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31 March 2005

Jonathan G. Katz
Secretary
U.S. Securities and Exchange Commission
450 Fifth Street, N.W.
Washington, DC
USA 20549-0609
rule-comments@sec.gov

Re: 4-497: Implementation of U.S. Sarbanes-Oxley Act Internal Control Provisions

Dear Mr. Katz:

The AICPA has been the dominant player for years. In reality they want to change the rules to eliminate that which they don't understand, design and operation of the controls. In truth, IT is the crux to and of the problem. Critical matter IT (Information Technology) or CIS (Computer Information Systems) is missing. It appears the large accounting firms have surrounded the SEC and delivered a sermon of "we'll bring our standards together and create a dynamic system for all to use." With the ISRB getting most Nations on board for an international accounting standard, along with the EXRL creating a new language, we need to understand that a simple keystroke makes the difference between fraud and accountability.

The current requirement, that external auditors perform work not relying on the work of others, would appear to be more efficient and effective. Reliance on the work of others is not desirable for walkthroughs currently mandated by the standard. Though redundant duplication in work can occur, it should not allow reliance on the work of others related to their assessment of the control environment. Reducing Sarbanes-Oxley provisions by eliminating the requirement that each external auditor encourage greater reliance on the work of internal auditors, undoes the intent of clarifying rules and communication between the audit committee, external auditors, and management.

With regard to the extent of testing controls, the external auditor should not rely on the results of testing from prior years. The prohibition on the external auditor to consider relying on the work of others implies that external auditor can understand a process and document it in a walkthrough. In practice, we believe external auditors should not place any reliance on the work of others for entity-level controls and pervasive controls, and take the position that they must personally obtain the majority of the evidence related to

all other controls, including low-risk, routine transactions. External auditors continue to treat all individual elements of internal control equally and personally review the majority of the evidence for all elements of control individually, regardless of risk.

During the preparation of AS No. 2, the PCAOB received feedback on the desire of some to allow the concept of rotation of audit testing to be used. The PCAOB rejected this suggestion requiring that each year must stand on its own. Under the current guidance, external auditors are concluding that an understanding of the risk of an area being audited built up from prior year audits should be ignored and all areas are to be assumed to be high risk. This approach in the standard results in consistence within the guidance of the standard. In addition, how this has been interpreted in practice has resulted in an audit approach that frequently see the concept of risk to make sure everything should be tested every year in a comprehensive manner.

External auditors perform tests over a period of time adequate to determine whether the controls are operating effectively as of year-end. The period of time over which the external auditors are to perform their testing varies based on the nature of the control. At this time there are well over a dozen business programs (Oracle, MS, etc.) rather than a single IT standard. From an investor s viewpoint, having received the opinion of the external auditor of internal controls provides management confidence of over financial reporting.

The guidance by the SEC to audit committee and management, on what is expected of them regarding the control assessment process, has resulted in the PCAOB setting the standard for management on what is required to perform a control assessment. The objective of the audit is for the external auditor to obtain reasonable assurance that no material weakness exists. Encourage the external auditors and the audit committee, to reach agreement on key controls prior to detailed testing to eliminate misunderstandings. The audit committee should also play an important role in internal control oversight. The audit committee can work with management and with external auditors to ensure the strength of internal controls and to keep the focus on the controls over financial reporting.

In conclusion, the current scenario has the horse-pushing-the-cart. While a new point of focus will bring IT to the forefront to guide the accountants based on 21st century technologies.

With warm regards, I remain.

Dr. Robert j. te. Lee