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Center for Audit Quality's National Dialogue Tour on the Modernization of Financial Reporting Concludes in Washington, D.C.

~~ Local and national leaders from the business, investor, policy and academic communities help build consensus around issues affecting the quality of audits ~~

Washington, D.C. – The Center for Audit Quality capped its national Public Dialogue Tour, a ten-city tour focusing on the modernization of financial information. Local and national leaders from the business, investor, regulator and academic communities convened yesterday in Washington, D.C. to provide their ideas for how to improve the quality, transparency and relevance of financial information for the benefit of all investors.

“In today’s global economy, reliable and useful financial information is critical to robust capital markets. Our Public Dialogue Tour has helped advance the public discussion about modernizing business reporting by bringing together key thought leaders in cities across the nation,” said Cindy Fornelli, Executive Director of the CAQ. “The dialogue in Washington, and at all of the Tour events, has provided the public company auditing profession with invaluable information about how business reporting might evolve to meet the information needs of all market participants.”

Fornelli served as host of the event, and was joined by special guest Harvey Goldschmid, a CAQ Governing Board Member, the Dwight Professor of Law at Columbia University, and a former Securities and Exchange Commission member.

Dialogue panelists representing various facets of the public company auditing stakeholder community, included:

- Dr. Charles Elson, Edgar S. Woolard Jr., Chair in Corporate Governance, Professor of Law and Chair of the John L. Weinberg Center for Corporate Governance, University of Delaware;
- Robert Herz, Chairman, Financial Accounting Standards Board (FASB);
- Nell Minow, Editor and Co-Founder, The Corporate Library;
- Mark Olson, Chairman, Public Company Accounting Oversight Board (PCAOB);
- Gene Riechers, General Partner, Valhalla Partners; and,
- Arne Sorenson, Chief Financial Officer, Executive Vice President, President–Continental European Lodging, Marriott International, Inc.

More than 150 participants took part in the D.C. Dialogue, which covered several issues currently facing the capital markets, including the reliability and transparency of financial statements, corporate governance, and the role of auditors.

On the topic of reducing the complexity of financial information, FASB Chairman Robert Herz said, “A lot of avoidable complexity has been added into financial reporting over the years.” Citing revenue recognition rules as an example of an area that needs simplification, Herz called attention to the abundance of literature addressing industry transactions, but “very few overarching principles... so in reporting similar things you don’t always get similar answers – let alone answers companies or investors can understand.”

In response to a question on how to develop financial information that is more forward looking, analytical and predictive, PCAOB Chairman Mark Olson noted, “We need to first start by defining what we hope the outcome will be. I’ve seen a progression of thought toward financial reporting and I’ve watched the progression of, and extent to which, GAAP can capture value in corporate America – its strengths and limitations. We need to start at the beginning to evaluate whether or not the information we have can be relied upon.”

After moderator Terry Smith noted that past public dialogue tour participants have pointed to the issue of executive compensation as among the most impenetrable and incomprehensible, Nell Minow, Editor and Co-founder of the Corporate Library, suggested, “If CEOs have to report to the IRS what they've earned, they ought to be able to figure out what that number is. And I would start with that. However, I must say that the SEC has improved the reporting of CEO compensation.”

The CAQ launched the Public Dialogue Tour in Denver in April 2007 and has since heard from stakeholders in Charlotte, Minneapolis, Seattle, New York, Chicago, San Francisco, Dallas and Boston as a part of the initiative.

“Now that the tour has ended, the CAQ will develop a report containing a series of recommendations with a goal of making financial reports more reliable and relevant for benefit of all investors,” said Fornelli.

For more information about this event, or to listen to a recording of the D.C. Dialogue, visit the CAQ’s Web site, www.thecaq.org.

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The Center for Audit Quality (CAQ) is an autonomous public policy organization serving investors, public company auditors and the capital markets. The CAQ’s mission is to foster confidence in the audit process and to aid investors and the markets by advancing constructive suggestions for change rooted in the profession’s core values of integrity, objectivity, honesty and trust. Based in Washington, D.C., the CAQ is affiliated with the American Institute of Certified Public Accountants. For more information, visit www.thecaq.org.