

**Congress of the United States**  
**U.S. House of Representatives**  
**Committee on Small Business**  
2561 Rayburn House Office Building  
Washington, DC 20515-6315

March 9, 2007

Christopher Cox, Chairman  
Security & Exchange Commission  
100 F Street, NE  
Washington DC 20549

Mark W. Olson, Chairman  
Public Company Accounting Oversight Board  
1666 K Street, NW  
Washington, DC 20006

Dear Chairmen Cox and Olson:

The House Committee on Small Business is concerned about the impact of Section 404 of the Sarbanes-Oxley Act of 2002 (SOX 404) on small companies. From the perspective of the Committee, there exists a compelling record demonstrating that the regulatory burden and the costs of complying with SOX 404 are disproportionately high for small companies. We were therefore encouraged that the Securities and Exchange Commission (SEC) has attempted to ease the regulatory burden of SOX 404 on small companies by issuing new interpretive guidance for management regarding internal control evaluations. We are also encouraged that the Public Company Accounting Oversight Board (PCAOB) has incorporated provisions into their new proposed auditing standard that are meant to simplify small firms' compliance with SOX 404 and has attempted to tailor the new standard to reflect the attributes of these smaller, less complex, companies.

We remain concerned, however, that the current deadlines by which many small companies, specifically non-accelerated filers, must comply with the new management guidance and proposed auditing standard do not provide sufficient time to examine fully whether the new guidance and auditing standard significantly reduce the compliance costs for small companies. We believe an examination of the new guidance and audit standard to ensure that the cost of compliance are not disproportionately burdensome to small companies is important and should occur before non-accelerated filers are directed to comply. **Based on the feedback we have received from small companies, we urge the SEC and the PCAOB to issue a delay that would clarify that non-accelerated calendar year filers would have:**



- **At a minimum – until the due date for their 2008 annual report to file their management internal control reports; and,**
- **At a minimum – until the due date for their 2009 annual report to file the auditor's attestation report.**

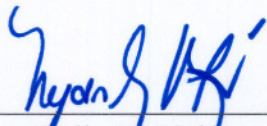
In our view, a delay that allows the SEC and the PCAOB to examine fully the impact of the new management guidance and audit standard, particularly the new standard's effectiveness in lowering compliance costs for accelerated filers, before non-accelerated filers are directed to comply with the new guidance and standard, makes not only good common sense but is necessary to ensure that the guidance and the standard will be cost-effective. Issuing a delay would recognize that:

- 1) The small companies which have not yet had to comply with SOX 404 must prepare for the new management guidance and auditing standard many months in advance of the earliest deadline;
- 2) Those small companies will expend valuable time and resources to comply with new guidance and standards; and
- 3) The new guidance and standard will not – by the time of the earliest deadline – have had the benefit of thorough field testing and evaluation.

Issuing a delay would also recognize the value of the feedback that the SEC and PCAOB will receive from accelerated filers, audit firms, and the PCAOB's efficiency inspectors. We believe strongly that the SEC and PCAOB's compliance dates for non-accelerated filers should allow the agencies the opportunity to revise the guidance and/or audit standard in light of the feedback from these groups. **Indeed, we further recommend that the SEC and PCAOB set the final date for compliance by non-accelerated filers only after receiving feedback from the accelerated filers, auditing firms, and the PCAOB's efficiency inspectors with respect to the compliance costs and effectiveness of the new guidance and audit standard.**

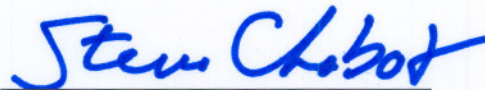
We thank you for your continued work on behalf of our nation's small companies and look forward to hearing from you.

Sincerely,



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Nydia M. Velázquez  
Chairwoman



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Steve Chabot  
Ranking Member