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As a CPA with 10 years of experience, I would like to share with you from the front lines, the impact that this is having on companies. I am currently a consultant working with multiple companies in SOX 404 implementation.

While well intended, Sarbanes Oxley is an unfortunate piece of legislation that has not done much more than create confusion and a large amount of expense for companies trying to complying with PCAOB Standard #2. The small amount of benefit I have seen coming out of this process can in no way be justified by the millions of dollars some companies are spending to attempt to comply with PCAOB #2/SOX 404. It has taken the focus for many medium and smaller sized companies away from the business at hand in creating shareholder value. Employees helping with the process are often frustrated by a process they don't understand. It will soon start to curtail business venture risk taking so important in the robust American economy. Successes, failures and frauds are an inherent part of a great economy like ours.

Already we have seen little market reaction to the initial internal control reports issued by the auditor's of the accelerated filers. It's likely that within less than 2 years, we will see no market reaction at all. And isn't this the purpose of SOX 404, to punish those companies with poor internal controls? PCAOB Standard #2 is more often vague than not. It was written from a theoretical point of view and not a practical point of view making it difficult for many accountants and consultants to understand and implement. How then, do we expect the investing public to even begin to understand an opinion on internal controls? The financial reporting process is already complex and if we think that investors are going to take these reports seriously we, as a profession, are kidding ourselves.

I would propose a more narrow focus for SOX 404 and PCAOB # 2 to address the real problems in corporate America. Problems like management override of controls, poor management integrity and a commitment to ethics. Protecting whistle blowers is already a great start. Problems with executive integrity is where the real problems existed in the largest frauds of the last few years. SOX 404 was passed to prevent these in the future. Tyco, Enron and Worldcom are just a few examples. Yet, somehow the scope of PCAOB #2 has us dwelling in details that in the end are highly unlikely to have any material impact on fraud prevention. I would ask that you seriously consider a significant reduction in the scope of PCAOB #2 to prevent companies from continuing to needlessly spend thousands or even millions of dollars documenting controls over processes that, in the end, will have little impact.

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