

SEC Registrants: Use Local Resources for Audits

Why should small and middle-market public companies choose a local or regional CPA firm over a Big Four firm for their audit needs? Chairman Cox of the SEC advised that the Big Four firms have an oligopoly on the accounting profession, particularly in the auditing industry. The Big Four firms audit 80% of all public companies, representing 99% of sales in the United States.

Why should public companies utilize local or regional firms?

According to Cox, any public company that does not need the integrated global reach or specialized international services of the Big Four firms should consider working with a local or regional firm. There are many medium and small accounting firms that provide high quality audit services, often for a fraction of the cost of the Big Four fees.

Additionally, small and mid-sized CPA firms were not significantly damaged by the scandals of Enron and WorldCom. Partners and managers in these firms have more direct contact with clients and reputation is significantly more important at the person-to-person level than on the global, media-produced level. The National Federation of Independent Businesses surveyed their members and found that the CPA is the most trusted business consultant. Regional firms understand this relationship the best.

How do you find a qualified CPA firm for your company's audit?

The Public Company Accounting Oversight Board (PCAOB) is a private-sector, non-profit corporation created by the Sarbanes-Oxley Act of 2002 to oversee the auditors of public companies in order to protect the interests of investors and further the public interest in the preparation of informative, fair and independent audit reports. The PCAOB recognizes that its work has an impact not just on accounting firms, but on public companies of all sizes and their shareholders. The Board is particularly mindful of the effects of its work on small accounting firms and small public companies.

The PCAOB has done an excellent job governing CPA firms and qualifying them to audit public companies. The PCAOB's strict registration guidelines and standards, and the enforcement of those guidelines and standards, has forced CPA firms to become better equipped to do more competent and higher quality work. According to Cox, the PCAOB has set very high standards for the organization and for the accounting profession.



Audit committee members or corporate boards of directors should be researching the benefits of employing non-Big Four firms. Directors can research qualified firms on the PCAOB website by reviewing the list of registered firms. In fact, significant portions of firms' inspection reports are also available on the PCAOB website for review and comparison.

CPAs are the most trusted advisors

Certified Public Accountants enjoy a solid reputation among the public and among business decision makers. According to Cox, "accountants are seen as steady hands" – reliable, trustworthy, competent and full of integrity. Business executives give CPAs a 95% favorable

rating. Investors give CPAs a favorability rating of 97%, according to the SEC. Small and medium sized firms often have even higher favorability rating among their own clients. This reputation and public perception should help middle market CPA firms relieve the Big 4 oligopoly by absorbing a greater number of smaller public company audits.

"As CPAs, we agree to be held to higher standards, we have Continuing Professional Education requirements that keep us on top of major issues, and we have an ability to make decisions that are grounded in numbers and facts, rather than being swayed by political thinking," said Republican Party candidate Bruce Brown. Brown is confident that his CPA and business experience makes him the best-qualified candidate for Wyoming's next state auditor.

Consider your regional CPA firm as an audit solution provider

With three offices located throughout South Florida, Daszkal Bolton LLP has significant SEC experience and handles 16 small to middle-market public companies, ranging from start-ups to \$100 million+ companies. We are proud to be PCAOB registered. Through affiliations we have the capability to assist with international ventures, transactions and operations. As your trusted advisor, we offer a full spectrum of audit, accounting and advisory services to assist with compliance, operational efficiency and business performance. Contact us with any questions you may have.



Michael I. Daszkal, CPA co-founded the firm in 1992. He continues to lead the firm as Chairman of the Executive Committee and Partner in charge of the Audit and Accounting Services Department. With over 20 years in the accounting industry, Michael's expertise transcends many areas of auditing and accounting, including due diligence, mergers and acquisitions, preparation of financial statements and SEC rules and guidelines. Contact Michael directly via email at mdaszkal@daszkalbolton.com or by phone at 561.953.1502.