

March 22, 2010

Honorable Christopher J. Dodd  
Chairman  
Committee on Banking, Housing,  
and Urban Affairs  
United States Senate  
Washington, D.C. 20510

Honorable Richard C. Shelby  
Ranking Member  
Committee on Banking, Housing,  
and Urban Affairs  
United States Senate  
Washington, D.C. 20510

Dear Chairman Dodd and Ranking Member Shelby:

I am writing to you on behalf of the 360,000 members of the American Institute of Certified Public Accountants to express strong support for section 404(b) of the Sarbanes-Oxley Act, and opposition to any attempt to amend that section during the Senate Banking Committee debate of the Restoring American Financial Stability Act of 2010.

The SEC has been phasing in compliance with section 404(b). Currently, companies with a market capitalization greater than \$75 million are subject to the requirements of section 404(b), and their investors enjoy its protections. A potential amendment to the Restoring American Financial Stability Act of 2010 would create a permanent exemption for non-accelerated filers (those public companies with a market capitalization less than \$75 million), and possibly for companies with up to \$150 million in market capitalization, from the provisions of section 404(b) of the Sarbanes-Oxley Act of 2002. We oppose any amendment that would reduce the investor protections afforded by section 404(b), especially if it would roll back existing compliance and investor protections.

The Sarbanes-Oxley Act was enacted to protect all investors in public companies by increasing the accuracy and transparency of financial reporting. Effective internal controls are the bedrock of reliable financial reporting and are a key element of audit committee involvement in the financial reporting process.

Congress, in enacting Sarbanes-Oxley, clearly viewed management and auditor reports on internal controls as necessary for assuring investors about the reliability of the reports that are used to make investment decisions every day. And they did so based on the experience with similar provisions applicable to insured financial institutions that were required by the Federal Deposit Insurance Corporation Improvement Act of 1991.

We are mindful of the cost of conducting such an audit. The 2007 adoption by the PCAOB of Auditing Standard No. 5 brought significant improvements to the internal control audit. In addition, the PCAOB created a task force and developed additional guidance in applying the requirements of the auditing standard in audits of smaller companies. This guidance was developed with assistance from the auditors of small companies and helps explain how to tailor audit procedures to a small company's particular facts and

circumstances, thereby lessening the burden of the audit.

We strongly support investor protections, and do not believe that giving lesser protections to investors of small public companies is appropriate. We strongly oppose any amendment that would lessen these protections.

Sincerely,

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

AICPA  
Barry C. Melancon, CPA  
President and CEO

cc: Members of the United States Senate Committee on Banking, Housing, and Urban Affairs.