

American Federation of Labor and Congress of Industrial Organizations



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November 21, 2003

Office of the Secretary
Public Company Accounting Oversight Board
1666 K Street, NW
Washington, DC 20006-2803

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

Dear Sir/Madam:

On behalf of the American Federation of Labor and Congress of Industrial Organizations, I am writing to express our strong support for the Public Company Accounting Oversight Board's proposed standard for the audit of internal financial controls. The PCAOB's proposed auditing standard will be a significant contribution to restoring investor confidence in the financial statements of American corporations.

The AFL-CIO is the federation of America's labor unions, representing more than 66 national and international unions and their membership of more than 13 million working women and men. Union members participate in benefit plans with over \$5 trillion in assets. Union-sponsored pension plans hold almost \$400 billion in assets, and union members also participate in the capital markets as individual investors.

We applaud the thoughtful and comprehensive approach the PCAOB has taken in its proposed rulemaking. This new standard, mandated by the Sarbanes-Oxley Act, empowers audit firms to examine and test systems put in place by companies to ensure the soundness of their financial statements. This marks an important step in preventing the kind of accounting scandals that have shaken investor faith in corporate America.

The proposed standard strikes the right balance between the obligations placed on public companies and their auditors, and the needs of investors to have assurances that corporate internal controls are effective. As investors, we believe that any additional costs that companies incur in meeting the proposed standard will be greatly outweighed by the savings shareholders will gain from more accurate financial statements.

A key provision of the new standard is the requirement that auditors evaluate and test – not simply report on – the internal controls at large companies. The risk of a breakdown of a firm’s own internal controls such as occurred at Worldcom grows with the company’s size and complexity. Requiring accountants to test their client’s internal controls will empower auditors to meet with employees involved at various stages of the financial reporting process, and thereby reinforce proper accounting procedures.

Last but not least, we wholeheartedly support the requirement that external auditors evaluate the effectiveness and independence of the audit committee. As the collapse of Enron showed, an ineffectual and conflicted audit committee is a recipe for disaster. The simple fact of having to attest that the audit committee is doing its job will encourage auditors to politely remind them to do it. Such a standard might have prevented the resulting loss of confidence in Arthur Anderson.

We congratulate Chairman McDonough and the other members of the Public Company Accounting Oversight Board for a job well done, and thank them for this opportunity to express our views.

Sincerely,

A handwritten signature in black ink, appearing to read "Richard L. Trumka". The signature is stylized and cursive, with a prominent flourish at the end.

Richard L. Trumka

RLT/meb
opeiu#2,afl-cio