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

RE: PCAOB Rulemaking Docket Matter No. 008 – An Audit of Internal Control Over Financial Reporting Performed in Conjunction with an Audit of Financial Statements.

Dear Mr. Secretary,

As an organization that provides companies with a variety of professional services, including internal control services, Jefferson Wells International appreciates the opportunity to provide our views on the above proposed standard. We would like to offer our perspective on several aspects of the standard that we feel warrant additional consideration by the PCAOB.

Originally founded to provide an independent alternative for internal audits, Jefferson Wells has long championed many of the concepts on which the proposed auditing standard is based, including the use of the COSO framework and the recognition of the role of internal auditors and qualified third parties in strengthening internal controls. Our comments on the standard relate to three areas:

- Reliance on work performed by internal audit and third parties
- Evaluation of the Audit Committee
- Independence

Reliance on the Work Performed by Internal Audit and Third Parties

We support the PCAOB's stance on the integrated audit and agree that to ensure independence, the external auditor should always perform a certain amount of the work. However, we feel that a distinction should be made between work performed by management and work performed by either independent internal auditors or qualified third parties who report to the Audit Committee. To the extent a company has an effective Audit Committee that includes an internal audit function reporting to it, the independent auditor should have the flexibility and discretion to rely further on the work performed by the internal auditors or third parties.

Allowing reliance on the work performed by other "independent" parties, such as the internal audit function, or third parties performing the role of internal audit, should be considered as long as the relied-upon work meets the standards of internal auditing as defined by the Institute of Internal Auditors, and is deemed to have met the criteria defined by the AICPA's Statement on Auditing Standards No. 65.

As long as it can be reasonably documented, consideration should also be given to allowing reliance of prior period testing results in areas determined to have no significant changes in approach from prior periods. At a minimum, we feel consideration should be given to the ability to modify the level of testing necessary in areas where no exceptions were noted in the prior period, and no changes in the process have been identified, with some upper time limit clearly established in order to ensure that changes do not go undetected.

In addition, we suggest consideration be given to using language which provides better guidance for operating management as to its role in ongoing testing, versus the roles of both the internal and external auditors, as it relates to control maintenance for annual assertions.

Evaluation of the Audit Committee

We are concerned about the inherent conflict that may arise in the independent auditors' role to evaluate the effectiveness of the Audit Committee. Audit Committees have a duty to hire and fire independent auditors. To have those same independent auditors assess the effectiveness of the Audit Committee creates an obvious conflict. Paragraphs 57 and 58 provide a general framework for assessing the effectiveness of Audit Committees. However, more specific guidance (perhaps in a format similar to that used in Appendix B for presenting testing guidelines) may be needed to provide more objectivity to both the auditors and Audit Committee as to the Board's expectations in this area.

Independence

Jefferson Wells feels strongly that external auditors should be prohibited from performing in any capacity in assisting operating management in the assessment, documentation and internal testing, gap analysis and/or remediation of potentially reportable conditions associated with preparing management's assertion for Section 404 of the Act. Performing even a small portion of this work places the external auditors in the position of management or of auditing their own work product, thus impairing the external auditors' ability to make an independent attestation on management's assertion.

Jefferson Wells believes that these are important issues, worthy of consideration by the Board, and we appreciate the opportunity to provide comments.

Sincerely,



George Herrmann
Vice President and Chief Financial Officer
Jefferson Wells International