

July 12, 2007

Ms. Nancy M. Morris
Secretary
Securities and Exchange Commission
100 F Street, NE, Washington, DC 20549-1090

By e-mail: rule-comments@sec.gov

**Re: Proposed Rule on Auditing Standard No. 5, An Audit of Internal Control Over
Financial Reporting That is Integrated with an Audit of Financial Statements, and
Related Independence Rule and Conforming Amendments
(Release No. 34-55912; File No. PCAOB-2007-02)**

Dear Ms. Morris:

The New York State Society of Certified Public Accountants, representing 30,000 CPAs in public practice, industry, government and education, submits the following comments to you regarding the above captioned release. NYSSCPA thanks the SEC for the opportunity to comment.

The NYSSCPA's SEC Practice Committee deliberated the release and drafted the attached comments. If you would like additional discussion with us, please contact Rita M. Piazza, the Chair of the SEC Practice Committee, at (914) 684-2700, or Ernest J. Markezin, NYSSCPA staff, at (212) 719-8303.

Sincerely,



David A. Lifson
President

Attachment



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COMMENTS ON SEC RELEASE NO. 34-55912; FILE NO. PCAOB-2007-02

**PROPOSED RULE ON AUDITING STANDARD NO. 5, AN AUDIT OF
INTERNAL CONTROL OVER FINANCIAL REPORTING THAT IS
INTEGRATED WITH AN AUDIT OF FINANCIAL STATEMENTS, AND
RELATED INDEPENDENCE RULE AND CONFORMING AMENDMENTS**

July 12, 2007

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Anthony S. Chan

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Ernest J. Markezin

New York State Society of Certified Public Accountants

Comments on the Filing of Proposed Rule on Auditing Standard No. 5, An Audit of Internal Control Over Financial Reporting That is Integrated with an Audit of Financial Statements, and Related Independence Rule and Conforming Amendments

We welcome the opportunity to provide comments on the proposed rules on Auditing Standard No. 5, An Audit of Internal Control Over Financial Reporting That is Integrated with an Audit of Financial Statements (AS5).

AS5 is a first step in the right direction to help achieve cost-effective audits. Given its top-down approach and risk-based focus, AS5 should provide auditors with the flexibility to exercise greater judgment in designing a scalable, efficient and integrated audit.

We support the use of the same materiality considerations in the planning of both the financial statements audit and the audit of internal control over financial reporting. Such a requirement should facilitate the proper scoping and identification of significant accounts.

We also support the communication requirement regarding significant deficiencies given its value to senior management and the audit committee. While we do not believe such requirement would divert auditors' attention away from material weaknesses, we believe AS5 should provide specific guidance on the definition of significant deficiencies. Such definition will help eliminate inconsistencies in the evaluation and classification of identified deficiencies.

AS5 has provided a clear definition of material weakness. Given such definition and the ability to use the work of others, auditors will be in a better position to plan an efficient and cost-effective integrated audit.

To help ensure the quality of a cost-effective audit that is applicable to smaller public companies, AS5 should more clearly outline the key risks and audit requirements that must be considered in planning such integrated audit. Where feasible, AS5 should also provide additional guidance on "how to" effectively plan an integrated audit for smaller public companies and a discussion of related best practices to enhance a broader understanding of risk-based auditing.