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FOR IMMEDIATE RELEASE

**IMA Responds to SEC and PCAOB Exposure Drafts on SOX:
Much More is Needed to Get it Right**

Montvale, N.J., February 27, 2007 – The following is commentary from Paul A. Sharman, ACMA, president and CEO, Institute of Management Accountants (IMA®), in response to exposure drafts issued by the Securities and Exchange Commission (SEC) and Public Company Accounting Oversight Board (PCAOB) for implementation guidance for The Sarbanes-Oxley (SOX) Act of 2002.

IMA has concluded that the SEC and PCAOB must take much more dramatic steps to improve the cost-benefit associated with SOX compliance, based on its extensive research, member input via a formal exposure process, and consultation with major constituent bodies such as the U.S. Chamber of Commerce, the Small Business Administration, and Members of Congress.

In particular, IMA has identified five specific areas of concern and offered recommendations for change to the current exposure drafts. These five issues include:

1. The SEC and PCAOB have issued two sets of guidance rules to perform the same assessment task, potentially resulting in unnecessary confusion and complexity for management. Without major changes to the draft rules, PCAOB's new audit standard will simply replace Auditing Standard 2 (AS2) as the costly de facto standard for management.
2. The proposals are not risk-based by globally accepted risk management standards (i.e., ISO Guide 73), resulting in lower investor protection at higher costs. For example, nowhere in the draft proposals do the rules require that management identify the major risks that have been shown in the past to create the entity-level frauds that SOX was designed to prevent.
3. The current benchmark of zero material defects in draft financial statements promotes costly over-auditing without increasing investor protection. This situation is compounded by the current requirement that identifying any one material control weakness requires that management publicly report ineffective internal controls over financial reporting (ICoFR). This issue disproportionately impacts smaller publicly traded companies.
4. The SEC and PCAOB call for elimination of the audit opinion on management's process to determine effectiveness of internal controls, but retains the auditor's subjective opinion on effectiveness. We believe that the SEC and PCAOB did not implement the original intent of Congress in section 404 (b) of the Act, perpetuating high audit fees for businesses with no commensurate improvement in investor protection.
5. The draft proposals are still not practical or scalable to meet the needs of small cap public companies.

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In their responses to the exposure drafts, other organizations, including the Office of Advocacy of the Small Business Administration, the U.S. Chamber of Commerce, the American Society for Quality, and the National Venture Capital Association, among others, have indicated directional agreement with many of IMA's positions and recommendations. Additionally, the PCAOB's own Standard Advisory Group highlighted its belief that the new PCAOB standard relies on age-old audit-centric thinking and does not contain the risk-based approach necessary to prevent future frauds, lower the cost of compliance to match the benefits, or return flexibility and accountability to management.

IMA is hopeful that the SEC and PCAOB will carefully review the responses and act appropriately to reflect the concerns of its investor and business constituents.

Background

In response to investor and business concerns about SOX implementation and the lack of practical guidance to date, the PCAOB proposed a new audit standard for SOX Section 404 implementation and the SEC introduced draft interpretive guidance for management's assessment of internal control. These regulatory actions reflect the fact that the current SOX regime requires substantial change to protect investors at a significantly lower cost for businesses of all sizes.

The SEC and PCAOB concluded their comment periods on February 26 and IMA provided a comprehensive and solutions-oriented comment letter on February 13. IMA has devoted significant resources during the past several years to analyzing and advocating for cost-effective SOX compliance that also protects shareholder interests.

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