



James C. Gouin  
Vice President and  
Controller

One American Road  
Dearborn, Michigan 48126

May 17, 2004

Jonathan G. Katz  
Secretary  
Securities and Exchange Commission  
450 Fifth Street, NW  
Washington, DC 20549-0609

**Re: PCAOB-2004-03**

Dear Mr. Katz:

Ford Motor Company is pleased to respond to the above-referenced release regarding auditing standards for audits of internal control over financial reporting (the "proposed rule"). We have comments in regard to three specific aspects of the proposed rule: 1) the guidance regarding the determination of whether a deficiency is more than inconsequential, but less than material, 2) the ability to limit the scope of management's assessment as it relates to variable interest entities as defined in Financial Accounting Standards Board Interpretation No. 46, Consolidation of Variable Interest Entities ("FIN 46"), and 3) the application of the proposed rule to recently acquired entities.

Determining That a Deficiency is More Than Inconsequential But Less Than Material

In Paragraph 9 of the proposed rule, the Public Company Accounting Oversight Board (the "Board") provides the following interpretive guidance for the definition of a significant deficiency in internal control over financial reporting: "a misstatement is inconsequential if a reasonable person would conclude, after considering the possibility of further undetected misstatements, that the misstatement, either individually or when aggregated with other misstatements, would clearly be immaterial to the financial statements". If a misstatement and the possibility of further undetected misstatements is determined to be inconsequential, then the deficiency would not be a significant deficiency. In Paragraph 10, the Board defines a material weakness in internal control over financial reporting, as a "material misstatement of the annual or interim financial statements".

Our concern with these definitions as they relate to the magnitude of a misstatement in the financial statements is the lack of guidance in determining what would be considered more than inconsequential but less than material and thus a significant deficiency. Following the Board's interpretive guidance, a clearly immaterial misstatement would be inconsequential and would not constitute a significant deficiency, and a material misstatement would go beyond a significant deficiency and constitute a material weakness. It is unclear, however, what level of magnitude falls in between to constitute a significant deficiency. We believe that this lack of guidance regarding what would be considered more than inconsequential but less than material will result in inconsistent determinations by companies and their auditors of what constitutes a significant deficiency and, in turn, result in different reporting among companies for similar control issues.

We recommend that the Securities and Exchange Commission ("SEC") consider providing additional, and perhaps more objective, guidance in regard to the magnitude of a deficiency or combination of deficiencies that would be considered more than inconsequential but less than material.

#### Scope of Management's Assessment as It Relates to Variable Interest Entities

There could be instances when management will not be able to make an assessment of the effectiveness of internal control over financial reporting for some variable interest entities, as defined in FIN 46. Despite consolidation of the entity, management may not have sufficient control over the entity to require the entity to provide the necessary information for management to assess the effectiveness of the entity's internal control over financial reporting. In Paragraph B17, the Board anticipated this situation and indicated that the SEC may conclude that management would be justified in limiting the scope of its assessment in this situation.

We recommend that the SEC permit the limitation of the scope of management's assessment of the effectiveness of internal control over financial reporting to exclude such variable interest entities from which it cannot obtain the necessary information because it does not have the ability to control the entity. Ford Motor Company was an early adopter of FIN 46 and has almost one year's experience with significant, consolidated, variable interest entities (primarily outside the United States) in which we do not have controlling interest. Although we would intend to include all material FIN 46 entities in our scope, absent control, we cannot compel such entities to perform actions they may view as not cost effective or of lower priority. In those instances where such entities do not provide the necessary information, a company should be allowed to exclude the entities from its scope and disclose this fact and information related to the magnitude of the amounts included in the financial statements for those entities.

#### Application of the Proposed Rule to Recently Acquired Entities

We recommend that the SEC allow a company, for a specified time period, to exclude recently acquired entities from the scope of management's assessment of the effectiveness of internal controls over financial reporting. Target companies that are not subject to Section 404 of the Sarbanes-Oxley Act of 2002 are particularly concerning. In such instances, the acquiring company should disclose this fact and information relating to the magnitude of the amounts included in the financial statements for those entities. The time period allowed should be at least one year following the year of acquisition. This should provide sufficient time for a company to assess all significant controls of the acquired entity.

We do not believe that the due diligence process used in evaluating potential acquisitions can provide the necessary control reviews and an understanding of the effectiveness of those controls that is required by the proposed rule. We also are concerned that the proposed rule, as it relates to potential acquisitions, may place U.S. companies at a competitive disadvantage in the acquisition process compared to non-U.S. companies that are not subject to the proposed rule. This disadvantage could be both in the cost of and the ability to perform the due diligence in a reasonable timeframe compared to companies not subject to the proposed rule and could result in the loss of a potential acquisition.

We appreciate the opportunity to provide our comments on this matter and should you have any questions, please feel free to contact me by telephone at 313-323-6901.

Sincerely,

/s/ James C. Gouin

James C. Gouin  
Vice President and  
Controller