PLEASE RESPOND TO:
WASHINGTON OFFICE:
1710 LONGWORTH HOUSE OFFICE BUILDING
[X] WASHINGTON, DC 20515–3206
(202) 225–3461
FAX: (202) 226–4169
www.house.gov/meeks

DISTRICT OFFICES:
196–06 LINDEN BOULEVARD
ST. ALBANS, NY 11412
(718) 949–5600
FAX: (718) 949–5972

1931 MOTT AVENUE, ROOM 305
FAR ROCKAWAY, NY 11691
(718) 327–9791
FAX: (718) 327–4722

106–11 LIBERTY AVENUE, 2ND FLOOR
RICHMOND HILL, NY 11417
(718) 738–4200
FAX: (718) 738–5588

Congress of the United States
House of Representatives

GREGORY W. MEEKS
6TH DISTRICT, NEW YORK

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WHIP AT LARGE

February 6, 2004

William McDonough
Chairman
Public Company Accounting Oversight Board
1666 K Street, NW 9th Floor
Washington, DC 20006

Re: PCAOB rulemaking Docket Matter No. 008
Comments on Proposed Auditing Standard

Dear Chairman McDonough:

As Members of Congress we are writing to you in connection with the Proposed Auditing Standard-An Audit of Internal Control Over Financial Reporting Performed in Conjunction With An Audit of Financial of Financial Statements. This standard requires Audit firms to attest not only to the reliability of a company's financial statements but also to attest to management's assessment of the effectiveness of the company's internal controls over financial reporting. The auditor would be required to understand the systems in place, design and test the system, and provide an analysis on the efficacy of that system.

This would not only be a major initiative for each auditing firm but will also significantly raise the audit cost for the company being audited. Both the auditing firm and the audited company would need to increase staffing to meet this new standard. It is our understanding that even major firms such as Microsoft have voiced concerns about the increased cost that would result from the new standard.

At this point in time there are only four major accounting firms (the Big 4) to perform auditing services on the largest 1000 public companies. This new standard developed to meet the requirements of Sarbanes-Oxley Section 404 (b), will in essence bundle all of this work within the Big 4 firms. In our opinion, this not only contradicts the White House strategy for increasing opportunities for small business, but could violate the spirit of Sarbanes-Oxley by encouraging self dealing amongst firms.

Therefore, we recommend that the standard require the large public accounting firms to subcontract smaller firms to perform the internal control testing requirements. The use of smaller less expensive firms will decrease the cost to the audited companies and provide these smaller firms with greater opportunities and experience in working with larger more sophisticated firms; an experience they can bring to their smaller clientele. The larger firms could provide leadership through oversight of the work.

In their comment to the PCAOB, the independent risk consulting firm Protiviti states,

> "The auditor should be allowed to rely on competent and objective internal auditors (or other similar parties, such as a separate process or risk control group which does not have the responsibility for executing processes) in the performance of walkthroughs that are effectively documented, provided the auditor is able to satisfy himself or herself about the adequacy of this work through appropriate procedures."

In addition, Price Waterhouse Coopers LLP, one of the Big 4 accounting firms, states in their response, in the section Use of the Work of Others

> "We believe that it is appropriate to consider the work of others in certain circumstances. We agree that the auditor's use of others' work must be subject to the auditor's overall conclusion, using professional judgment, that his or her own work provides the "principal" evidence for the auditor's opinion."

We hope you will strongly consider this proposal and include it in the final rule.

Sincerely,

Gregory W. Meeks
GREGORY W. MEEKS,

Barbara Lee
BARBARA LEE

Julia Carson
JULIA CARSON

Wm. Lacy Clay
WM. LACY CLAY

MAJOR OWENS	WILLIAM J. JEFFERSON
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