

Memorandum to the File

On February 15, 2007, individuals from the SEC met with representatives from the Center for Audit Quality (“CAQ”) to discuss comment letters on the SEC’s proposed Interpretive Guidance and the PCAOB’s proposed auditing standards, which were delivered to the SEC and the PCAOB on the following day. The individuals in attendance were as follows:

CAQ

- Randy Fletchall, Partner – Ernst & Young
- Vincent Coleman, Partner – PWC
- John Fogarty, Partner – Deloitte
- Robert Kueppers, Partner - Deloitte
- Samuel Ranzilla, Partner - KPMG
- John Archambault, Partner – Grant Thornton
- Sue Lister, Partner – BDO
- Jim Schnurr – Partner – Deloitte

SEC

- Zoe-Vonna Palmrose, OCA
- Nancy Salisbury, OCA
- Brian Croteau, OCA
- Mike Gaynor, OCA
- Josh Jones, OCA
- Bob Burns, OCA
- Melanie Jacobsen, OCA
- Amy Hargrett, OCA
- Esmeralda Rodriguez, OCA
- Kevin Stout, OCA
- Kathryn Scarborough, OCA
- David Plumlee, OCA

The discussion covered a number of areas, including the following:

- General discussion of the CAQ’s perspectives on the impact of both the PCAOB and SEC proposals on audit effort
- Discussion of proposed standard “Considering and Using the Work of Others in an Audit” and its impact on the auditors ability to use the work of others outside of internal audit in the internal controls audit
- The differences in the discussion of company-level controls in the PCAOB and SEC proposals
- Suggestions for the SEC’s discussion of documentation
- Suggestions for enhancements to the discussion of fraud risks in the SEC’s proposal
- Discussion of differences in the strong indicators of material weaknesses in the SEC and PCAOB proposals

- Concerns over perceived role of SEC's guidance compared to that of the control frameworks such as COSO
- Amount of evidence gained from walkthroughs in an audit
- Concerns that the "Scaling the Audit" section within the PCAOB's proposed audit standard essentially established mandatory efficiency provisions that were new to audit standards in general
- Impact of inspections process on auditors' ability to utilize judgment