
From: Grinham, Jim
Sent: Wednesday, October 15, 2003 3:33 PM
To: Comments
Subject: PCAOB Rulemaking Docket Matter No. 008

The proposed auditing standard would limit or eliminate the External Auditors ability to rely on the work performed by management in the area of general (aka. pervasive) IT controls, as described in the briefing paper as well as the proposed Standard (page A-37, # 103).

Briefing Paper states...."That is, the standard would establish certain categories of work that the auditor must perform, such as work related to company-wide anti-fraud programs and controls and work related to other controls that have a pervasive effect on the company, such as controls over the company's electronic data processing".

Proposed Standard states....There are a number of areas in which the auditor should not use the results of testing performed by management and others, including;...Controls that have a pervasive impact on the financial statements, such as certain information technology general controls on which the operating effectiveness of other controls depend.

This exclusion of general IT controls from the scope of testing that can be relied upon makes absolutely no sense. Of the many types of controls that will require testing, general IT controls are in fact more easily substantiated and replicated than most. General IT controls have been the one area in which many if not most companies have instituted a "controls framework" for establishing and evaluating controls. The types of controls (access controls, program change controls, disaster recovery controls, etc.) requiring testing in response to Sarbanes-Oxley Section 404 are the same as those that we have been testing for years. While our situation may be different than others, the amount and depth of IT general controls testing performed internally has always far surpassed the degree of testing performed by external auditors. Why the experience and knowledge we have gained over time regarding IT general controls would be dismissed in formulating an opinion regarding the adequacy of these controls seems entirely contrary to the intent of Section 404.

In our specific situation, which is comprised of some 50 strategic business units and over 20 different ERP systems, it would appear in the worst case impractical if not impossible for the external auditors to test general IT controls across the enterprise and in the best case, potentially prohibitive from a fees standpoint.

I would strongly urge you to reconsider this matter from a practicality standpoint and consider the fact that the auditors' ability to attest to the adequacy of general IT Controls and their pervasive effect may well be enhanced by their ability to rely on the work performed by management.

Jim Grinham