



"Lifting As We Climb"

National Association of Black Accountants, Inc.

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Office of the Executive Director

November 21, 2003

Mr. William J. McDonough,
Chairman
Public Company Accounting Oversight Board
Washington Office
1666 K Street, NW
Washington, DC 20006-2803

Re: PCAOB rulemaking Docket Matter No. 008
Comments on Proposed Auditing Standard

Dear Mr. McDonough:

A careful review of the Proposed Auditing Standard on auditing internal control of a financial statement audit makes one thing patently clear. The standard requires reliance on the underlying internal control, and on the financial statements. The auditor would be required to understand the systems in place. Then design and test the system, and provide an analysis on the efficacy of that system.

It is fair to state that this is a major initiative for each firm executing this plan. Moreover, it is a major initiative for any Organization that might be subject to the standard. Implementation would create a greater staffing need for both the accounting firm and the Organization to meet the need of adherence to this standard. Consequently, greater costs increase will be passed to the Organization. This will impact management planning initiatives and strategies.

Therefore, we suggest that the standard also require the large public accounting firms to hire smaller minority firms to assist in their performance of the requirements. NABA is convinced that the access to greater markets and the lower cost structure would be very beneficial to all involved. It would also do more toward gaining access to the market place for those Firms that never had the opportunity before. The larger Firms could provide leadership and guidance through oversight review of the work. This is supported by the standard which provides guidance on this issue. Under the section "Using the work of Management and Others" it clearly stipulates that such a practice is acceptable.

The current PCAOB proposed auditing standards will effectively "bundle" Sarbanes-Oxley Section 404 (b) work within the "Big 4" firms. Under contract bundling, large contract awards go to large firms due to the size and complexity of the work requirements. This violates the White House strategy for increasing opportunities for Small Business.

It is only logical to conclude that there is a serious legal problem if "Big 4" firms continue to monopolize the auditing of publicly held companies while being the sole service providers for required

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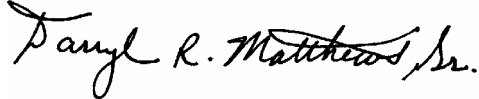
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assessments of internal control systems. Under Sarbanes Oxley, this action is characterized as self dealing amongst firms. Not to mention that the actions would further weaken the public confidence in financial reporting. The independence and competitive strength of CPA firms performing auditing services for public corporations will be strengthened if Sarbanes Oxley legislation on auditing standards is implemented. Therefore all CPA firms in America must be encouraged to participate in implementing compliance with Sarbanes Oxley.

The current Administration is committed to unbundling procurements that have excluded Small Businesses like minority CPA firms from succeeding in today's market economy. NABA is of the firm belief that concentration of public company audits and related compliance with Sarbanes Oxley within the 4 largest CPA firms in America is detrimental to the strengthening of capital markets. It also a restraint on trade and it creates a false perception of auditor independence.

The Division of Firms of the National Association of Black Accountants has over 50 Member firms that have the experience and expertise to significantly participate in getting America's public companies to comply with the Sarbanes-Oxley Act.

Sincerely,



Darryl R. Matthews, Sr.
Executive Director and COO

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