



IN THE PUBLIC INTEREST

**A Special Report by the
PUBLIC OVERSIGHT BOARD
of the
SEC Practice Section, AICPA**

**ISSUES CONFRONTING THE
ACCOUNTING PROFESSION**

- Litigation
- Self Regulation
- Standards

Improving Financial Reporting and Audits

In March 1993, the Public Oversight Board issued a special report, In the Public Interest. That report included 25 recommendations that address the accounting profession's liability problem, the reliability of financial reporting, and auditor performance. The Board thinks that implementation of these recommendations will strengthen both the quality of audit performance and the reliability and utility of financial statements.

This report arose out of the request to the Board in early 1992 by the leaders of the accounting profession that it support the effort of the profession and others to secure adoption by the United States Congress of amendments to the Securities Exchange Act of 1934 to provide that the present "joint and several" standard for the allocation of damages among defendants in actions under Rule 10b-5 be replaced by a "separate and proportionate" standard. Under the present rule a successful plaintiff may enforce the full amount of a judgment against all or any of the defendants. When the resources of some defendants are limited or non-existent, a much heavier burden is imposed on solvent defendants.

In response to this request, the Board commenced a year long study to determine whether the proposed change would be consistent with the public interest. It determined for a number of reasons that the public interest was at risk unless such a measure (and other reform measures) was adopted. It foresaw the possibility that debilitating or ruinous judgments against one or more major firms would significantly affect the willingness of able young persons to choose the accounting profession as a career and of experienced persons presently in the profession to continue on a career path which would expose their personal assets to liability for the alleged misdeeds of others in the firm. Further, the Board foresaw increasing difficulty for new and speculative endeavors, which are essential to the growth of the nation's economy, in securing adequate audit services. Further, the potential of liability was preventing firms from providing attest services with respect to additional types of information considered increasingly important by business. Finally, it concluded that a system which has the potential of exposing an auditing firm to full liability for fraudulent conduct perpetuated by others was essentially unfair.

Accordingly, the Board recommended that suitable "separate and proportionate" liability legislation applicable to both federal and state claims should be enacted by Congress.

However, we concluded that legislation alone was not going to solve the problem of accountants' liability. As our chairman, Mr. A. A. Sommer, Jr., recently testified at a hearing of the Senate Subcommittee on Securities on liability reform:

There will always be, and there should always be, the ability of creditors and investors harmed by the misconduct of auditors to secure monetary relief for the harm caused by the auditors. And there will always be suits against auditors, many meritorious, many not meritorious, and there will always be the expense of defending against those suits and the burden of satisfying judgments. But the incidence of such suits and such judgments must be reduced to reasonable dimensions. This cannot be done by the proposed legislation alone. There must be reform within the profession, there must be revisions of auditing standards, there must be better understanding of the limits of what an audit can do, there must be greater effort by the auditor to ferret out fraud, there must be more diligence by directors and particularly audit committees.

Thus, the Board included in its special report recommendations directed not only at liability reform but also at improving the relevance and reliability of financial reporting and audits, including actions to deter and detect fraudulent financial reporting.

We have had the opportunity to discuss our recommendations

with Congress, the SEC, the SEC Practice Section, the AICPA, and the FASB, to all of whom various recommendations are directed. Over 15,000 copies of our report have been widely circulated to accounting firms, public companies and organizations interested in the financial reporting process, and there has been lively debate of the Board's recommendations.

The AICPA Board of Directors, the Executive Committee of the SEC Practice Section, and the six largest accounting firms have endorsed and supported all of the recommendations. The Board is encouraged by the public discussion that has resulted and believes it should lead to significant improvements in financial reporting and auditing. Further commentary about the POB's Special Report and actions taken to date on our recommendations are included in the POB Commentary section of this report.

About the SECPS and the POB

The SEC Practice Section (SECPS) imposes membership requirements and administers two fundamental programs to ensure that SEC registrants are audited by accounting firms with adequate quality control systems: the first program is the peer review program, through which Section members have their practices reviewed every three years by other accountants, and the second is the quality control inquiry program, which reviews allegations of audit failure contained in litigation filed against a member firm arising out of the audit of a public company to determine if the firm's quality control system requires corrective measures.

