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VIA ELECTRONIC FILING

May 4, 2004

Mr. Jonathan G. Katz
Secretary
United States Securities and Exchange Commission
450 Fifth Street, N.W.
Washington, D.C. 20549

Re: PCAOB Rulemaking on Auditing Standard No.1, References in Auditors' Reports to the Standards of the PCAOB, Release No. 34-49528, File No. PCAOB-2003-10

Dear Mr. Katz:

Ernst & Young LLP ("Ernst & Young") is pleased to submit comments on the rule adopted by the Public Company Accounting Oversight Board ("PCAOB") establishing an auditing standard regarding references in the auditors' report to the standards of the PCAOB. With one exception discussed below, we support the proposed standard.

In comment letters submitted to the PCAOB on its initial proposal, we, and others, suggested that the PCAOB require a reference in the auditor's report to the PCAOB's *auditing* standards, rather than a reference to *all* of its standards as was proposed. By referring to all PCAOB standards, the reference in the auditor's report would encompass all applicable auditing and related professional practice standards, including quality control, ethics, and independence standards. In the release to its final rules, the PCAOB stated that a reference only to its auditing standards "would be too narrow and preclusive to other standards applicable to the audit." We believe the PCAOB should reconsider this aspect of the standard.

We believe that the conduct of the audit is addressed by the PCAOB's auditing standards and thus the auditor's report appropriately should indicate that the audit was conducted in accordance with the *auditing* standards of the PCAOB.

In addition, we believe that an unintended consequence of requiring a reference to all PCAOB standards in the auditor's report on the financial statements of an issuer might be less frequent use of PCAOB auditing standards in audits of non-issuers. The PCAOB previously has indicated that nothing precludes an accounting firm from conducting an audit of a non-issuer in accordance with the PCAOB's standards and so stating in the auditor's report. However, an auditor would be able to state that the audit of a non-issuer entity was conducted in accordance with all PCAOB standards only if the auditor complied not only with the PCAOB's auditing standards but also with all other related professional practice requirements, such as concurring partner reviews, partner rotation, etc. As a result, there likely will be less frequent use of PCAOB auditing standards in the audits of non-issuers, and where used there might be a need for report modifications to the auditor's report, which would be confusing to investors, lenders, and other users of the financial statements.

Moreover, rewording the proposal to refer only to PCAOB auditing standards would be consistent with the reference to auditing standards in auditor's reports issued under International Standards of Auditing and the Auditing Standards Board's Statements of Auditing Standards. Importantly, such an approach would not in any manner reduce the obligations of registered public accounting firms to comply with all applicable standards of the PCAOB with respect to audits of issuers.

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We appreciate the opportunity to provide these comments, and we would welcome discussion of any points that require further explanation.

Respectfully submitted,

Ernst & Young LLP

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