



August 10, 2004

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

Via email: rule-comments@sec.gov

Re: File No. PCAOB-2004-05

Dear Mr. Katz:

As professional organizations representing all facets of the appraisal and valuation profession, we are pleased to provide our comments regarding the Public Company Accounting Oversight Board's (PCAOB) Proposed Rule on Auditing Standard No. 3 ('Standard') for your consideration.

Our organizations support the efforts of both the SEC and the PCAOB relative to improving financial reporting and investor protection, and applaud the progress being made. Paragraph Six (6) of the Standard recognizes the need to verify information of specialists:

- “6. The auditor must document the procedures performed, evidence obtained, and conclusions reached with respect to relevant financial statement assertions. Audit documentation must clearly demonstrate that the work was in fact performed. This documentation requirement applies to the work of all those who participate in the engagement as well as to the work of the specialists the auditor uses as evidential matter in evaluating relevant financial statement assertions. Audit documentation must contain sufficient information to enable an experienced auditor, having no previous connection with the engagement:*
- a. To understand the nature, timing, extent, and results of the procedures performed, evidence obtained, and conclusions reached, and*
 - b. To determine who performed the work and the date such work was completed as well as the person who reviewed the work and the date of such review.”*

Furthermore, Appendix Section Thirty-Three (33) of the Standard recognizes the importance of specialists and the need to support documentation:

“A33: The Board also believes that the reference to specialists is an important element of paragraph 6. Specialists play a vital role in audit engagements. For example, appraisers, actuaries, and environmental consultants provide valuable data concerning asset values,

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calculation assumptions, and loss reserves. When using the work of a specialist, the auditor must ensure the specialist's work, as it relates to the audit objectives, also is adequately documented. For example, if the auditor relies on the work of an appraiser in obtaining the fair value of commercial property available for sale, then the auditor must ensure the appraisal report is adequately documented."

Our organizations support the PCAOB's recognition that the work of specialists contributing information to the development of financial statements must be sufficiently documented. We further support the PCAOB's recognition of appraisers as specialists. As the PCAOB is aware, standards promulgated by the Financial Accounting Standards Board often reflect market value concepts, and thus, the work of valuation professionals is becoming more important in matters of financial reporting and audit.

Specialists such as appraisers, have specific professional standards to which they must adhere. Such standards are often mandated by governmental entities and may emanate from various professional affiliations. The Uniform Standards of Professional Appraisal Practice contain specific provisions pertaining to the reporting of appraisal information, for example. It is important that audit standards include language that acknowledges adherence to specialists' professional standards. Such professional standards increase the reliability of information provided by specialists for use in financial reporting.

On a related note, we would also like to take this opportunity to reaffirm our support for the continued separation of audit services as outlined in Section 201 of the Sarbanes-Oxley Act of 2002. The independence of specialists allows for another check in the audit process, and helps to affirm the objectivity and independence of an auditors' final report.

If our organizations can be of assistance, please contact Don Kelly, Vice President of Public Affairs, Appraisal Institute, at 202-298-5583 or dkelly@appraisalinstitute.org, Ted Baker, Executive Vice President, American Society of Appraisers, at 703-733-2109 or tbaker@appraisers.org, or Steve Runyan, Government Relations Chair, American Society of Farm Managers and Rural Appraisers, at 661-747-6458 or srunyan@bak.rr.com.

Sincerely,

Appraisal Institute
American Society of Appraisers
American Society of Farm Managers and Rural Appraisers

Cc: Mary Sjoquist, Special Counsel
Public Company Accounting Oversight Board