The Public Oversight Board (POB) is an autonomous body consisting of five members with a broad spectrum of business, professional, regulatory and legislative experience that oversees SECPS activities. The Board's primary responsibility is to safeguard the public interest (1) when the SECPS sets, revises and enforces standards, membership requirements, rules and procedures and (2) when the Section's committees consider the results of individual peer reviews and the possible implications of litigation alleging audit failure. However, the Board believes its responsibilities also include the monitoring of all matters and developments which may affect the integrity of the audit process and, where appropriate, commenting upon them. The Board appoints its own members, chairman and staff, sets its own and its staff's compensation, and establishes its own operating procedures.

Board Activities

One or more Board members participated in all meetings of the SECPS Executive Committee and its Planning Committee.

The Board maintains active relationships with governmental and other organizations that have responsibilities related to and concerned with the accounting profession in the United States, including the Securities and Exchange Commission, the General Accounting Office, the Auditing Standards Board, and the Financial Accounting Standards Board. In its deliberations, the Board carefully considers all comments, reports and proposals that these bodies and others express which concern the profession. In addition, in developing the conclusions in its report about possible alternatives to the present self-regulatory programs of the profession, the Board considered other regulatory structures in the United States and the regulation of the accounting profession and the establishment of auditing and accounting standards outside the United States. In this regard, the Board's staff met with officials responsible for regulating the profession in the United Kingdom and Canada, as well as officials of the National Association of Securities Dealers and the National Transportation Safety Board.

Altogether, the Board met eight times this year. In connection with its meetings, the Board met with a leading staff person of the

Subcommittee on Oversight and Investigations of the Committee on Energy and Commerce, the SEC, the SEC Chief Accountant for Enforcement, the Audit Issues Task Force of the Auditing Standards Board, the Chairman of the FASB and its Director of Research and Technical Activities, the chairmen of the three SECPS committees, and officers of the AICPA. All these discussions helped shape the Board's views on a variety of issues confronting the accounting profession and its self-regulatory program.

In addition, coincident with the public release of its special report, In the Public Interest, the Board met in a public hearing with the commissioners, chief accountant and other key staff of the Securities and Exchange Commission to discuss the POB's recommendations contained in the report and to obtain the Commission's views on matters of significance to the profession. Our chairman was one of the featured speakers at a symposium at the National Press Club in Washington, DC, which was sponsored by the CPA Journal, the monthly publication of the New York State Society of CPAs, which was entitled "In the Public Interest - A Discussion of Proposals from the Public Oversight Board."

The POB staff's oversight of SECPS peer reviews in 1992 was comprehensive and intensive. Because approximately one-half of the firms were undergoing SECPS review for the first time and our oversight plan calls for visiting a high percentage of such firms, the Board again called upon five retired partners from SECPS firms to assist the Board's four permanent staff members in the oversight of the 1992 peer review program. Because they reside in geographic regions with high densities of member firms, their use has helped to minimize the cost of oversight.

It is the Board's opinion, based on its intensive oversight, that the SECPS self-regulatory program contributes to the quality of auditing in the U.S. The SEC shares this view and, with respect to peer review, has so reported in its annual report to Congress. Insofar as the Quality Control Inquiry Committee process is concerned, the SEC Chief Accountant has written the Board stating the following:

The SEC believes that the QCIC process provides added assurances, as a supplement to the SECPS peer review program, that major quality control deficiencies, if any, are identified and addressed in a more timely fashion. Therefore, the agency believes that the QCIC process benefits the public interest. The SEC understands that constructive improvements have been implemented, by the QCIC and the POB, and believes that such ongoing improvements will provide even greater assurance of the efficacy of the QCIC process.

Our Board is pleased to note that the Federal Deposit Insurance Corporation (FDIC) recognizes the importance of peer review and has adopted a rule which mandates that audits of financial institutions subject to Section 36 of the Federal Deposit Insurance Act can be performed only by an independent public accountant whose firm has undergone an external peer review consistent with AICPA standards.

Before the rule was finalized, the Board provided written comment on two occasions to the FDIC concerning, among other things, the subject of FDIC access to peer review workpapers. We urged the FDIC to follow the "accessibility to workpapers" model that has worked effectively as provided for by the Memorandum of Understanding between the SEC and the SECPS which balances protection of the public and the rights of SECPS member firms. We are pleased to note that the final rule calls for the retention of peer review workpapers for 120 days after the peer review report is filed with the FDIC in a "form consistent with the SEC's agreement with the accounting profession."

