



Caterpillar Inc.

100 NE Adams Street
Peoria, Illinois 61629

January 4, 2008

Advisory Committee on the Auditing Profession
Office of Financial Institutions Policy
Room 1418
Department of the Treasury
1500 Pennsylvania Avenue, NW
Washington, DC 20220

Re: Discussion Outline for Consideration by the Advisory Committee on the Auditing Profession

Ladies and Gentlemen:

I commend the Advisory Committee on the Auditing Profession for exposing its Discussion Outline for public comment. In order to accomplish the Advisory Committee's goals, focusing attention on the auditing function is entirely appropriate. But, to achieve sustainable change, I strongly recommend that you also seek input from those inside the accounting value chain – the preparers who are ultimately responsible for building quality in.

Since its inception more than 80 years ago, Caterpillar has grown to be the largest maker of construction and mining equipment, diesel and natural gas engines and industrial gas turbines in the world. We are pledged to maximize stockholder value, and Caterpillar has always maintained a disciplined strategy of generating attractive returns for our stockholders. With 2006 sales and revenues of \$41.517 billion, the company also is a leading services provider through Caterpillar Financial Services Caterpillar Remanufacturing Services, Caterpillar Logistics Services and Progress Rail Services. Already recognized as a leader everywhere we do business, Caterpillar's long-term strategy, Vision 2020, outlines our plan of becoming an admired global leader delivering attractive returns to stockholders.

Today, we have nearly 300 operations in 40 countries, we have nearly 100,000 employees, we distribute our products through more than 100,000 dealer employees and we have thousands of suppliers doing business on every continent. Within this busy, productive and highly effective and ethical community, the finance and accounting function consists of approximately 3000 well-qualified personnel. It is they who are the drivers – the quarterbacks – in developing and delivering right, relevant and reliable financial disclosures to investors. Although the auditors clearly play a vital role in the accounting value chain, that role is at the back-end of the value chain. The emphasis needs to be on the core business processes intended to produce materially fault-free financial information for external auditors and the investing public. It is the Caterpillar finance and accounting team – the vast majority of whom have backgrounds and certifications other than the CPA – who are ultimately the facilitators of wealth preservation and growth for investors. If they do their jobs right, the external auditors will ultimately do their jobs right.

In the United States, according to the Department of Labor, there are approximately five million finance and accounting function workers – those who drive business performance in the areas of decision support, strategic planning, internal controls, risk management and the like. The Institute of Management Accountants (IMA®) has determined that the vast majority (roughly 90%) of those people work inside corporations. The balance of these professionals work in auditing or in the provision of other external services. Clearly the accounting value chain is expansive and must be more broadly represented on the Advisory Committee if the end result for investors and U.S. global competitiveness is to be achieved. In my view, the changes you are seeking will be transformational and sustainable only if you achieve this broad representation on the Advisory Committee on the Auditing Profession.

Paul Sharman, president and CEO of IMA, is highly versed in the issues facing the community of finance and accounting professionals who work inside organizations. He and the IMA are advocates of that community and are truly representatives in the United States for the vast majority of the accounting value chain, which needs to be represented on your Advisory Committee.

I urge the Committee to accept personal testimony from Paul Sharman at its next planned meeting, which I understand will occur on February 4, 2008. Paul will provide recommendations to the Committee on how to address the topics of the Outline for the benefit of the entire community of finance and accounting workers such that society may obtain greater advantage than we might otherwise expect of a more narrowly focused initiative.

Sincerely,

A handwritten signature in black ink, appearing to be 'D. B. J.', written in a cursive style.

Vice President & Chief Financial Officer