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May 17, 2004

Mr. Jonathan G. Katz, Secretary
U.S. Securities and Exchange Commission
450 Fifth Street, NW
Washington, D.C. 20549-0609

Securities and Exchange Commission Release No. 34-49544

File No. PCAOB-2003-03

Public Company Accounting Oversight Board; Notice of Filing of Proposed Rule on Auditing Standard No. 2, *An Audit of Internal Control Over Financial Reporting Performed in Conjunction with An Audit of Financial Statements*

Dear Mr. Katz:

KPMG LLP appreciates this opportunity to provide comments to the Securities and Exchange Commission (Commission) on the Public Company Accounting Oversight Board's (Board) Proposed Auditing Standard No. 2, "*An Audit of Internal Control Over Financial Reporting Performed in Conjunction with An Audit of Financial Statements*" (Standard No. 2). We previously commented on the PCAOB's proposed auditing standard of the same title and refer you to our letter dated November 21, 2003. We fully support the Commission's and the Board's efforts to improve financial reporting, corporate governance, and audit quality with the objective of furthering the public interest and restoring confidence in our capital markets system.

We strongly support issuance of Standard No. 2 in its current form. We believe that Standard No. 2 provides an appropriate foundation from which relevant interpretive and implementation guidance may be developed. The provisions of Standard No. 2 reinforce the fundamental division of responsibility between company management and the independent auditor that is essential to the effective performance of any audit. In addition, Standard No. 2 provides a logical framework to guide the auditor in evaluating management's assessment and allows the auditor to exercise appropriate professional judgment in determining the extent to which he or she may use the work of others. Finally, we believe that the provisions of Standard No. 2 are consistent with the spirit and intent of the relevant components of Section 103 of the Sarbanes-Oxley Act of 2002.





If you have questions regarding the information included in this letter, please contact Sam Ranzilla, (212) 909-5837, sranzilla@kpmg.com, or Craig W. Crawford, (212) 909-5536, ccrawford@kpmg.com.

Very truly yours,

KPMG LLP

cc: Douglas R. Carmichael
Thomas Ray



