



William L. Gipson
President and Chief Executive Officer

November 19, 2003

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

E-mail address: comments@pcaobus.org

Re: PCAOB Rulemaking Docket No. 008 -
Proposed Auditing Standard - An Audit of Internal Control
Over Financial Reporting Performed in Conjunction with an
Audit of Financial Statements

Ladies and Gentlemen:

The Empire District Electric Company commends the Public Company Accounting Oversight Board (the "Board") on its proposed auditing standard relating to an audit of internal control over financial reporting (the "Proposed Standard"). Empire is an investor-owned utility providing electric service to approximately 154,000 customers in southwest Missouri, southeast Kansas, northeast Oklahoma and northwest Arkansas. Empire has been listed on the New York Stock Exchange since 1946 and is proud of its long history of responsible corporate governance.

Empire appreciates the invitation to comment on the Proposed Standard and we hope that the Board finds these comments helpful. Although we believe that most of the provisions of the Proposed Standard will help achieve the stated goals of the Board, the SEC and Congress, we strongly believe that provisions contained in paragraphs 56-59 ("Evaluating the Effectiveness of the Audit Committee's Oversight of the Company's External Financial Reporting and Internal Control Over Financial Reporting") should not be adopted for the reasons we describe below.

In addition, you have posed several questions relating to these paragraphs, including the following:

Question 22: Is it appropriate to require the auditors to evaluate the effectiveness of the audit committee's oversight of the company's external financial reporting and internal control over financial reporting?

Question 23: Will auditors be able to effectively carry out their responsibility to evaluate the effectiveness of the audit committee's oversight?

We believe that the answer to both of these questions is an emphatic "No".

Our rationale for requesting the elimination of paragraphs 56-59 and our answering "No" to Questions 22 and 23 are premised on our belief that the audit committee should be an independent committee which is not beholden to management or the company's auditor and that a company's auditor should be independent from the company and its board (and especially the audit committee). The recently adopted NYSE and NASDAQ rules on corporate governance, the Sarbanes-Oxley Act of 2002 and the SEC rules implementing the Sarbanes-Oxley Act all stress the importance of maintaining such independence.

In particular, Section 301 of the Sarbanes-Oxley Act, as implemented by Rule 10A-3(b)(2) states that "The audit committee of each listed issuer, in its capacity as a committee of the board of directors, must be directly responsible for the appointment, compensation, retention and oversight of the work of any registered public accounting firm engaged (including resolution of disagreements between management and the auditor regarding financial reporting) for the purpose of preparing or issuing an audit report or performing other audit, review or attest services for the listed issuer, and each such registered public accounting firm must report directly to the audit committee."

These rules were designed, in large part, to eliminate the conflict of interest inherent in having management engage the auditors and determine their fees. The provisions in paragraphs 56-59 would re-introduce this conflict of interest. The members of the audit committee have been entrusted with a myriad of responsibilities as a result of the new corporate governance rules, including the responsibilities described in the preceding paragraph. The committee members will not be able to effectively carry out their responsibilities if they also need to answer to and be evaluated by the auditor. Also, the auditor will not be able to effectively evaluate the audit committee because the auditor is beholden to the audit committee for its appointment. In fact, the very appearance of these inherent conflicts would undermine the public confidence goal underlying the Proposed Standards.

Further, these provisions in the Proposed Standard would introduce too much subjectivity into the auditor's audit of internal controls (i.e. the auditor would be required to evaluate the audit committee members' understanding of their responsibilities and whether or not any members are "friends" of management).

We hope that the Board finds these comments helpful. As stated above, we feel strongly that the proposals addressed above should not be adopted.

Respectfully submitted,

A handwritten signature in black ink that reads "William L. Gipson". The signature is written in a cursive, flowing style.

W. L. Gipson
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