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**From:** ksholder@fuse.net  
**Sent:** Monday, November 03, 2003 4:42 PM  
**To:** Comments  
**Subject:** PCAOB Rulemaking Docket Matter No. 008

Public Company Accounting Oversight Board:

RE: PCAOB Rulemaking Docket Matter No. 008

I have read "Proposed Auditing Standard – An Audit of Internal Control Over Financial Reporting Performed in Conjunction with an Audit of Financial Statements" (the "Standard"). I agree with the spirit of the document and the purpose of protecting the investing public. In general, I thought that the Standard was well thought out and well written. I do, however, have two comments relating to the standard as follows.

Page 6 of 12 – second paragraph – requires the external auditor to perform the walkthroughs himself or herself. This will cost corporate America and our economy a significant amount of money. Prima facie this precludes reliance on internal auditors to perform the walkthroughs when they are acting on behalf of the external auditor. Many, if not most, companies use their internal audit staff to supplement the external audit staff and reduce audit fees. For many companies that have multiple locations, the internal audit staff will be assigned certain locations by the external auditor. The internal auditor performs the work at these locations under the direction of the external auditor and the company achieves financial savings on its annual audit fees. In some instances, these savings are significant.

If the external auditor is required to visit each location under audit and perform the walkthrough procedures himself or herself and (s)he cannot rely on the work of the internal auditor when the internal auditor is working under the external auditor's direction, this will impose an additional cost of compliance with Sarbanes-Oxley Act section 404 that could be significant. I recommend that the language of this paragraph be changed to allow the external auditor to rely on the work of internal auditors in performing walkthroughs when they are working under the direction of the external auditor. This will provide the appropriate level of security for the investing public and allow companies to achieve significant savings on their annual audit fees.

Page 8 of 12 – last full paragraph – uses the term "significant deficiencies" rather than "reportable conditions." As the term "reportable condition" is already defined and used in the accounting literature, I recommend that "significant deficiencies" be changed to "reportable conditions."

I appreciate your efforts in providing assurances to the investing public.

Sincerely,

Kevin S. Holder  
Certified Public Accountant