

February 23, 2007

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

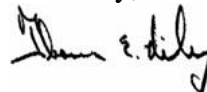
By e-mail: comments@pcaobus.org

Re: Proposed Auditing Standard – An Audit of Internal Control over Financial Reporting that is Integrated with an Audit of Financial Statements and Related Other Proposals
PCAOB Release No. 2006-007 PCAOB Rulemaking Docket Matter No. 021

The New York State Society of Certified Public Accountants, representing 30,000 CPAs in public practice, industry, government and education, welcomes the opportunity to comment on the Proposed Auditing Standard and the related other proposals referenced above.

The NYSSCPA Auditing Standards and Procedures Committee deliberated the exposure draft and, with assistance from the SEC Practice Committee, prepared the attached comments. If you would like additional discussion with respect to the attached comments, please contact Robert W. Berliner, chair of the Auditing Standards and Procedures Committee, at (212) 503-8853, or Ernest J. Markezin, NYSSCPA staff, at (212) 719-8303.

Sincerely,



Thomas E. Riley
President

Attachment



Home of the Trusted Professional
3 park avenue, at 34th street, new york, ny 10016-5991
212.719.8300 • fax 212.719.3364
www.nyscpa.org

COMMENTS ON PCAOB PROPOSED AUDITING STANDARD

**An Audit of Internal Control over Financial Reporting that is Integrated with an
Audit of Financial Statements and Related Proposals**

PCAOB Release No. 2006-007

PCAOB Rulemaking Docket Matter No. 021

February 23, 2007

Principal Drafters

**Robert W. Berliner
Anthony S. Chan
Jonathan Elmi
Mitchell Mertz
Richard T. Van Osten**

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NYSSCPA Staff

Ernest J. Markezin

New York State Society of CPAs

Comments on PCAOB Release No. 2006-007

February 23, 2007

Comments Regarding the Proposed Auditing Standard – An Audit of Internal Control Over Financial Reporting That Is Integrated with An Audit of Financial Statements and Related Other Proposals

The opportunity for public comment, a period of slightly more than two months ending February 26, 2007, is too short to enable the NYSSCPA's Auditing Standards and Procedures Committee to develop detailed comments, particularly given that this period encompasses a considerable part of the public accounting "busy season." Nevertheless, we do have the following comments on what we consider to be overarching aspects of the proposed auditing standard that would supersede Auditing Standard No. 2.

1. We strongly support the removal of the separate opinion on management's assessment. We agree with the Public Company Accounting Oversight Board (the Board) that it is redundant to have a separate opinion on internal control. An opinion only on the effectiveness of internal control, and not on management's assessment thereof, is consistent with the auditor's opinion on financial statements and will more clearly communicate the scope and results of the auditor's work. Further, the auditor can perform an effective audit of internal control without performing an evaluation of the quality of management's assessment and that removal of the opinion on management's assessment will eliminate unnecessary audit work. However, it is important that the auditor understand the basis for management's assessment. Therefore, we recommend that the final standard require the auditor to understand management's process as part of planning the audit of internal control.
2. We consider that the emphasis on the importance of risk assessment in an audit of internal control over financial reporting is appropriate. We agree with the Board that focusing the auditor's attention on the areas of greatest risk is likely to produce a more effective audit of internal control and substantially decrease the opportunity for a material weakness to go undetected. We also agree that the proposed standard's emphasis on risk assessment and the use of professional judgment will enhance the efficiency of the audit of internal control.
3. The emphasis on a top-down approach utilizing entity-level controls will result in more efficient audits. However, in practice auditors have found it difficult to identify entity-level controls that could be relied upon to the degree contemplated

by the proposed standard. It would be useful if the final standard provided some examples of such monitoring controls and how their effectiveness could be evaluated. In particular, we believe that allowing the auditor to conduct walkthroughs at the level of significant processes will serve to reduce unnecessary efforts.

4. Focusing testing of multi-locations based on risk rather than coverage will enable the auditor to exercise more judgment and thereby enhance the efficiency of the audit of internal control. We suggest that the final standard include examples of items to consider when determining multi-location coverage. Examples of such items include the size of the location, its risk profile, capabilities of its accounting department, etc.
5. We disagree with the deletion of the statement that “each year’s audit must stand on its own.” This statement is consistent with the Board’s decision not to permit cycling of tests and with standards for an audit of financial statements. Nevertheless, we believe that the proposed standard appropriately incorporates the value of cumulative knowledge in allowing the auditor to alter the nature, timing, and extent of testing of controls.
6. We support the Board’s recognition “that a company’s size and complexity are important and that the procedures an auditor should perform depend upon where along the size and complexity continuum a company falls.” However, we do not believe the description in the proposed standard as to how auditors should scale the audit for the size and complexity of the company is sufficient. The Board should indicate that the procedures required in the audit of internal control of a non-accelerated public company should be related to guidance similar to COSO’s “Guidance for Smaller Public Companies Reporting on Internal Control over Financial Reporting.” Towards the goal of reducing costs to non-accelerated public companies, additional guidance as to the requirements of the work to be performed is necessary in the final standard or, at a minimum, in the planned guidance on auditing internal control in smaller companies to be issued next year.

Comments Regarding the Proposed Auditing Standard – “Considering and Using the Work of Others in an Audit

The Proposed Auditing Standard should be adopted in its current form.

Comments Regarding Proposed Rule 3525: “Audit Committee Pre-approval of Services Related to Internal Control Over Financial Reporting

The Proposed Rule should be adopted in its current form.

Comments Regarding “Proposed Amendments to PCAOB Interim Standards”

It would be appropriate for the Board to consider further modifying its interim standards by adopting the Auditing Standards Board’s risk assessment standards for audits of financial statements. Adopting these standards would be consistent with the Board’s renewed emphasis on risk assessment espoused in the proposed auditing standard “An Audit of Internal Control Over Financial Reporting That Is Integrated with An Audit of Financial Statements.”