

Office of the Secretary  
November 11, 2004  
Public Company Accounting Oversight Board  
1666 K Street, N.W.  
Washington, D.C. 20006-2803

Re: PCAOB Rulemaking Docket No. 008 – Proposed Auditing Standard

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Dear Board Members:

I applaud your efforts in preparing PCAOB Proposed Auditing Standard – An Audit of Internal Control Over Financial Reporting Performed in Conjunction with an Audit of Financial Statements and the public comments you have solicited. However, the proposed standard gives conflicting directives to the Public Accounting Firms. On the one hand, they are advised to rely on the work performed by others, namely the Internal Audit Department and Management. However, the firms are also instructed to perform extensive walkthroughs on their own to test and evaluate the design of the internal controls giving rise to even a separate opinion on internal controls. This will cost many companies from an internal resource perspective to document the entire internal control environment and from a pure dollars standpoint to pay for the sharp increases in audit fees for the public accounting firms to re-do management's work.

Secondly, I believe we have lost sight of what a system of internal controls is designed to accomplish. If the controls are tested and opined on early in the year, they should not have to be retested at the end of the year unless there has been a material change in the control environment. Our auditors, Ernst & Young, are asking the Internal Audit Department to retest all audits on financial statement accounts completed prior to June as a result of the Proposed Auditing Standard. This is a tremendous duplication of audit work. Again, if the system of internal controls is functioning without material change, then we should be able to rely on the controls at year end. If corporate America can't rely on its system of internal controls for more than six months, then we have much deeper issues to deal with overall.

Sincerely,

[Redacted]