

**Congress of the United States**  
**U.S. House of Representatives**  
**Committee on Small Business**  
2361 Rayburn House Office Building  
Washington, DC 20515-6315

June 11, 2007

Mark W. Olson  
Chairman  
Public Company Accounting Oversight Board  
1666 K Street, NW  
Washington, DC 20006

Dear Chairman Olson:

With respect to the testimony that you provided on Tuesday, June 5, the Committee seeks a written response to a number of important questions intended to clarify the record of the hearing. The Committee requests that the Public Company Accounting Oversight Board (PCAOB) provide its responses to the attached questions no later than June 25, 2007.

- 1) Can you clarify that the PCAOB has not developed a cost estimate associated with the implementation of the proposed revised auditing standard ("AS-5") for non-accelerated filers?
  - a. If the PCAOB has developed an estimate, the Committee requests a copy of the estimate and an explanation of the methodology used to develop the estimate.
  - b. If the PCAOB has not developed a cost estimate for the implementation of the proposed new guidance for auditors, the Committee requests an explanation of why a cost estimate was not developed.
- 2) What is the PCAOB's plan for collecting SOX 404 compliance cost data from accelerated and/or non-accelerated filers who implement AS-5?

If the PCAOB plans to collect data on SOX 404 compliance costs borne by accelerated filers, the Committee requests that the PCAOB's response to this question be as specific as possible and should reference:

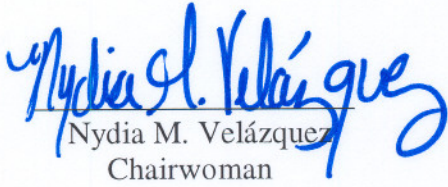


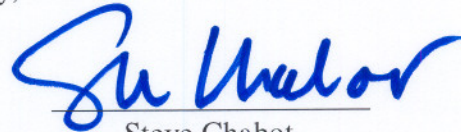
- The dates by which the PCAOB's data collection will begin;
  - The specific resources within the PCAOB that will be directed to collect and analyze the data;
  - The approach or methodology the PCAOB will use to collect and analyze the data; and
  - An indication of what standard the data will be measured against to determine that the revised regulations have lowered compliance costs (e.g., existing SOX 404 compliance cost data for accelerated filers).
- 3) If the PCAOB plans to collect data on SOX 404 compliance costs borne by accelerated filers, the Committee asks the Board to confirm whether the PCAOB plans to collect cost data on SOX 404 audit fees in addition to data with respect to in-company and outside consulting resource costs associated with SOX 404 compliance?
  - 4) If the PCAOB plans to collect data on SOX 404 compliance costs by accelerated filers, the Committee asks the PCAOB to confirm whether or not the SOX 404 compliance cost data for accelerated filers will be sortable by issuer's market valuation, so that data from issuers with market values between \$75mm and \$150mm can be assessed separately?
  - 5) What is the PCAOB's plan for how the PCAOB's inspection program will be aligned with AS-5? On what month will efficiency audits related to AS-5 begin and end? Will the PCAOB dedicate any inspectors to the specific task of conducting efficiency inspections of SOX 404 audits? What specific guidance will be given to inspectors about how to detect an "over-audit"?
  - 6) How will the PCAOB gather data about whether auditing firms are properly implementing AS-5 with respect to the revised standard's intended focus on those items that contribute to a material misstatement? Will PCAOB establish a procedure by which non-accelerated filers can provide data about the auditor fees they paid and provide feedback on their company's experience with their SOX 404 audit?
  - 7) For non-accelerated filers who intend to hire outside auditors to assist in meeting the management reporting requirements under the current compliance deadlines set by the SEC, what is the expected time-frame (subsequent to the final publication of the SEC guidance and AS-5) that auditors will be prepared to assist non-accelerated filers?
  - 8) Will the PCAOB provide the Committee with a copy of the PCAOB's analysis of the impact of AS-5 on small companies?



The Committee looks forward to working with the PCAOB over the coming months to collect and analyze the data that quantify the impact of the proposed revised auditing standard on SOX 404 compliance costs.

Sincerely,

  
Nydia M. Velázquez  
Chairwoman

  
Steve Chabot  
Ranking Member