



*Jay Timmons*

*Senior Vice President  
for Policy and Government Relations*

February 26, 2007

[Via E-mail]

Office of the Secretary  
PCAOB  
1666 K Street, NW  
Washington, D.C. 20006

*Re: PCAOB Rulemaking Docket Matter No. 21*

To whom it may concern:

The National Association of Manufacturers (NAM)—the nation's largest industrial trade association, representing small and large manufacturers in every industrial sector and in all 50 states—appreciates the opportunity to comment on the proposed auditing standard, *An Audit of Internal Control Over Financial Reporting that is Integrated with the Audit of Financial Statements and Considering and Using the Work of Others*. A significant number of our members are public companies and are affected by changes to auditing standards over internal controls.

We appreciate that the PCAOB (the Board) has been responsive to the concerns of companies in the past and we appreciate that the Board has issued the most recent guidance to help businesses more efficiently comply with standards covering the audit of management's assessment over internal controls. Many of our members have reported that Section 404 of the Sarbanes-Oxley Act of 2002 has led to better internal controls and that they have seen the value in the enhanced controls over financial reporting. At the same time we feel that preparation and compliance for the initial audit performed by the external auditors has become a massive and costly effort. It is our hope that the proposed changes will reduce the overall cost and complexity of the audit of internal controls over financial reporting.

We see the proposed changes as a positive step towards more cost effective Sarbanes-Oxley compliance. In particular, we believe the proposal to combine the audit of internal control over financial reporting with the audit of financial statements will significantly address some of our concerns in this area. By combining these audits, companies will be able to more efficiently comply with the law while maintaining the integrity of the internal controls audit.

Additionally, we appreciate that the proposed standard would shift emphasis in the audit to a principles-based model, leveraging risk-based assessments that allow companies to better focus their resources on the areas of greatest risk to the financial statements while reducing the cost of compliance. Current regulations, which require detailed testing in low-risk areas,

***Manufacturing Makes America Strong***

February 26, 2007

Page 2 of 2

distracts attention from entity level controls that far better address the risk of material misstatements in the financial statements.

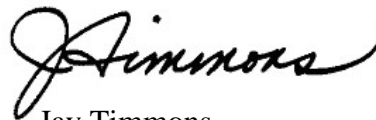
The proposal to allow auditors to use information gathered in previous audits will also help mitigate the cost of compliance and maintain the integrity of the audit. Previous guidance led to repeated audit procedures on the same controls year over year that had no real value unless there was a significant change in the control. We hope that the proposed guidance will lead auditors to focus on low-risk areas only when new processes have been put into place or if significant departmental changes occur that warrant increased scrutiny.

We are however, concerned about the timing of the draft proposal and the corresponding comment period timeline. For year end filers, the timeline will not allow a full implementation in 2007. An earlier release would have allowed calendar filers to incorporate final guidance into the 2007 planning process and capture potential gains this year. While, external audit work is often heavier in the second half of the year, this is not the case with management's assessment. Thus, the timing does not allow management the required time to assess and adopt the changes to the standard.

Overall, we are pleased with the Board's proposed standard and commend you for your efforts to streamline the audit of internal control over financial reporting. We are anxious to see how quickly the auditing community will adopt the new proposals and the resulting changes in the cost and complexity of the audit.

Thank you for the opportunity to comment.

Sincerely,

A handwritten signature in black ink, appearing to read "J Timmons", written in a cursive style.

Jay Timmons

Cc: The U.S. Securities and Exchange Commission