The POB was proud to award the 1993 John J. McCloy Award for Outstanding Contributions to Audit Excellence to A. Clarence Sampson, who recently retired from the Financial Accounting Standards Board. For many years prior to his FASB service, Mr. Sampson was the SEC Chief Accountant. As chief accountant he was effective in

encouraging the leadership of the American Institute of Certified Public Accountants to move toward our present self-regulatory program. An early proponent of peer review, he, with others, urged it as the basis for effective improvement in audit quality. Once peer review and self-regulation were established, he and his staff, together with the POB staff, worked out an SEC oversight process that adds much to the credibility of the profession's self-regulation.

Peer Review Oversight Activities

A primary responsibility of the Board is to oversee, monitor and evaluate the effectiveness of the Section's peer review process, including the activities of its Peer Review Committee. The peer review program is the foundation of the CPA profession's self-regulatory efforts and its principal method of assuring the public that member firms are performing at a level that meets or exceeds professional standards. Because of its importance and scope, the Board and its staff invest substantial resources in assuring itself that the peer review process is vigorous and effective.

One or more Board members and staff members regularly attend meetings of the Peer Review Committee, and the Board's staff reports to the entire Board at each of its meetings on the committee's activities and other aspects of the program.

In addition, the Board's staff performs monitoring procedures on each peer review administered by the committee. These procedures vary in intensity depending on predetermined characteristics of the reviewed firm and reviewer. For example, the staff participates in the field in the reviews of most firms with five or more SEC clients and one-third of the firms with SEC clients undergoing initial SECPS reviews. In addition, the staff reviews all peer review workpapers for those reviews. For other firms with SEC clients, the staff, at a minimum, reviews all workpapers. For firms with no SEC clients, the staff only reviews selected workpapers. The staff's oversight program focuses on the qualifications of the reviewers and their application of the standards for performing and reporting on peer reviews.

In addition to the Board, the Securities and Exchange Commission (SEC) oversees the peer review process. Through the office of the SEC's Chief Accountant, their staff randomly inspects peer review working papers and POB oversight files during the course of the peer review year. The inspection of the 1992 peer reviews is complete; and as in prior years, the Board expects the SEC to endorse the process in its annual report.

Commentary on Peer Reviews

Of the 395 SECPS peer reviews performed during the 1992-93 year, 182 were initial reviews of new member firms and 213 were reviews of firms which have been previously reviewed. The growth in membership is attributable to the AICPA's requirement that all firms in the AICPA that audit SEC clients must be members of the SECPS and undergo a peer review under its program. Consistent with prior years experience, a substantially higher percentage of initial peer reviews resulted in qualified or adverse reports on the firm's quality control systems. In addition, a substantially higher percentage of audit engagements performed by firms undergoing their initial reviews were found to be substandard. These statistics continue to re-enforce the Board's confidence in the vitality of the peer review process and the remedial benefits associated with it.

Over the last year, the committee and its staff have attempted to identify, as early as possible, peer reviews that involve (a) difficult reporting issues, (b) possible substandard engagements, and (c) disagreements between the reviewed firm and review team. It is in the public interest to complete such reviews promptly so that corrective actions can be taken. To assure this result, individual committee

members are promptly assigned monitoring responsibility to interact with the review team and the reviewed firm and provide assistance in resolving difficult engagement and peer review reporting issues. The Board believes this has greatly improved the timeliness of implementation of needed remedial corrective actions.

The Board applauds a recent initiative of the SEC Practice Section to assure that the profession's self-regulatory program will continue to result in improvements in the effectiveness of the audit function. The Section's Peer Review Committee has launched a comprehensive re-evaluation of the profession's peer review program. The objective of this "visioning" re-evaluation is to assure that the program is now and will remain relevant and effective in assuring that firms have established and are complying with quality control policies and procedures that reasonably assure conformity with evolving professional standards.

The committee is approaching this project from the perspective that peer review should result in "continuous improvement" by firms of all sizes in the quality of audits, accounting and review services, and the variety of attestation services that auditors are now or may be called upon to perform involving attestation, for example, attesting to the reliability of a management report on an entity's internal control structure.

Improving the quality of audits of individual member firms has been virtually the sole focus of peer review in the past. While that continues to be a key focus, the committee believes that peer review should also have a broader mission: the program should be a source of information to the standard-setters to assure that quality control and auditing standards are relevant and useful to the profession at large in assuring that firms are prepared to deal with emerging practice problems in their individual practices. We are confident that the program, which has already had a profound impact on the quality of independent auditing in this country, can and will be strengthened further.

