

From: Peter Kravitz [mailto:congaaffairs@aicpa.org]

Sent: Wednesday, May 05, 2010 9:03 AM

Subject: Support Investors and Vote No on Senator Vitter's Amendment No. 3764



I am writing to you on behalf of the American Institute of Certified Public Accountants (AICPA) to urge a NO vote on Senator Vitter's proposed amendment number 3764 to S. 3217, 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. The amendment to the Restoring American Financial Stability Act of 2010 would create a permanent exemption for non-accelerated filers (filers with a market capitalization less than \$75 million) from the provisions of section 404(b) of the Sarbanes-Oxley Act of 2002. AICPA opposes any amendment that would reduce the investor protections afforded by section 404(b).

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. Since the passage of Sarbanes-Oxley, a number of studies have shown that companies that are audited pursuant to section 404(b) have significantly fewer restatements. Since 2003, non-accelerated filers (issuers with less than \$75 million in market capitalization) have accounted for 65% of all restatements, almost twice the rate of accelerated filers.

We are mindful of the cost of conducting such an audit. The PCAOB has undertaken a number of actions to reduce the compliance burden. Recent studies show that compliance costs have dropped. From 2006 to 2008, non-accelerated filers that were required to comply with section 404(b) saw their 404(b) costs decline 42%.

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.

Please vote NO on the Vitter amendment.