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financial executives  
international

**committee on corporate reporting**

April 28, 2004

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

Re: File No. PCAOB-2004-03

Dear Mr. Katz:

The Committee on Corporate Reporting (“CCR”) of Financial Executives International (“FEI”) would like to thank you for this opportunity to comment on the Public Company Accounting Oversight Board’s (the PCAOB) proposed auditing standard, *An Audit of Internal Control Over Financial Reporting Performed in Conjunction with an Audit of Financial Statements* (“the proposed standard”). FEI is a leading international organization of 15,000 members, including Chief Financial Officers, Controllers, Treasurers, Tax Executives and other senior financial executives. CCR is a technical committee of FEI, which reviews and responds to research studies, statements, pronouncements, pending legislation, proposals and other documents issued by domestic and international agencies and organizations. This document represents the views of CCR and not necessarily those of FEI.

We believe that the PCAOB has listened to our major concerns with the preliminary document, and, on balance we are supportive of the proposed standard. We are pleased with the clarification in the proposed standard that allows auditors to exercise judgment in determining the amount and timing of their testing. We are also pleased with the revisions to the limitations surrounding using the work of others which now allow the external auditors to more reasonably rely on the work of internal auditors and management.

Our primary concern remains the cost of implementation of this standard in terms of management time, consultant fees and external audit fees. As such, we look forward to working with the PCAOB through representation on its Section 404 Working Group as the detailed implementation phase begins to arrive at a reasonable balance between the costs and the benefits of implementing this standard. With regard to implementation of the standard, we continue to be concerned over the practical issues, including certifications, with respect to FIN 46, *Consolidation of Variable Interest Entities*, for entities that are newly consolidated, but for which the consolidating company does not maintain internal controls over financial reporting of the consolidated entity.

We welcome the opportunity to discuss these issues at your convenience. If you have questions regarding this letter, please feel free to contact Frank Brod at (989) 636-1541 or Kate Asbeck at (607) 974-8242.

Sincerely,

A handwritten signature in black ink that reads "Frank H. Brod". The signature is written in a cursive, flowing style.

Frank Brod  
Chair, Committee on Corporate Reporting  
Financial Executives International

A handwritten signature in black ink that reads "Kate Asbeck". The signature is written in a cursive, flowing style.

Kate Asbeck  
Chair, PCAOB Subcommittee  
Committee on Corporate Reporting  
Financial Executives International