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November 21, 2003

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

Re: PCAOB Rulemaking Docket Matter No 008

Dear PCAOB,

We appreciate the opportunity to comment on the proposed standard for the Audit of Internal Control over Financial Reporting. Overall, we believe the draft standard is helpful in clarifying public company and auditor requirements. We're grateful to the PCAOB for their thoughtful consideration of the issues and prompt publication of this draft standard.

Below are our comments and observations for your additional consideration:

1. We fully support the requirement for management to document and test internal controls. However, we believe the proposed standard goes beyond what is necessary to ensure accurate financial reporting. The proposed standard will result in companies focusing a disproportionate amount of time documenting and testing transaction controls when it's the governance and entity controls that contributed to the malfeasance in many companies in recent years. The resulting incremental cost to companies to comply will be substantial and the incremental benefit to shareholders is questionable.

   While we believe the COSO Framework is a good framework for building an effective internal control system, we also believe that management should be able to apply some judgment in designing the internal control system within that framework. Emphasis should be placed on effective risk assessment processes and a robust system of internal controls over key risks as determined by management.

2. The draft standard as written appears to mandate a significant amount of duplicative work. For instance, auditors will be required to perform independent detailed "walk throughs" of each major process with absolute prohibition on using any work of a similar nature already performed by management or internal audit.

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The auditor should be allowed to use judgment to determine how much they can rely on management or internal audit documentation and testing.

In addition, these duplicative reviews are disruptive and costly.

3. The examples of significant and potential material weaknesses provided in the draft are helpful. However, the definition of significant weakness, particularly the term "inconsequential", is too narrow. Additional guidance should be provided on the definition of significant and material weaknesses including consideration of all relevant compensating controls.

4. The proposal that the auditor evaluate the effectiveness of the Audit Committee presents a conflict of interest since the auditor reports to the Audit Committee. More importantly, the auditor may not have the level of expertise needed to effectively evaluate the audit committee.

In summary, the new rules in Sarbanes Oxley addressing Board Governance, management accountability for financial reporting, and auditor independence rules are appropriate regulatory changes that will positively impact corporate governance and protect shareholders. The purpose of Section 404 and the draft audit standard is to improve the effectiveness of the internal controls over financial reporting to further enhance governance processes for the benefit of shareholders. To accomplish this, the standards for companies and auditors should be less prescriptive allowing management, internal auditors and external auditors to exercise professional judgment. A balanced approach of prescriptive rules and professional judgment coupled with management certification of quarterly financial reporting will provide the most effective system of internal controls.

Thank you again for the opportunity to provide comments for your consideration in finalizing this standard.

Sincerely,

Steven J. Strobel
Senior VP and Corporate Controller
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