

[Feedback regarding implementation of Sarbanes-Oxley internal control provisions]

To the SEC Advisory Committee on Smaller Public Companies:

If the overall objective of the Sarbanes-Oxley Act is to protect investors and to restore confidence in financial markets, why are financial statement audit opinions now perceived as being inadequate for such judgments, especially where smaller, less complex companies are concerned? In fact, I might even question whether the general shareholder community understands a company's audit or knows what the auditor's opinion really means.

Furthermore, if shareholders have trouble understanding the meaning an audit opinion, how are they going to understand and react appropriately to reported weaknesses in internal controls? For example, a material weakness may exist when the CEO and CFO are the same person, which is normal in many small companies. If an auditor reports this situation as a weakness, how should shareholders react?

Entrepreneurs with varied backgrounds other than accounting lead most small companies. Yet, with the present CEO certification requirements relative to internal controls, these chief executives almost have to be CPA's to understand fully what they are signing. How can this gap be closed without requiring an accounting background as a prerequisite to becoming a CEO?

At the same time, businesses are constantly changing and so are the internal controls necessary to meet evolving challenges. So why do we need to create an extra administrative burden just to prove the effectiveness of such controls to auditors who are not experts in our business? The fact that auditors now make their clients sign a rep letter putting as much responsibility as possible back on the client and accepting as little responsibility as possible for them is also puzzling at a time when my company's audit fees are increasing 25 to 50 percent year over year. It just doesn't make sense nor does it pass any cost-benefit test!

In my mind, a more effective way to protect shareholders from corporate criminals, while restoring confidence in financial markets, would be to enforce existing laws and to put those who would commit corporate fraud in jail where they belong.

Claude Imbleau
CEO, President
Transbotics Corporation
Charlotte, NC