Oversight of the Quality Control Inquiry Process

The Quality Control Inquiry Committee functions as a supplement to the peer review program. Member firms are required to report, within 30 days of being served, litigation and government proceedings that allege a failure to properly conduct an audit of the financial statements of a publicly held company. In addition, the QCIC requests member firms to report action against them by regulatory authorities that allege an audit failure involving a regulated financial institution. The committee has established liaison procedures with federal regulators in this regard. The Executive Committee may direct the QCIC to add to its agenda any case involving a non-public company, if it believes there is a significant public interest in an alleged audit failure.

A copy of each complaint alleging substandard performance by a member firm in an audit described above is required to be provided to the QCIC. The committee's responsibility is to determine whether the allegations indicate possible deficiencies in the firm's quality controls. The QCIC also analyzes such litigation to determine whether professional standards, quality control standards, or the Section's membership requirements need revision or whether additional guidance is needed. In its special report, the Board has recommended modification of QCIC procedures to, among other things, enable it to identify implications of the allegations relating to the adequacy of guidance on the manner in which audits are conducted. See "POB Commentary" later in this report.

The POB monitors the activities of the QCIC and has unrestricted access to all meetings of the committee and its task forces and to the committee's files. The Board's staff reviews the complaint, financial statements, other public documents, and relevant professional literature for each reported case. During the 1992-93

Results of QCIC Activity	11/1/79 through 6/30/82	7/1/82 through 6/30/83	Totals
Actions Related to Firms:			
<i>Either a special review was made, the firm's regularly scheduled peer review or inspection was expanded, or other relevant work was inspected</i>			
	52	6	58
<i>A firm took appropriate corrective measures that were responsive to the implications of the specific case</i>			
	71	7	78
Actions Related to Standards:			
<i>Appropriate AICPA technical bodies were asked to consider the need for changes in, or guidance on, professional standards.</i>			
	40	—	40
Actions Related to Individuals:			
<i>The case was referred to the AICPA Professional Ethics Division with a recommendation for investigation into the work of specific individuals.</i>			
	20	3	23
Total	183	16	199

(Note: Frequently more than one action is taken by the QCIC or by the firm.)

year all QCIC meetings were attended by a Board member and staff. Additionally, the Board's staff participated in virtually all of the thirty-three QCIC task force meetings where specific cases were discussed with representatives of the firms reporting litigation. The staff provides comprehensive reports on QCIC task force activities to the Board at each of its meetings. The Board believes that appropriate consideration was given to the 60 cases closed this year, and that the QCIC is an effective complement to the peer review process.

The SEC also oversees the QCIC process and the POB oversight thereof. After the QCIC closes a case, the SEC is provided with a "closed case summary" which describes the allegations, the quality control implications, the actions taken by the QCIC to ascertain whether there are shortcomings in the firm's quality controls or compliance therewith and whether the allegations suggest a need for change in standards or membership requirements. In addition, the SEC is provided with the POB's oversight documentation and the POB and QCIC staff meet with the staff of the Office of the Chief Accountant to provide further information, if necessary, to indicate the basis for the QCIC's conclusions concerning the adequacy of quality controls.

The SEC staff noted during its review of closed case files that a number of cases were not reported to the QCIC within the required 30 day reporting period. Consequently, the Chief Accountant corresponded with the Chairman of the SECPS Executive Committee urging that member firms recognize the importance of timely reporting to the QCIC and take action to assure such reporting. The Executive Committee has communicated to member firms the importance of developing and maintaining a system for reporting such cases on a timely basis. The POB is monitoring compliance with the requirement.

At the urging of the POB, the QCIC adopted measures that should enhance the pace of the committee's activities. These include assignment of members to cases upon receipt of notification of litigation by a member firm; the conduct of inquiries with firms between meetings when, in the judgment of the assigned committee member, the QCIC staff and the chairman, the results of analysis warrant it; and acceleration of the review and approval of closed case summaries. The Board has noted significant improvement in the pace of QCIC activity as a result of implementation of these revisions in the committee's operating procedures.

POB Commentary

Following is a brief progress report on actions taken to date on recommendations to improve the reliability of financial reporting and auditor performance included in the Board's special report, *In the Public Interest*.

Overall responsibility to oversee and monitor implementation of the Board's recommendations that were directed to the AICPA and its various committees has been assigned to the Government Affairs Committee of the AICPA. That committee also will monitor progress on the implementation of recommendations directed to other organizations and act as a catalyst for action when appropriate.

