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## United States Senate

COMMITTEE ON SMALL BUSINESS & ENTREPRENEURSHIP  
WASHINGTON, DC 20510-6350

July 22, 2002

### HAND DELIVERED

The Honorable Michael G. Oxley  
Chairman  
House Committee on Financial Services  
2129 Rayburn House Office Building  
Washington, D.C. 20515

Re: Public Company Accounting Reform and Investor Protection Act of 2002, S. 2673

Dear Chairman Oxley:

Last week the Senate passed landmark legislation to reform the oversight of the accounting industry and to strengthen laws for corporate responsibility. While I support necessary reforms to the accounting industry, I am still concerned that the bill, as passed, may have unintended, negative consequences on small auditing firms and small publicly traded companies.

The Public Company Accounting Reform and Investor Protection Act of 2002, S. 2673, was designed primarily to correct inadequacies found in large auditing firms and conglomerate corporations, but its reach may go much further. Many small auditing firms and small public companies may be unable to adopt the proposed statutorily mandated requirements fully because of significant competition and cost impositions.

The new fees and requirements will take their toll on small auditing firms. The result, I fear, will be that smaller auditing firms may withdraw from providing services to public companies or simply go out of business to avoid these additional costs, resulting in less competition for auditing services. I do not believe it was our intention to create a monopoly for the large auditing firms at the expense of smaller accounting firms.

For small public companies, the legislation would require the added cost of hiring of many different accounting firms for corporate accounting, auditing, tax filing, and other financial reporting purposes. In addition, the added cost borne by the auditing firms for initial registration/annual filing fees with the proposed oversight board will mostly likely be passed along to their clients thereby subjecting small public-company clients to increase costs. Small companies also will face the implementation of new corporate governance provisions, some of which may be prohibitively expensive for small corporations. Therefore, it is imperative that any final legislation include flexibility for the oversight of small entities.

As the Ranking Member of the Committee on Small Business and Entrepreneurship, I strongly urge you to avoid adopting changes in the conference report that may create a monopoly in the auditing industry or may create expensive barriers to the financial markets for our small, growing companies. We should be careful as we adopt reforms not to put a disproportionate burden on these companies – dampening the entrepreneurial spirit or impeding access to the public markets. Our entrepreneurial economy is at stake here. By placing high hurdles and added costs to reach the public markets for small companies, we may unintentionally stunt the growth of these small companies. Enclosed please find a copy of my complete floor statement from Monday, July 8, 2002, highlighting my concerns on these issues.

As you meet to reconcile accounting reform and corporate governance legislation, I request that you keep in mind how this important legislation will affect small entities. A solid step in the right direction for small enterprises would be to permit the Securities and Exchange Commission to provide exemptions for small entities or classes of small entities in appropriate cases in which the bill's effects are unintentionally too broad. Please give careful consideration to including that provision in the final conference report on S. 2673.

Thank you for your consideration of this issue of great importance to America's entrepreneurs and small businesses. If you have any questions or would like additional information concerning this matter, please contact me or have your staff call Gregory Dean, my Banking Counsel on the Committee on Small Business and Entrepreneurship, at 224-

Sincerely,



Christopher S. Bond  
Ranking Member

Enclosure