



1120 Connecticut Avenue, NW  
Washington, DC 20036

1-800-BANKERS  
[www.aba.com](http://www.aba.com)

*World-Class Solutions,  
Leadership & Advocacy  
Since 1875*

**Donna J. Fisher**  
**Director, Tax and  
Accounting**  
Phone: 202-663-5318  
Fax: 202-828-4548  
[dfisher@aba.com](mailto:dfisher@aba.com)

February 26, 2007

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

Re: PCAOB Rulemaking Docket Matter No. 021

Dear Sir or Madam:

The American Bankers Association (ABA) appreciates the opportunity to comment on the Public Company Accounting Oversight Board's (PCAOB) proposed auditing standards for auditors of public companies, *An Audit of Internal Control Over Financial Reporting That Is Integrated with An Audit of Financial Statements* and *Considering and Using the Work of Others in an Audit* (the proposals). ABA brings together all categories of banking institutions to best represent the interests of the rapidly changing industry. Its membership – which includes community, regional, and money center banks and holding companies, as well as savings associations, trust companies and savings banks – makes ABA the largest banking trade association in the country.

We applaud the PCAOB for its commitment to streamline the audit process for Section 404 of the Sarbanes-Oxley Act of 2002 (Section 404) and for its proposal to replace Auditing Standard No. 2, *An Audit of Internal Control Over Financial Reporting Performed in Conjunction with An Audit of Financial Statements*. The series of roundtables and public comment documents that the PCAOB has sponsored and solicited have resulted in the identification of a host of Section 404 issues, many of which the PCAOB has addressed in the proposals. The PCAOB has also recognized and responded to interpretations by auditors and filers of previous PCAOB guidance that resulted in inefficient and unnecessary costs. The proposals accomplish the promulgation of efficient guidance for auditors that has the potential to reduce costs of compliance for filers while retaining the strong investor protections and risk focus of Section 404, essentially a win-win for investors and the companies in which they invest.

We continue to have concerns about the practical application of the proposals:

- the willingness of the auditing firms to implement the proposals and the ongoing monitoring that will be necessary to ensure the benefits of the changes, and
- the comment period during which the proposals were exposed for public comment.

#### *Implementation*

An overriding concern with respect to implementation involves the uncertainty as to auditor acceptance of the Securities and Exchange Commission's (Commission) final management guidance and the final auditing standards. In May 2005, the PCAOB issued guidance that included many of the provisions that are now being proposed for inclusion in the final auditing standards. Although there was some improvement with regard to the audit firms' reactions to the May 2005 guidance, the level of improvement was insufficient. Clearly, time has passed and new audits are underway, which could result in further improvements; however, what is

February 26, 2007

the incentive for audit firms to relinquish more business, even if many clients and shareholders view it as over-auditing?

The Commission and the PCAOB are proposing important changes that should help streamline both the work and costs of Section 404, while maintaining the integrity of the internal control audit. However, these proposals will only be successful if the auditing firms accept these streamlining efforts. The realization of the goals of these efforts will be measured by: (1) an evaluation by individual filers as to whether the work and costs are reduced, and (2) the efficiency inspections of auditing firms by the PCAOB. We believe that the Commission and PCAOB have achieved the proper balance with their proposals, but monitoring the results will be extremely important in determining the success of the changes.

*Timing*

We are also concerned about the timing of the PCAOB proposals, which were published at calendar year-end, when most filers are busy closing books and preparing for annual audits. Further, the comment periods ran the length of time that most companies are under audit and when public company filings for accelerated filers are due. This comment period did not allow filers sufficient time to analyze and respond to the proposals and, therefore, may result in less robust responses from affected companies. That said, the relief that the proposals could provide is promising and needed, and for those reasons the final issuance should not be delayed.

*Conclusion*

We recognize the significant work that the PCAOB has undertaken in order to improve the Section 404 process and we thank you for addressing our concerns in the proposal. Please contact Charlie Gilman, ABA's Accounting Policy Advisor (202-663-4986 or [cgilman@aba.com](mailto:cgilman@aba.com)), or me with any questions.

Sincerely,



Donna Fisher