

## Exhibit 1



UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549

September 28, 1998

Mr. A.A. Sommer  
Chairman  
Public Oversight Board  
One Station Place  
Stamford, Connecticut 06902

Dear Al:

I am writing to you today to ask that the Public Oversight Board ("POB") examine whether recent changes in the audit process serve and protect the interests of investors. Perhaps the best way to approach such an examination is to convene a "blue ribbon" panel of investors, auditors, audit committee members, corporate executives, former regulators, and others with a keen understanding of the audit function. The panel could study the issues outlined below, invite public comments, and possibly hold public hearings.

As you are well aware, the Commission and the accounting profession have a long history of assuring that financial information reaching the marketplace is credible, relevant, and reliable. The foundation for this unique relationship was laid when Congress stated in the securities laws that issuers could access the public capital markets only if their financial statements are audited by independent accountants. This statutory franchise placed the accounting profession on a pedestal and charged the profession with the critical responsibility of enhancing investors' confidence in the financial information they receive.

Almost since its inception, the Commission has looked to the profession to take the lead in setting auditing standards. The Commission has overseen and participated in that standard setting process and, when necessary, enforced adherence to those standards. As a result of our efforts and the efforts of dedicated accountants serving in both management positions in public companies and in the auditing profession, investors have come to rely on the accuracy of financial statements when making investment decisions.

Recently, however, the combination of changes in the audit process and high profile financial frauds have raised questions about the efficacy of the audit process. For example, many auditors have changed their audit procedures to use a risk assessment model that places increased reliance on analytical procedures, while decreasing the use of substantive audit procedures, such as confirmations with debtors and detailed testing of transactions, account balances, and the activity in those accounts. This restructuring of the audit process has come at a time when the press has reported several frauds involving