



Reconciliation Proposal to Eliminate the Public Company Accounting Oversight Board Will Expose Investors to Hundreds of Billions in Losses

The audit firm Arthur Andersen is one of few companies to receive what amounted to a “corporate death penalty” after spending decades as an accomplice to accounting fraud.¹ The failure of WorldCom cost investors \$150 billion while Enron cost investors as much as \$74 billion. The Enron scandal capped Arthur Andersen’s frauds that also included Sunbeam, Waste Management, and others - creating losses for investors of more than \$300 billion.²

In each one of these cases, investors and markets were denied the full and fair disclosure they expect from the securities laws because an independent auditor conspired to misrepresent these companies’ financial position. Of all of the information required to be filed in periodic reports, financial statements are arguably the most material and easiest to understand metrics to help working Americans choose how to invest their hard-earned money. If they can’t trust the auditors, they can’t trust the numbers.

The Sarbanes-Oxley Act, a bipartisan reform of audit and accounting practices, was a decisive and effective response to these catastrophic accounting scandals.³ Among other reforms, the Act established the Public Company Accounting Oversight Board (PCAOB) to establish auditing standards and supervise, inspect, investigate and enforce those standards in the audit industry.⁴ The PCAOB’s work ensures that market participants, from large investment firms to individual investors and retirement savers, can rely on the financial disclosures of public companies.⁵ And not just in the United States – the PCAOB

¹ Sommar, J. (2002, March 15). ARTHUR ANDERSEN GETS “DEATH PENALTY” - CRIMINAL CHARGES BY THE FEDS MAY BE END FOR FIRM. *New York Post*. <https://nypost.com/2002/03/15/arthur-andersen-gets-death-penalty-criminal-charges-by-the-feds-may-be-end-for-firm/>

² Enron fast facts. (2013, July 2). *CNN*. <https://www.cnn.com/2013/07/02/us/enron-fast-facts/index.html>
Sommar, J. (2002, March 15). & Lyke, B., & Jickling, M. (2002). WorldCom: The Accounting Scandal. *CRS Report for Congress, Order Code RS21253*.

³ Public Law 107-204, July 30, 2002 available at: <https://www.congress.gov/bill/107th-congress/house-bill/3763/text>

⁴ Public Company Accounting Oversight Board website; About; available at: <https://pcaobus.org/about>

⁵ Ibid.

even conducts inspections of foreign firms ensuring a fair playing field for all securities offered to the public in US markets.⁶

While Sarbanes-Oxley was passed in 2002, the ongoing critical function the PCAOB serves was explicitly affirmed by Congress almost 20 years later. Recognizing the critical oversight the PCAOB provides, Congress passed the bipartisan Holding Foreign Companies Accountable Act that bars foreign companies that offer investments in US markets, particularly large state-owned actors in China, from trading and listing in the US if their auditors don't agree to PCAOB inspections.⁷ By 2022 the PCAOB secured terms with Chinese authorities to allow for comprehensive inspections of audit standards by the PCAOB without interference of the government.⁸

Sarbanes-Oxley, along with the PCAOB, have helped to re-establish trust in the US marketplace. The same trust that the President has undermined time and again. He has gutted independent regulators and placed them under White House influence⁹, made wild pronouncements that have sent markets whipsawing¹⁰ and allowed Elon Musk and DOGE access to sensitive government financial information.¹¹ These attacks on the institutions that ensure the rule of law have even begun to threaten the dominance of the US Dollar as the world's reserve currency.

Supporters of the elimination of the PCAOB argue that Sarbanes-Oxley and the PCAOB are no longer necessary.¹² Nothing could be further from the truth.

The PCAOB's mission to detect and deter unscrupulous auditors from endorsing financial statements before they infect the markets is critical to protecting investors and retirement savers from financial harm. Eliminating the PCAOB is like eliminating vaccination requirements. It's reckless to expose Americans to risks we know how to prevent.

⁶ Ibid.; International; available at: <https://pcaobus.org/oversight/international>

⁷ Public Law 116-222, December 18, 2020 available at: <https://www.congress.gov/bill/116th-congress/senate-bill/945/text>

⁸ PCAOB. (2022). *2022 HFCAA Determination Report. Release No. 104-HFCAA-2022-001.*

⁹ The White House, Executive Order: Ensuring Accountability for All Agencies, February 18, 2025 available at: <https://www.whitehouse.gov/presidential-actions/2025/02/ensuring-accountability-for-all-agencies/>

¹⁰ Aspan, M. (2025, April 4). Dow Jones plunges over 2,200 points as tariff carnage roils global markets. *NPR*. <https://www.npr.org/2025/04/04/nx-s1-5352362/markets-selloff-dow-trump-tariffs>

¹¹ Federal judge blocks Elon Musk's DOGE access to critical Treasury payment system. (2025, February 8). *CNN*. <https://www.cnn.com/2025/02/08/politics/elon-musk-doge-treasury-payment-system/index.html>

¹² Brady, Michael. (2018, January 11). *Will president trump repeal Sarbanes-Oxley? – Brady & Associates*. <https://www.mbradylaw.com/kansas-city-whistleblower-lawyer-blog/2018/01/11/will-president-trump-repeal-sarbanes-oxley/>