ORIN & KLEIN
Attorney at Law
1333 Broadway   Suite 730
New York, NY   10018
rmoesq@verizon.net

Telephone
(212) 760-0601

Fax
(212) 760-0608

TRANSMISSION COVER SHEET

January 24, 2007

To: Office of the Secretary, PCAOB
1666 K Street NW, Washington, DC 20006-2803

From: Richard M. Orin

Subject: **PCAOB Rulemaking Docket Matter No. 021**
Public comment on the publication of the Proposed Auditing Standard in the PCAOB Release No. 2006-007of December 19, 2006

From: Richard M. Orin, Esq.,CPA

To: Public Company Accounting Oversight Board

Subject: Public comment on 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

PCAOB Rulemaking Docket Matter No. 021

My name is Richard M. Orin. I have several decades of experience as an attorney and certified public accountant. I am a founding member and past president of the American Association of Attorney-Certified Public Accountants. I have lectured on tax, accounting, and accounting ethics at the University of Missouri-Columbia, Southern Methodist Unversity School of Law, New York University, Baruch College and the City University of New York. I am the President of The Foundation for Accounting Practitioners and am currently the sponsor of the annual symposium on accounting ethics at the University of Missouri-Columbia (which has featured speakers such as Barbara Hannigan of the PCAOB and Lynn Turner of the Commission). I am deeply interested in the success of the mission underlying the Sarbanes-Oxley Act, as well as in making the appropriate adjustments for smaller public companies, and would like to submit the following comments for your consideration.

a. Comment - Risk Assessment

The standards should closely resemble SAS's 104-111 in order to produce the most effective audit. The auditor must consider the substantive audit procedures performed on the financial statement in the evaluation of the internal control audit. The risk-based audit approach focuses the audit on tests of significant or high-risk balance sheet accounts. However, the integrated audit approach of combined detailed testing of internal controls should not be overlooked but be selectively included by the auditors so that audits are not predictable and management is required to maintain their internal control systems documentation on an updated basis for SOX compliance.

b. Comment - Materiality

The planning and performance of the internal control audit must use the same materiality standard as that used in the audit of financial statements. The auditor must consider both quantitative and qualitative factors in assessing an item's materiality. Internal control can provide only reasonable assurance in any event considering the limitations inherent in all internal control systems. They involve continuous reassessment in the planning, mapping and assessments of internal controls.

c. Comment - Auditor Evaluation of Management Process

The auditor must perform an audit of internal control without evaluating the management process. However, the adequacy of management's evaluation will affect the extent of the work to be done by the auditor. The company's monitoring activities and its competence and objectivity will directly impact upon the time and efforts required of the auditors.

d. Comment - Audit for Smaller Companies

The procedures that an auditor must perform recognize a company's size and complexity. The reliance on principles requires auditors to consider the unique facts and circumstances of each company. Accordingly, the audit must be scaled to be appropriate to the attributes of the smaller company. However, it is typical that senior management may be extensively involved in day-to-day activities which would require the auditor to tailor the type and extent of controls and procedures to this most significant factor. The extensions for non-accelerated filers through December 31, 2007 and the increase in the qualified companies doing SOX compliance consulting work should result in less deadline pressure and reduced overall cost.

e. Comment - Reliance on Prior Audits

The reference to reviewing prior workpapers from past audits by the same firm of auditors negates the objectives of a "fresh look" by the auditors. The Board should reconsider its position of rotation of auditors (the same firm) vis-à-vis rotation of auditors (a different firm). Only through the engagement of a different auditing firm can true "independence" of auditors be maintained by a complement of experienced personnel with industry knowledge. Auditing is not rocket science and competent professionals can be trained and educated to perform as expert auditors from different firms.

f. General Comment

1. Lest the Board forget that the preponderance of fraud, deficiency and internal weakness is committed by the senior management of the public companies:

   (a) CEO's involved in 72% of fraudulent financial statements

   (b) CFO's involved in 43% of fraudulent financial statements

   (c) Either involved in 83% of fraudulent financial statements.

   Ineffective internal control substantially opens the gates of fraud, deficiency and material weakness to middle management and others.

2. Although the complaint that compliance with the internal control provisions of the Act has required greater effort and resulted in higher costs, the facts do not bear this out. An analysis shows that although audit fees paid to the big four (five) accounting firms from 2001 to 2004 have increased from $1,991 billion to $4,029 billion, the total fees paid the big four (five) for the same period increased from $4,844 billion to $4,901 billion. A mere overall increase in cost of outside accounting fees for the four years of 1.2%.