

## You are Due:

Do you kind of know you are “due” for an SEC audit?

Have you been dodging dealing with this because your “day job” of running your firm gets in the way?



Here are \_\_\_ simple things that you can do to prepare:

- **Introductory SEC call.** Contact the SEC person who originally sent the email or letter to introduce yourself and confirm receipt of the correspondence. If you need to negotiate for different dates or an extension, this will be a good time to do so. You should give a brief introduction about your background as well as the Firm. You should ask who will be attending the examination. This will allow you to ensure that you make appropriate arrangements for the number of staff in attendance and also to make arrangements with building security. More importantly, you will be able to gain some insight into the attendees and the nature of the examination.
- **Get a copy of the SEC request letter.** Outside counsel or your [compliance consultant](#) should be able to provide you with a recent copy. Review the request list to get a sense of what documents will be requested and where you will be able to go retrieve them. If the documents are not within your immediate control, contact outside vendors or others within your firm to alert them that to expect a request. Further, this will give you an opportunity to identify those areas where you might not have responsive documents and you can begin to prepare a response or explanation as to why this may be the case.
- **Find your marketing file.** Find the file (or if the material is dispersed in multiple places, put

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it in one file). Make sure that every marketing piece and every variant on every marketing piece is contained in the files. Double check your email files to make sure that there aren't other documents that the SEC would consider marketing that have not been included in the file. Run the file by every individual in your firm and all of your third party marketers to make sure that there aren't additional decks or pieces floating out there that aren't also copied in this file. All pieces in the marketing file should be dated and either signed or show some indication that they were reviewed by the [Chief Compliance Officer](#) or his/her designee.

**Review and compare your performance, fees and expenses for the last 3 years.** One of the SEC's favorite things to ask for is a list of all of your funds and accounts for the last three years indicating the monthly performance, fees and expenses. Then they look for outliers and ask why. If you can identify these items in advance, you can prepare your explanation why they occurred in advance – which will make any audit go smoother. They will also request the Firm's general ledger and the SEC staff will be reviewing the expenses paid by the Fund and also the expenses paid by the Firm. The SEC will also be looking for any fees paid by the Firm to consultants or experts not affiliated with an established expert network. These may be perfectly legitimate expenses but you want to make sure you know about and can explain these fee arrangements. Of course the best way to prepare for an [SEC audit](#) is to conduct a mock audit on a regular basis. This gives the firm an outside set of eyes to look at the firm's practices and procedures with the same level of scrutiny as the SEC will have. We strongly urge you to consider calling us and to talk about a mock audit.

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