

MAY 23, 2006 OPEN MEETING

**PROPOSED RULES ON PERIODIC REPORTING BY REGISTERED PUBLIC
ACCOUNTING FIRMS**

Statement of Daniel L. Goelzer

I would like to join in commending Michael Stevenson, Sarah Williams, Patty Thompson (in absentia), and everyone else who has been involved in the putting these proposals together. The periodic reporting rules have been in gestation a long time. The release and accompanying forms that the Board will make public for comment have gone through several drafts over many months. I know it has been a challenge to come up with a package that satisfies everyone and meets all of the competing goals that these rules are designed to accomplish. Thanks for your efforts.

I would also like to underscore that, to me, this is a case in which deciding what not to include has been at least as important as deciding what should be part of the proposal. When we began this process, I think there was a presumption that everything firms were required to report in their registration applications should be updated, either annually or as soon as the changed information became available. The staff also wrestled with whether, when, and how to require disclosure of situations in which a firm has withdrawn an audit report or a client is otherwise likely to restate previously audited financials. It soon became clear, however, that there was a real risk of creating a reporting system that would be costly and complex for firms and likely to swamp the Board with filings.

A lot of thought has gone into trying to avoid that result. Instead, the objective of these rules is to make sure the Board receives timely notice of key developments that are significant to the Board's responsibilities, particular its inspections program, but without duplicating information that is available elsewhere. For example, in the case of withdrawn audit reports, the proposals would only require a filing with the Board in the -- hopefully rare -- situation in which the company itself has failed to make public disclosure of the auditor's action under the SEC's Form 8-K requirements. By dovetailing our reporting rules with the SEC's in this manner, we will greatly reduce the number reports we receive, but should still be able to have access to full information about withdrawn opinions.

Finally, I want to note that I believe that the rules we are proposing today will accomplish the Board's goals without imposing undue burdens on firms, particularly

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small firms that have limited resources to devote to regulatory filings. I hope that the public comments will focus on this issue and let us know if we need to make adjustments in order to have a system that is workable for firms of all sizes.