



May 8, 2003

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

Ladies and Gentlemen:

The Committee on Corporate Reporting (CCR) of Financial Executives International (FEI) wishes to express views on the proposed adoption of Public Company Accounting Oversight Board (PCAOB) Rules 3100 and 3700. FEI is a leading international organization of 15,000 members, including Chief Financial Officers, Controllers, Treasurers, Tax Executives, and other senior financial executives. CCR is a technical committee of FEI, which reviews and responds to research studies, statements, pronouncements, pending legislation, proposals, and other documents issued by domestic and international agencies and organizations. This document represents the views of the CCR and not necessarily the views of FEI.

In short, we are very supportive of the PCAOB's proposed process for adopting or amending professional auditing standards. We believe that the PCAOB, its staff, and a broad advisory panel will produce an effective and balanced set of audit standards with diverse representatives as part of the process..

Our specific comments on the proposal are as follows:

- We strongly support the proposal to have a standing advisory panel to assist the PCAOB. The size, qualifications, and representation on the advisory group are also appropriate. We suggest the PCAOB codify the preparer community's right to nominate individuals to the panel, as it is codified for accounting firms, academics and others in Section 3700(c) and consistent with the preparer community's right to participate on the panels themselves which the PCAOB codifies in Section 3700 (b). CCR and FEI would be happy to nominate qualified individuals to represent preparers of financial statements on the advisory panel.
- We agree with the three priorities on the PCAOB's Professional Auditing Standards Agenda, but believe that the first priority should be the review of internal controls and Section 404 attestation standard. We believe that the current lack of clarity on

this standard is causing a lot of confusion and inefficiency as management teams strive to meet the pending year-end requirements.

- We support the PCAOB's plan to hold a roundtable discussion on the internal control standard. CCR respectfully requests that we be invited to participate in this discussion.
- We are concerned with the proposed minimum exposure period of 21 days and suggest that a 30 day minimum would be more reasonable, with more time given whenever possible to provide an adequate time frame for reviewers to evaluate and respond to proposed standards. We also recommend that PCAOB releases be listed on the Federal Register and/or that the PCAOB adopt another robust communication process, similar to those of the SEC and FASB, to alert constituents of the release of proposed and final rules.
- We believe that the PCAOB should be required to provide a study of the impact of its proposals on registrants (cost/benefit analysis) similar to the impact studies required to accompany SEC proposals.
- It would be helpful if the PCAOB would describe more clearly the approval process that will apply to its professional auditing standards, involving both the PCAOB and the SEC. It appears that there may be redundant steps (i.e., two comment periods) involved in the process.

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The Committee welcomes the opportunity to continue an open dialogue on these issues. We would be happy to respond to any questions you may have on our views and to provide recommendations on qualified individuals to participate on both your advisory panel and internal controls roundtable discussion. You can reach me a 989-636-1541.

Sincerely,



Frank Brod
Chair, Committee on Corporate Reporting
Financial Executives International