

Congress of the United States
Washington, DC 20515

February 14, 2011

Mr. Jim Doty, Chairman
PCAOB
1666 K Street, NW
Washington, DC 20006

Mr. Lew Ferguson Board Member
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Mr. Daniel L. Goelzer, , Board Member
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Mr. Jay Hanson, Board Member
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Mr. Steven B. Harris, Board Member
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Re: Proposed Interim Rulemaking for Auditors of Broker-Dealers

Dear Board Members:

We are writing to you as both Members of Congress and as Certified Public Accountants (CPAs). Each of us has extensive experience as CPAs and we are well aware of the important role the Public Company Accounting Oversight Board (PCAOB) plays in ensuring that federal regulation of the accounting and auditing professions is effective and appropriate.

We are writing today regarding Section 982 of the Dodd-Frank Act, which grants broad new authority to the PCAOB regarding the oversight of auditors of broker-dealers. As the Board undertakes its interim rulemaking under this provision, we ask that you carefully weigh the need to extend additional protections to investors while also avoiding the creation of new onerous, excessive regulations on small CPA firms. Since this is an entirely new area of oversight for the PCAOB, we applaud your decision to undertake an interim rule first to gather important information and expertise before proposing a final rule.

In this initial interim rule, we believe that the most appropriate route for the PCAOB to take is to focus your oversight on those audit firms whose broker-dealer clients have access to investor funds. These so called "clearing, carrying, and custodial" broker-dealers are the class of auditors for whom there is a broad consensus for additional regulation, as well as the most perceived benefit to investors. We urge the PCAOB to act quickly to begin an effective and targeted inspection program over these auditors.

It is also important to note that during congressional consideration of Section 982, there was considerable debate about what benefits, if any, would be achieved by extending PCAOB oversight to auditors of introducing broker-dealers – those broker-dealers with no access to client monies. This interim rule period is an appropriate time for the PCAOB to study that question. We believe that along with an interim rule covering auditors of clearing, carrying, and custodial broker-dealers, the PCAOB should undertake a study on the benefits of registering and inspecting auditors of introducing broker-dealers, without actually extending such regulatory oversight to this class of auditors until the study is done.

We would like to caution you that it would be a mistake, at this juncture, to extend regulation over auditors of introducing broker-dealers when there is insufficient evidence about the benefits of such regulation, and there is the very real chance that a final rule may not ultimately include this class of audit firms. The issuance of an overly broad interim rule would create regulatory uncertainty, impede business decisions, and add unwarranted costs to these small businesses. However, once a study has been done, and the PCAOB has publicly articulated the merits of a second rule focused on oversight of auditors of introducing broker-dealers, then it would be practical to proceed. If the case is compelling, then in consultation with Congress, and with input from affected parties, the PCAOB should move to a rulemaking on auditors of introducing broker-dealers. If the case is not strong, you will have averted imposing regulatory chaos, unforeseen costs, and lost time and resources on those small firms whom it was ultimately deemed inappropriate to cover.

If the PCAOB follows our counsel and undertakes this due diligence study, we ask you also to engage the Securities and Exchange Commission and the Financial Industry Regulatory Authority, in their role as principal regulators of broker-dealers. We understand that there may be certain instances where introducing broker-dealers may have brief and limited access to investor funds. In situations such as these, where there is a heightened opportunity for fraud or malfeasance, rather than extending new oversight over the auditors of introducing broker-dealers, a fresh discussion of associated risks to investors may more appropriately solicit ideas for stronger safeguards by the principal regulators themselves.

In closing, we are pleased that Mr. Goelzer, in his capacity as Acting Chairman, has publicly acknowledged on repeated occasions that it would be inappropriate to treat all auditors of broker-dealers identically. We share his perspective and hope that all of you, both the recently appointed members as well as the longer serving members, will allow that philosophy to guide your approach.

We look forward to working with you as this rulemaking proceeds, as well as on other important topics which affect the accounting and auditing professions.

Respectfully,



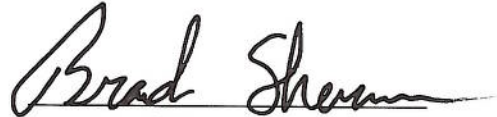
Rep. Lynn Jenkins



Rep. Collin C. Peterson



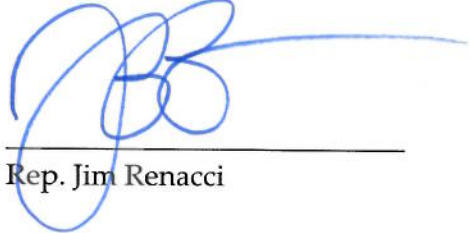
Rep. Michael K. Conaway



Rep. Brad Sherman



Rep. John Campbell



Rep. Jim Renacci



Rep. Steven Palazzo



Rep. Bill Flores