

Monday, 14 May 2007

To the Editor:

Sen. John Kerry's column on the challenges small businesses face in complying with Sarbanes Oxley ("Helping Small Firms Comply With Sarbanes Oxley Is Just Good Business," April 30) does not adequately take into account the law's benefits for investors.

The success of our markets depends on investor confidence in a company's financial statements and processes. Following the corporate scandals of the late 1990s, investor confidence was at abysmal lows – 31 percent as measured by Gallup – and \$5 trillion had disappeared from the markets. Sarbanes-Oxley helped to change that, and today faith in our markets is back to the highs witnessed before the scandals.

Sen. Kerry correctly notes that small businesses are the backbone of America's capital markets. Today, nearly one in four investment dollars goes to companies with \$250 million and \$1 billion in market capitalization. As investors pin their hopes and dreams on these companies, there is a clear danger in providing exemptions based on size alone.

As Sen. Paul Sarbanes, Kerry's former colleague, warned in a recent speech on financial reporting and governance at Pace University's Lubin School of Business, creating a carve-out for smaller companies "would mean that you would be exempting 80 percent of public companies from compliance."

This is not to say the law can't be changed. There should and can be improvements, and we support changes to enhance efficiency and effectiveness. But adjustments to reduce costs must be accomplished without exposing investors to new risks. It's worth noting, as well, that research shows that Sarbanes-Oxley costs decline as companies and their auditors become more familiar with the law's requirements.

We support regulators' proposed changes – all of which are expected to help cut costs – particularly a single-standard approach, requirements to test for operating effectiveness of controls on an annual basis and a greater focus on risk-based testing of those controls. As these changes uphold important investor safeguards, we hope Sen. Kerry will embrace them as well, and recognize the vital role Sarbanes-Oxley plays in boosting investor confidence and spurring audit reliability – for large and small companies.

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