OCTOBER 16, 2007 OPEN MEETING

AMENDMENTS TO PERIODIC INSPECTION FREQUENCY REQUIREMENTS

Statement of Daniel L. Goelzer

These amendments to Rule 4003 would reduce the universe of registered accounting firms that the Board must inspect in two basic ways:

- First, the amendments would relieve the Board of the obligation to inspect firms that do not issue public company audit reports, but that merely play a role in support of the work of the certifying firm.

- Second, the amendments would exclude firms that occasionally issue an audit report, but that do not regularly provide public company audit reports.

In both respects, these changes would cut back our self-imposed inspection obligations to match the requirements of the Sarbanes-Oxley Act. When Rule 4003 was originally adopted in 2003, we included these two categories of firms in our regular inspection regime in what I would characterize as an effort to be as comprehensive as possible. Since then, we have conducted over 700 inspections and have gained added insight into the challenges and benefits of the inspection process. One of the things we have learned is that the Board must prioritize how it deploys its limited inspection resources.

There are currently almost 1,800 firms registered with the Board. Only 802 of those -- fewer than half -- have actually issued an audit report on a U.S. public company in one or both of the two most recent years. It makes obvious sense for the Board to concentrate its inspections on those firms. For the others, we should rely on the ability to inspect on a case-by-case basis when the circumstances warrant.

These amendments allow the Board to redirect inspection effort from those firms whose work has only a very limited impact on the investing public to those on whose work investors depend. The very few comments we received agreed with that approach.

I support the staff's recommendation.