

**Public Company Accounting Oversight Board
June 14, 2011**

Fact Sheet – Interim Inspection Program For Broker-Dealer Audits

1. Background

In 2010, the Dodd-Frank Wall Street Reform and Consumer Protection Act amended the Sarbanes-Oxley Act of 2002 ("the Act") to give the Public Company Accounting Oversight Board oversight authority with respect to audits of brokers and dealers that are registered with the Securities and Exchange Commission. Among other thing, the amendments authorize the Board to establish, by rule, a program of inspection for auditors of brokers and dealers.

The amended Act leaves to the Board (subject to the approval of the Securities and Exchange Commission) important questions about the elements of an inspection program for auditors of brokers and dealers, including

- Whether to differentiate among classes of brokers and dealers (section 104(a)(2)(A)).
- Whether differing inspection schedules would be appropriate with respect to auditors that issue audit reports only for brokers or dealers that do not receive, handle, or hold customer securities or cash or are not members of the Securities Investor Protection Corporation (section 104(a)(2)(B)).
- Whether to exempt any public accounting firms from such an inspection program, and thus, from the requirement to be registered with the Board (section 104(a)(2)(D)).

In December 2010, the Board issued for public comment a proposed temporary rule for an interim program of inspection of auditors of brokers and dealers. The proposing release and the twelve comment letters received are available at <http://pcaobus.org/Rules/Rulemaking/Pages/Docket032.aspx>.

2. Purpose of a Temporary Rule and an Interim Inspection Program

The Board has adopted a temporary rule for an interim inspection program. If approved by the Securities and Exchange Commission, the temporary rule will allow the Board to begin basic inspection work on selected audits of brokers and dealers. The Board also expects that information gathered through the interim inspection program will be useful in making judgments about the scope of a permanent inspection program for auditors of brokers and dealers, including consideration of potential costs and regulatory burdens that would be imposed on different categories of registered public accounting firms and classes of brokers and dealers.

The Board intends to consider carefully whether there should be exemptions from the permanent program. The Board expects to be able to gather the information necessary to inform its consideration of a permanent program without having to inspect most auditors of brokers and dealers under the interim program.

3. The Interim Inspection Program

In conducting inspection work under the interim program, the Board will assess auditors' compliance with the Act, the Board's rules, the Commission's rules, and professional standards in connection with the performance of audits, issuance of audit reports, and related matters involving brokers and dealers. The temporary inspection rule, however, does not change anything about the rules or standards that currently govern audits of brokers and dealers. As the Securities and Exchange Commission has previously explained, its rules continue to require those audits to be carried out under generally accepted auditing standards.

The Board anticipates that the applicable rules and standards may change through Board and Commission action during the period the interim inspection program is in place. Inspection procedures under the interim program will focus on assessing compliance with the rules and standards that apply to the inspected audit work at the time the audit work was done.

The inspection procedures in the interim program will include identifying and addressing with the inspected firm any significant issues in its audit work and, where appropriate, referring information about potential violations by brokers and dealers to the Securities and Exchange Commission and the Financial Industry Regulatory Authority, or taking disciplinary actions against an auditor.

In the absence of unusual circumstances, however, the Board will not issue firm-specific inspection reports before inspection work is performed under a permanent program and will not issue firm-specific inspection reports on any firms that are eventually excluded from the scope of the permanent program. During the interim program, the Board will issue general public reports at least annually to describe the progress of the interim program.

The interim program will continue until replaced by a permanent program. The Board anticipates proposing rules for a permanent program, including any exemptions that the Board may determine to be appropriate, in 2013.