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To: Comments
Subject: PCAOB Rulemaking Docket 21

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Request by PCAOB for comments on proposed auditing standard - An audit of internal control over financial reporting that is integrated with an audit of financial statements and other related proposals

I appreciate the opportunity to provide input on the draft auditing standard proposal from the PCAOB. I am the SOX Compliance Manager at 3M Company, a Fortune 500 company with revenue in excess of \$22 billion.

In general, I support many of the proposed changes. The draft does address several of the points I requested for consideration when providing comments after the year 2 assessment. Specifically, I am pleased by the advancement of guidance on using risk assessment at company and lower levels, removing the principal evidence provision, and considering the work of others.

My experience is that good communication and relationships between the auditor and registrant are critical to ensure maximum benefit at the lowest cost. I believe this will continue to be the situation with the new guidance as well, specifically in the determination of risk assessment. The guidance provides several factors for consideration of risk. Risk will be assessed by management and by the auditor. Management may choose to do some work in areas it does not consider high risk just in case the auditor considers it to be high risk, to allow the auditor the option to use some of that work performed by management. Good alignment in risk consideration factors is important to an effective SOX program.

I have the following comments for your consideration.

- In the proposal, you refer to the standard being of benefit to smaller companies. I agree with the concept of scaling the audit. This seems relevant to companies of all sizes and I encourage the removal of the "smaller companies" reference.
- Enhance the guidance on risk assessment for information technology general controls to include relevant elements for assessing risk using a top down approach.
- Enhance the guidance on risk assessment for fraud - Consider clarifying the following: Is this independent of materiality? Focused on more than misappropriation of assets? Addressed through segregation of duties? Focused on manipulation of earnings?
- The standard clearly indicates that the concept of cycling through testing is not appropriate. I encourage clarification on practical ways to leverage prior year results, such as, what evidence is required to prove no change occurred to the process or controls since the prior testing? With good prior year results, would it be reasonable to suggest a reduction in the number of controls needing to be tested that year or a reduction in the sample size for the full complement of controls?

Eliminate the auditor opinion on internal controls and replace

(reinstate) the auditor opinion on management's process of internal controls over financial reporting.

The proposal eliminates the need for the auditor to opine on the management process over internal controls. While I support the removal of one of these auditor requirements, I believe it would further reduce cost and maintain benefits if the auditor opinion on management's process remained, but the auditor opinion (requiring retesting) was removed. The company must already have independent testing of the internal controls over financial reporting, so the auditor requirement is an unnecessary burden.

I appreciate the opportunity to provide input and look forward to realizing the benefits afforded by the change in the auditing standard (AS5).

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