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PCAOB Open Meeting  
Statement Re: Internal Control Standard

The requirement that public companies have adequate internal controls has been on the books for some time. However, too often public companies, large and small, did not adhere to the requirement, as evidenced by the frequency that companies charged by the SEC for financial fraud are also charged for having inadequate internal controls. In response to a wave of financial frauds, Congress put teeth to the requirement by mandating that auditors audit and issue a separate opinion on the adequacy of internal control.

This standard achieves Congress’s intent and will work going forward to minimize the discretion of those that otherwise would use accounting as a tool to misled investors. In achieving Congress’s intent, the standard reflects an objective-based approach that is not overly prescriptive, but instead allows for flexibility and is sensitive to the costs of companies complying with Sarbanes-Oxley. The standard allows auditors to use their judgment in relying on the work of others where appropriate, and in so doing provides a strong incentive for companies to create robust and independent internal audit and compliance departments.

I cannot say enough about the work performed by Doug Carmichael and his staff. The hundreds of hours spent poring over comment letters and analyzing and agonizing over the many issues and challenges have certainly paid off. I would also like to thank those that took the time to comment on the proposed standard. Your comments were and are important to us and the
staff. I would also like to thank Don Nicolaisen, the Chief Accountant of the SEC, for his support.