PCAOB
Public Company Accounting Oversight Board

1666 K Street NW, 9th Floor
Washington, DC 20006
Telephone: (202) 207-9100
www.pcaobus.org

MAY 24, 2007, OPEN MEETING

PROPOSED AMENDMENTS TO PERIODIC INSPECTION REQUIREMENTS

Statement of Daniel L. Goelzer

Since the Board opened its doors in 2003, we have reviewed audit engagements of over 2,000 public companies, completed inspection fieldwork for roughly 600 accounting firms, and issued final inspection reports on about 450 firms. Along the way, we have learned some important lessons, including that (1) our inspection work is extremely labor intensive, and (2) recruiting the kind of experienced, sophisticated talent needed to make the program successful is challenging.

Clearly, the Board must prioritize how it deploys its limited inspection resources. There are currently about 1,775 firms registered with the Board. Over 1,000 of these are subject to periodic inspection under the Board's existing rules. Of those firms –

- Only 829 (or about 47 percent of the registered firms) have actually issued an audit report in either of the last two years.
- Only ten firms (or about one half of one percent of all registrants) issued audit reports on over 100 SEC reporting clients last year.
- Four registered firms audit nearly 99 percent of the revenues of all SEC reporting companies, according to a GAO study issued in 2003.

In light of these registration demographics, this proposal will help us concentrate our inspections where they will do the most good for the investing public. Firms that sporadically issue an audit report, or that audit only a portion of a public company's assets in support of the work of the company's certifying auditor, have only a limited potential to affect the securities markets. This rule would give the Board discretion to redirect inspection effort from those firms to firms on whose work more of the public is dependent, if and when it seems appropriate to do so. For that reason, I support this proposal.

I would like to thank Michael Stevenson for his excellent work on this and the related Rule 4003(d) project.