



February 23, 2007

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

Subject: Rulemaking Docket No. 021

Dear Sir or Madam:

The Allstate Corporation ("Allstate") appreciates the opportunity to comment on the Public Company Accounting Oversight Board's ("PCAOB") proposed Auditing Standards regarding internal controls over financial reporting ("ICFR") and the use of the work of others when conducting an audit, which is anticipated to supersede the PCAOB's current Auditing Standard No. 2, *An Audit of Internal Control Over Financial Reporting Performed in Conjunction With an Audit of Financial Statements* ("AS No. 2").

The PCAOB's primary objective in proposing the new standard is to make audits of ICFR more efficient and effective. To that end, the proposal focuses on implementing a top-down, risk-based approach wherein independent auditors would focus attention on the most significant internal control matters. The proposed standard also seeks to enhance the audit process through the elimination of unnecessary procedures and by permitting the independent auditor to consider and use the work of others. In addition, the proposed standard focuses on the potential reliance on entity-level controls where they are effective at preventing or detecting material misstatements to relevant financial statement assertions.

Allstate supports the PCAOB's basic objectives in proposing the new standard and believes it will contribute toward achieving an enhanced level of efficiency and effectiveness of ICFR audits. Having said that, we believe that additional efficiencies and effectiveness could be attained if the PCAOB were to better conform the nature and scope of its proposed guidance with that proposed by the Securities and Exchange Commission ("SEC") regarding management's design and conduct of ICFR assessments which we found to be presented in a more principle based form and more consistent with the objective of implementing a top-down, risk-based approach.

In addition to any proposed modifications aimed at enhancing the efficiency and effectiveness of ICFR audits, we believe there should also be a reconsideration of the interpretive authority delegated by both the PCAOB and SEC to independent audit firms in their audits (i.e. financial statement and ICFR) of SEC registrants. More specifically, while enhancing the efficiency and effectiveness of ICFR audits is vitally important, we believe it is equally, if not more important, that the PCAOB and SEC restore independent auditors' ability to provide reasoned interpretive judgments both in their completion of Section 404 attestations as well as in the completion of financial statement audits. In lieu of the preceding, we believe the PCAOB and SEC should make themselves, and their respective staff as appropriate, more readily accessible to registrants, who

need access to parties with sufficient authority to discuss financial accounting, reporting, disclosure and control issues, alternatives, and interpretations that arise in the normal course of business.

In connection with the preceding, it is important to consider that historically, registrants were able to discuss financial accounting, reporting, disclosure and control issues, alternatives, and interpretations with their independent auditors and could rely on the reasoned interpretive judgments of their independent auditors. However, in the existing regulatory environment, the reasoned judgments of independent auditors are often nullified, modified, or otherwise overturned by the PCAOB and SEC in favor of very restrictive interpretations of accounting and auditing guidance. As a result of this high degree of supervisory scrutiny being applied to the judgments of independent auditors, in both financial statement and ICFR audits, independent auditor interpretations of financial accounting and audit guidance have become excessively restrictive, and in some instances may not be consistent with the original intentions of the regulatory authorities that drafted the guidance.

In summary, we fully support the goals and objectives of the proposed guidance concerning the efficiency and effectiveness of ICFR audits which would rely on a top-down, risk-based approach. At the same time, we believe the full benefits of this approach cannot be obtained without integrating the PCAOB's proposed guidance concerning modifications to AS No. 2 with those proposed by the SEC concerning management's evaluation of the design and operational effectiveness of ICFR. Similarly, we urge the PCAOB and SEC to consider our thoughts as it relates to restoring the authority of independent auditors in providing interpretive professional judgments, or alternatively making yourselves and your respective staff's, as appropriate, more accessible to registrants in an effort to replace the consultative mechanism that previously existed with independent audit firms and thereby enhance investor confidence in the reliability of both financial statement and internal control audits.

Sincerely,



Samuel H. Pilch

Controller, Chief Accounting Officer
The Allstate Corporation