



CENTER FOR AUDIT QUALITY

Serving Investors, Public Company Auditors, & the Markets

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**Statement by Cindy Fornelli, Executive Director of the Center for Audit Quality,
on the U.S. Senate Small Business and Entrepreneurship Committee's Hearing
on Sarbanes-Oxley**

Washington, D.C. -- "The public company auditing profession is committed to protecting investors while also helping to ensure the continued vibrancy of the U.S. capital markets.

"Recognizing the critical role America's small businesses play in our economy, the Center for Audit Quality supports changes that would streamline implementation of Section 404 so long as efficiencies do not diminish its effectiveness. Any discussion about changes should flow from the desire to reinforce the significant investor protections, rather than a single-minded drive to cut costs.

"This is particularly important when it comes to small business. Currently, one in four U.S. investment dollars flows into small companies, and investors willing to put their money behind smaller publicly traded companies deserve the same level of reliability as when investing in larger entities.

"To that end, we hope the committee will take into account that audits should not be based solely on company size or revenue thresholds. Investors would be best served when both the company's size and complexity are taken into account. Standards that allow the audit to be scaled, either up or down, based on a company's particular circumstances and the auditor's professional judgment and experience is in the best interest of companies and investors alike.

"We appreciate the efforts of the SEC and PCAOB as they continue working to implement improvements in the underlying internal controls standard, AS2. As proposed, the new standard—AS5—should result in increased efficiency as well as effectiveness. As such, we urge regulators and lawmakers to move forward with the proposed improvements in AS5 as quickly as possible to ensure that these improvements are realized in the scoping of audits this year.

"We also urge lawmakers to remain true to the spirit and intention of Sarbanes-Oxley by continuing to put the interests of investors first, even as they work to make the implementation of the law more efficient and take into account the needs of smaller businesses."

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