Office of the Secretary
Public Company Accounting Oversight Board
1666 K Street N.W.
Washington, D.C. 20006-2803

Re: PCAOB Rulemaking Docket Matter No. 008

Dear Mr. Secretary:

The audit of internal controls as proposed exceeds the needs of management and shareholders. The cost investment for compliance is significant with little impact on reporting of financial position or results. Shareholders are primarily interested in the financial statements and not the internal workings to report the financials. The traditional external audit focus on substantiating the financials is more attuned to meeting investor requirements than an audit of internal controls. Providing sufficient documentation to meet the proposed standard imposes a substantial burden on companies with a questionable return. The audit focus should be on management processes to evaluate and maintain controls versus a review of the internal control structure.

The following comments are offered regarding the provisions of the proposed standard.

Question 6

Section 404(b) of the Sarbanes Oxley Act of 2002 requires that the registered public accounting firm attest to and report on the assessment made by the management. The requirements outlined in the proposal seem to go well beyond the requirement of the law. An audit of internal controls as proposed effectively duplicates management’s responsibilities. The focus of the public accounting firm’s work should be an evaluation of the process management uses to assess the quality of management’s internal control system. To evaluate management’s process would require some sample testing of the evaluation process and therefore some of the specific controls but would clearly not involve an in depth review of the internal controls as suggested in Paragraph 27 requiring evidence regarding all assertions for all significant accounts and disclosures. The proposed standard suggests that the accountant must fully develop their own opinion on the controls to be able to attest to management’s work. The intent should be to validate the adequacy of management’s process and not to re-perform the assessment.

Question 8

An inadequate level of documentation should be considered an internal control deficiency but should not automatically rise to the level of a significant deficiency or a material weakness. Levels of documentation can vary widely and should be subject to debate between management and the accountant prior to assigning a level of significance.

Question 10

In the initial review, having the auditor involved in walkthroughs should facilitate understanding of the processes. In future years however, the auditor should rely on the walkthroughs performed by management or their internal auditors and only be directly involved on a sample basis to assess the effectiveness of the Company performed walkthroughs.

Questions 12, 14, 16

The ability to rely on the work of management is too restrictive. A distinction should be made between requirements of an initial review and subsequent years. In the initial year expecting the auditors own work to provide the principal evidence for the audit opinion makes sense. In subsequent years, more reliance could be placed on the work performed by management especially if performed by internal auditors that meet the quality standards established by the Institute of Internal Auditors. Specifically there seems to be no reason why the auditors could not rely on walkthroughs, reviews of general IT controls and reviews of period end reporting if the work is properly performed by management and simply reviewed and tested by the auditor to establish the reliability of the work performed.

Question 23

Under Sarbanes Oxley, the audit committee is now the employer for the accountant. Having the accountant evaluate the effectiveness of the audit committee would constitute a violation of the independence concept. The audit committee looks to the accountant to provide independent insights into the Company and requiring the accountant to then evaluate the audit committee in an unbiased fashion seems to be an unreasonable expectation.

Question 27

The auditor report should comment on the effectiveness of management's assessment. If management offers an adverse opinion then having the accountant offer an adverse opinion seems confusing. An adverse opinion by the accountant in this case brings into question management's assessment process and suggests the possibility of additional undisclosed issues. If management has an acceptable assessment process and issues an adverse opinion and the accountant agrees that the assessment is properly performed and issues are properly disclosed, then the accountant should issue an unqualified opinion regarding management's assessment of controls.

Question 30

The quarterly Section 302 certifications are clearly management's responsibility. Under the certification, management is required to advise the auditor of significant deficiencies or material weaknesses. Neither the content of the certification nor the act suggests that additional work is required of the auditor each quarter. Audit review is only required under Section 404 on the annual report for internal controls. The requirement is to audit as of a point in time and evaluating controls at other dates would not be relevant to the annual attestation. The auditor role regarding quarterly certification in the proposed standard is beyond the expectations of the law.

Respectfully submitted;

John Hurless
Pam Tripp
Cummins Inc.
Box 3005
Columbus, Indiana 47202
812-377-3062