
From: bradley@ADVMKT.COM
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Terms Table.doc
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The roundtable discussion highlighted the confusion concerning the definitions of internal control deficiency, significant deficiency and material weakness. The first five paragraphs of the "Evaluating the Results and Forming an Opinion" section (pg. 8 of 12) of the Proposed Auditing Standard aim to clarify the definitions. The problem is that you have to read those five paragraphs several times to conceptualize the differences in definition and treatment between internal control deficiency, significant deficiency and material weakness. I think the PCAOB's definitions for internal control deficiency, significant deficiency and material weakness should be presented in a table (please see attached). Something like this is easier to grasp than the first five paragraphs of the section mentioned above.

Best Regards,

Brad

Bradley R. Nolte, CPA
Manager - Internal Audit
Advanced Marketing Services, Inc.
5880 Oberlin Drive
San Diego, CA 92121
Tel: (858) 457-2500 x2405
Fax:(858) 812-6487

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Terms Used in Evaluating the Results and Forming an Opinion

Term	Definition	Action(s) Required by the Auditor
Internal Control Deficiency	Exists when the design or operation of a control does not allow the company's management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis.	<ul style="list-style-type: none"> • The auditor is required to evaluate the severity of all identified internal control deficiencies because such deficiencies can have an effect of his or her overall conclusion about whether internal control is effective. • The auditor also has a responsibility to make sure that certain parties, such as the audit committee, are aware of internal control deficiencies that rise to a certain level of severity. • The auditor also is required to communicate in writing to the company's management all internal control deficiencies of which he or she is aware and to notify the audit committee that such communication has been made.
Significant Deficiency	An internal control deficiency (or a combination of internal control deficiencies) should be classified as a significant deficiency if it results in more than a remote likelihood of misstatement of the company's annual or interim financial statements that is more than inconsequential in amount.	<ul style="list-style-type: none"> • The auditor is required to communicate in writing to the company's audit committee all significant deficiencies of which the auditor is aware.
Material Weakness	A significant deficiency should be classified as a material weakness if, by itself or in combination with other internal control deficiencies, it results in more than a remote likelihood of a material misstatement in the company's annual or interim financial statements.	<ul style="list-style-type: none"> • The auditor is required to communicate in writing to the company's audit committee all material weaknesses of which the auditor is aware. • Most importantly, if a material weakness exists as of the end of the company's most recent fiscal year, management and the auditor must conclude that the internal control is ineffective.