

107TH CONGRESS
2^D SESSION

H. R. 5184

To establish an Office of Audit Review within the Securities and Exchange Commission to oversee the audits of certain public companies.

IN THE HOUSE OF REPRESENTATIVES

JULY 23, 2002

Mr. DAVIS of Illinois introduced the following bill; which was referred to the Committee on Financial Services

A BILL

To establish an Office of Audit Review within the Securities and Exchange Commission to oversee the audits of certain public companies.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*

3 **SECTION 1. SHORT TITLE.**

4 This Act may be cited as the “Corporate Auditing
5 Integrity Act of 2002”.

6 **SEC. 2. ESTABLISHMENT OF OFFICE OF AUDIT REVIEW.**

7 The Securities and Exchange Commission (referred
8 to in this Act as the “Commission”) shall establish the
9 Office of Audit Review within the Division of Corporate
10 Finance of the Commission to oversee the audits of certain

1 public companies in accordance with the criteria estab-
2 lished by the Commission under section 5.

3 **SEC. 3. DUTIES OF OFFICE OF AUDIT REVIEW.**

4 The Office of Audit Review established under section
5 2 shall have the authority to participate in and supervise
6 all stages of the audit of a public company, including the
7 authority to—

8 (1) review the audit plan and procedures of a
9 public company;

10 (2) review any documents or work papers re-
11 lated to the audit before, during, and after the
12 audit;

13 (3) submit questions or requests for informa-
14 tion to the audit committee of a public company and
15 to the independent auditor of such company;

16 (4) meet with members of the audit committees
17 of a public company;

18 (5) review any agreement between a public com-
19 pany whereby the public accounting firm which au-
20 dits the company is to also provide consulting or
21 other non-audit services to the public company; and

22 (6) require that a public company be audited by
23 a public accounting firm that has not audited such
24 public company during the preceding 3 years.

1 **SEC. 4. FEE SYSTEM AUTHORIZED.**

2 (a) SELF-FINANCING.—The Commission shall estab-
3 lish rules for the assessment and collection of fees suffi-
4 cient to recover the costs and expenses of the Office of
5 Audit Review.

6 (b) ASSESSMENT AND COLLECTION.—The fees shall
7 be assessed on public companies that file any financial
8 statements, reports, or other documents with the Commis-
9 sion under the Securities Exchange Act of 1934 (15
10 U.S.C. 78a et seq.). Such fees shall be collected through
11 the public accounting firm that certifies such statement,
12 report, or document.

13 **SEC. 5. ESTABLISHMENT OF CRITERIA.**

14 The Commission shall by rule establish criteria to de-
15 termine which public companies shall be subject to the en-
16 hanced oversight by the Office of Audit Review. Such cri-
17 teria shall include—

18 (1) the size and nature of the public company;

19 (2) the participation of the public company in
20 recent mergers;

21 (3) other key factors including labor relations,
22 marketing programs, new products, research, and
23 development; and

24 (4) any other circumstances identified by the
25 Commission that pose a high risk of business failure
26 or wrong doing.

1 **SEC. 6. REPORT.**

2 Within 1 year after the date of enactment of this Act,
3 the Commission shall transmit to the Committee on Fi-
4 nancial Services of the House of Representatives a report
5 on its compliance with this Act. The report shall include
6 a description of the functioning of the Office of Audit Re-
7 view, established pursuant to section 2, the activities of
8 such office under section 3, and a description of the cri-
9 teria established by the Commission pursuant to section
10 5.

11 **SEC. 7. DEFINITIONS.**

12 (a) PUBLIC COMPANY.—The term “public company”
13 refers to an issuer (as defined by section 3 of the Securi-
14 ties Exchange Act of 1934 (15 U.S.C. 78c)), the securities
15 of which are registered under section 12 of that Act (15
16 U.S.C. 78l), or that is required to file reports pursuant
17 to section 15(d) of that Act (15 U.S.C. 78o(d)).

18 (b) PUBLIC ACCOUNTING FIRM.—The term “public
19 accounting firm” refers to a firm that conducts an audit
20 of a public company for purposes of compliance by that
21 company with the reporting requirements of section 15(d)
22 of the Securities Exchange Act of 1934 (15 U.S.C.
23 78o(d)).

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