doesn't exclusively impact your accounting and finance teams. It's crucial that you educate all of your employees about the different ethical and legal requirements and restrictions involved.

From insider trading to the many internal housekeeping rules to follow, life will be very different as a public company. Any misstep can cause a mountain of trouble for your organization, employees, and stakeholders, so education is vital to your success.

Now, zeroing in on your accounting and finance functions, responsibilities like disclosures around executive compensation, EPS calculations, and other tasks will be under a much brighter, harsher spotlight. Therefore, it goes without saying that you need to ramp-up your team to effectively address these areas.

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Where Embark can help

Remember when we said up top that there really isn't a finish line for your accounting and finance teams when it comes to your IPO? Well, we weren't exaggerating. If anything, post-IPO life is even more demanding, and will continually test your people.

However, as we said, you're never in it alone, and Embark is always ready to lend our experience and expertise in any number of ways:

- Financial statements and reporting
- New guidance compliance and technical accounting
- Vendor selection and system implementation
- Audit readiness and facilitation
- Reporting process improvement
- Control environment
- Finance transformation

Pretty substantial list, huh? And that's just the beginning of what we can do for you and your company's post-IPO life. But when you have a team like Embark's, it's only natural to flaunt your expertise a little bit.

So congratulate yourself on a gigantic accomplishment in becoming a public company. Or if you're about to ring the bell, pop a bottle of the good stuff to celebrate. But remember to play it cool because there's a lot of work ahead, and we can't wait to help you whenever and wherever we're needed.

Contact us