The Board made several recommendations directed at putting in place mechanisms to dissect audit failures in order to ferret out the causes, the symptoms related to those causes, and the preventive actions that might be taken in the future to avoid their reoccurrence. Closely related to this, the Board further observed that there is an absence of procedural guidance available to young auditors that would direct their attention to the possible implications of unusual matters encountered during an audit and the appropriate reaction to those matters. The SECPS Executive Committee has addressed these recommendations by agreeing to changes in the QCIC and peer review programs.

The QCIC, in pursuit of its objective to inquire about the quality control implications of alleged audit failures, will in the future satisfy itself that firms have performed an appropriate internal analysis of audits underlying litigation. Among other objectives, this analysis will be directed at:

- 1 Assessing the capabilities of the senior audit personnel.
- 2 Identifying any problems with the firm's quality control system or training activities.
- 3 Identifying any implications of the allegations relating to the adequacy of auditing, quality control, or accounting standards.
- 4 Identifying any implications of the allegations relating to the adequacy of guidance on the manner in which audits are conducted and variations in the interpretations of standards that need to be resolved.

The peer review process will be amended to require peer reviewers to ascertain firms' performance in this regard.

The SECPS Executive Committee has also taken several other actions that are responsive to the Board's recommendations that should strengthen audit performance in the future. These are:

- A Professional Issues Task Force (PITF) has been formed to consider matters requiring additional guidance and emerging and/or unresolved practice issues resulting from firms' analysis of their litigation, the QCIC process and other events (e.g., peer reviews, internal inspections, etc.). The PITF will be responsible for developing and disseminating relevant guidance for the accounting profession. That guidance will only interpret existing standards and the PITF will be required to refer matters warranting a reconsideration of existing standards to appropriate bodies (e.g., Auditing Standards Board, Accounting Standards Executive Committee, Financial Accounting Standards Board, etc.).
- Strengthening the concurring partner review function. The Executive Committee agreed to amend the Section's membership requirements to require that the concurring partner provide assurance that those consulted on accounting and auditing matters are aware of all relevant facts and circumstances involving the issue and the client so that the conclusion reached about the matter is an appropriate one.
- Also, peer reviewers will be required to evaluate the quality of conclusions reached by firms during the consultation process.
- A task force has been appointed to consider modification in the CPE requirement to require that a specific amount of professional education hours relate to accounting or auditing subjects. If the

individual is an auditor a specified number of CPE hours should be directed at improving skills in those areas.

The Board observed in its special report that no problem confronting the profession is as demanding, or as difficult to resolve, as the problem of management fraud and its detection by auditors. However, the Board believes that there are measures that can be taken to improve performance in this difficult area and that, to a greater extent than it now does, the profession must accept responsibility for the detection of fraud by management. The profession cannot, and it cannot be expected to, develop methods that will assure that every fraud, no matter how cleverly contrived, will be unearthed in the course of the audit, but it must develop means of increasing significantly the likelihood of detection.

Adoption of the Board's recommendation to modify the QCIC's mission in a manner to ensure that a careful analysis of the factors contributing to failed audits leads to improved guidance to the profession on the detection of fraud. But that is not enough. The Board also recommended that the profession develop comprehensive guidelines to further assist auditors in identifying symptoms that indicate the heightened likelihood of management fraud involving the manipulation of financial information and to specify additional audit procedures that should be performed when such symptoms appear. In furtherance of this goal, the SECPS Executive Committee has formed a Detection and Prevention of Fraud Task Force. Its aim is to develop the kind of guidance that will assist auditors in assessing the likelihood that management fraud is occurring and to specify additional auditing procedures when there is a heightened likelihood of fraudulent financial reporting.

The Board recommended that the Auditing Standards Board (ASB) revise the auditor's standard report to make the prospective nature of certain accounting estimates clear, including a caveat that the estimated results may not be achieved. The Board understands that the ASB conceptually agrees with this recommendation and has formed a task force to deal with reporting on soft information.

Another recommendation to the ASB was to establish standards that require clear communication of the limits of the assurances being provided to third parties when auditors report on client internal control systems. The ASB believes that its recently issued attestation standard, "Reporting on an Entity's Internal Control Structure Over Financial Reporting," addresses this recommendation. Further, the ASB is considering a revision to the standard auditor's report that explains the limit of work performed on internal control in an audit of financial statements.

