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Re: PCAOB Rulemaking Docket Matter No. 008

Comments on Proposed Auditing Standard-

An Audit of Internal Control over Financial Reporting Performed In Conjunction with an Audit of Financial Statements

After careful review of the standard on auditing internal control as part of the financial statement audit it is clear that the standard intends to accomplish both adequate reliance on the underlying internal control and also the financial statements. The auditor would be required as part of the financial statement audit to obtain all the necessary understanding of the systems in place to design and test the system in rendering an opinion on the system of internal control and the financial statements.

While we realize this is a major initiative for each firm in executing this plan it is also a major initiative for any organization that might be subject to the standard. There is sure to be a need for greater staffing at both the accounting firm and at the organization to meet the need of adherence to this standard. With that in mind, there will be far greater costs associated with this standard for the organization. This will indeed affect management planning initiatives and the overall strategies that may exist in any organization.

To this end, we suggest this standard require public accounting firms engage the use of smaller firms, including minority owned accounting firms, to assist in their performance of the work required related to internal control. We believe the access to greater markets, so often sought by smaller firms and, the lower cost structure would benefit both any organization and also do greater good in opening access to the market place for those firms who have never received this opportunity. The larger firms could provide oversight in the review of the work to maintain assurance in opining on internal control. The standard does provide some guidance on this issue under "using the work of Management and Others," which clearly stipulates that such a practice is acceptable.

Should you have any questions or require additional information, please call me at (212) 447-0813.

Sincerely,
Watson Rice LLP

A handwritten signature in black ink, appearing to read 'Raymond P. Jones', is written over the name of the sender.

Raymond P. Jones, CPA, CFE
Managing Partner