

March 7, 2007

The Honorable John F. Kerry
Chairman, Committee on Small, Business & Entrepreneurship
United States Senate
428A Russell Senate Office Building
Washington, DC 20510-6350

Dear Chairman Kerry:

On behalf of the Public Company Accounting Oversight Board, I wish to thank you for your February 23, 2007 letter concerning Section 404 of the Sarbanes-Oxley Act and small public companies. Through its enactment of the Sarbanes-Oxley Act, Congress entrusted the Board with the important mission of furthering the public interest in the preparation of informative, accurate, and independent audit reports. We appreciate your input as we strive to carry out that mission, including improving the implementation of the Act's internal control requirements.

In your letter, you note the importance of small public companies as engines of future economic growth and job creation. We strongly agree that small public companies play a key role in the U.S. economy, and unnecessary costs related to Section 404 should be eliminated. We appreciate your view that our recently proposed auditing standard is a step towards that goal.

In your letter, you also request that the Securities and Exchange Commission extend the date by which small public companies would be required to comply with Section 404. In its recent final rule extending the Section 404 compliance dates for non-accelerated filers, the SEC stated that it will consider further compliance date extensions—for both the requirement to file management's assessment of internal control and the requirement to file the related auditor's report—based on the timing of its final guidance and its consideration of the Board's proposed auditing standard. The Board will coordinate with the SEC to make the transition to Section 404 compliance for non-accelerated filers as smooth as possible. Moreover, the Board's standard on auditing internal control will not apply to audits of non-accelerated filers until they are required by the Commission to obtain an audit of internal control.

Your letter also notes the importance of public comment to the regulatory process. The Board strongly agrees with your views. As we move towards adopting a standard that protects the interests of investors while providing for a more risk-based and scalable audit of internal control, we will carefully consider all comment letters that we receive.

PCAOB

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Thank you once again for your letter. I look forward to continuing to work with you and your colleagues on the Senate Committee on Small Business and Entrepreneurship. Please feel free to call me at (202) 207- 9201, or have your staff contact Mary Moore Hamrick, Director, Office of External Relations, at (202) 207-9170, should you have any questions.

Sincerely,

A handwritten signature in black ink, appearing to read "Mark W. Olson". The signature is fluid and cursive, with a long horizontal stroke at the end.

Mark W. Olson
Chairman

cc: Senator Olympia J. Snowe
Chairman Christopher Cox, SEC