The Board's third recommendation to the ASB was to require auditors to be satisfied that the accounting policies adopted by an entity for new types of transactions reflect economic substance. This has been referred to the ASB's Audit Issues Task Force.

The Board's recommendation to the Accounting Standards Executive Committee (AcSEC) that they adopt the proposed Statement of Position "Disclosure of Certain Significant Risks and Uncertainties and Financial Flexibility," has been very controversial. Comment letters received by AcSEC on the exposure draft have generally been negative. However, the Board continues to believe that financial statements as now prepared fall woefully short in disclosing risks and uncertainties. We hope that AcSEC can appropriately balance the specific meritorious objections of those opposed to elements of the exposure draft with the needs of the users of financial statements and adopt a Statement of Position that will provide meaningful disclosures in this important area.

In summary, much progress has been made in the few months since the Board's report was issued. The Institute and its various committees are to be complimented. However, we do not underesti-

mate the magnitude of the effort that lies ahead. The Board also made several recommendations to the SEC, FASB, individual accounting firms, and audit committees. We will continue to discuss with representatives of these organizations the importance of taking appropriate measures to implement these recommendations as a means of improving the reliability of audited financial statements.

To assist in preparation and auditing of such financial statements impelled the Board to prepare and public its report, In the Public

Interest, we are confident that if the recommendations of that report are implemented by the parties to whom they are addressed, enormous progress in reaching these goals will be achieved, the profession will be relieved of much of its litigation peril, it will be willing to provide to American industry the additional attestation services it is demanding, and the public interest will be well served. The Board stands ready to assist the profession in every way it can in carrying out the recommendations.

The POB's Special Report Recommends That:

CONGRESS

- Enact legislation to replace joint and several liability with separate and proportional liability and eliminate treble damages in Federal securities cases.
- Enact preemptive legislation to permit practice of accountancy in a form that appropriately limits the liability of individual members of the firm.

SECURITIES AND EXCHANGE COMMISSION

- Require registrants to disclose peer review information.
- Require statement in annual report of audit committee responsibilities and how they were discharged.
- Require report by management in annual report on effectiveness of internal control system.
- Require report by auditor on registrant's internal control over financial reporting.

SEC PRACTICE SECTION

- Require firms to perform specific procedures when litigation arises and communicate information to the QCIC and require peer reviewers to test compliance.
- Amend QCIC procedures to facilitate resolution of audit practice issues in collaboration with appropriate technical bodies.
- Require peer reviewers to evaluate the quality of consultation conclusions.
- Require substantial CPE in accounting and auditing.

FINANCIAL ACCOUNTING STANDARDS BOARD

- Require disclosure of the limitations of financial statements.
- Resolve market value accounting debate.

ACCOUNTING STANDARDS EXECUTIVE COMMITTEE

- Provide guidance for disclosing risks and uncertainties.

AUDITING STANDARDS BOARD

- Revise standard audit report to make prospective nature of accounting estimates clear.
- Require auditor to ascertain that newly adopted accounting policies properly reflect the economic substance of transactions.
- Establish standards that require clear communication on the limits of assurance provided to third parties in reporting on internal control.

AICPA AND ACCOUNTING FIRMS

- Assure auditors are more sensitive to the need to exercise professional skepticism in discharging their responsibility to detect errors and irregularities.
- Develop guidelines to assist auditors in assessing likelihood of management fraud and specify additional auditing procedures.
- Amend Code of Professional Conduct to sharpen the distinction between client advocacy and client service.
- Support legislation for auditors to report discovered irregularities to appropriate authorities.

ACCOUNTING FIRMS

- Ensure participation in standard setting is objective and professional.
- Ensure client accounting issues are subject to internal consultation before discussions with the SEC.
- Expand requirements for concurring review partners to review consultations.

AUDIT COMMITTEES

- Should review financial statements and confer with management and the independent auditor about them.
- Should satisfy itself that the audit fee is sufficient for a comprehensive and complete audit.

PUBLIC OVERSIGHT BOARD

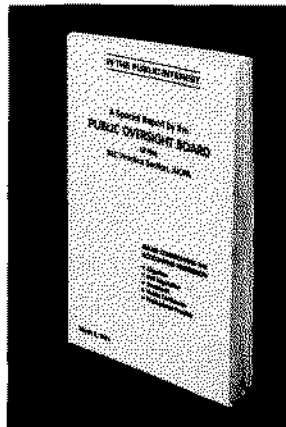
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