

November 21, 2003

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

RE: PCAOB Rulemaking Docket No. 008

Dear Sir/Madam:

Boise Cascade Corporation (Boise) would like to take this opportunity to comment on your proposed auditing standard, *An Audit of Internal Control Over Financial Reporting Performed in Conjunction with an Audit of Financial Statements* (proposed standard). We thank the Public Company Accounting Oversight Board (PCAOB) for the opportunity to comment on this proposed important new standard.

Boise is a large international Fortune 500 company with major investments in paper manufacturing and distribution, building material manufacturing and distribution, and office supplies distribution. Boise commends the PCAOB for taking this significant step in improving corporate governance and the quality of financial reporting. Boise takes corporate governance very seriously and has established integrity as a key corporate value. However, we believe there are specific opportunities to reduce the significant cost to implement the proposed standard and, at the same time, improve the quality of controls and financial reporting.

Our specific comments and recommendations are as follows:

- 1) We believe the proposed standard does not allow the auditor to place appropriate reliance on the work of management and the internal auditor. To ensure compliance with The Sarbanes-Oxley Act, companies have established, or are establishing, extensive processes to document and evaluate key controls over financial reporting. A large part of this work is aimed at areas the proposed standard specifically prohibits reliance upon management (walkthroughs, control environment, general IT controls, fraud prevention and reporting, and financial reporting). We believe high quality control documentation and evaluation on the part of management should facilitate the work performed by both the internal and external audit functions. Additionally, we believe the external auditor should be able to place much more reliance on a competent and objective internal audit function. There should be no areas specifically prohibited from reliance. Reliance should be based upon risk assessment, objectivity, and competence.
- 2) We believe the proposed standard is too prescriptive and detailed. We believe all constituents, including the investing public, would be better served by a more principles-based approach with the scope driven by risk assessment, judgment, and analytical procedures. The proposed standard does not differentiate enough between well-controlled companies and poorly-controlled companies in the type of

reliance on management and required audit procedures. This could have the unintended consequence of punishing well-controlled companies with duplicative procedures and tests.

- 3) We believe the company's Board of Directors should be responsible for evaluating the effectiveness of the Audit Committee, not the external auditor as required by the proposed standard. The current requirement creates a significant conflict of interest as the Audit Committee is normally charged with oversight of the external auditor.
- 4) We believe the definition of significant deficiency should be changed and clarified. The current definition would require a large number of minor control issues to be reported (those that are not judged material but that are judged more than inconsequential) and would have the effect of losing the impact of reporting the most important issues.
- 5) We believe the external auditor should be allowed to use judgment in determining whether partial reliance on the results of testing from prior years is acceptable. In this area, the proposed standard does not appropriately recognize the importance of cumulative knowledge or the importance of risk assessment and judgment in setting scope.
- 6) We believe the external auditor should not be required to duplicate the work performed by management and internal audit in forming their opinion on internal controls. Instead, they should take into consideration the amount and quality of internal control documentation, evaluations, and testing performed.
- 7) We believe the "point-in-time" nature of the external audit opinion needs to be re-evaluated. The requirement of the proposed standard to ensure that the external auditors update their work as of the audit date will place a large burden on the external auditors and management to complete significant work after year-end. This may impact the quality of the audit work on the financial statements.

We appreciate this opportunity to comment on the proposed standard.

Ted Crumley  
Senior Vice President and Chief Financial Officer

GWW/MJP/SC/pjt