



May 12, 2003

Office of the Secretary
PCAOB
1666 K Street NW
Washington, DC 20006-2803

Re: PCAOB Rulemaking Docket Matter No. 004

Dear Sir or Madam:

Prescient is pleased to provide comment to the PCAOB's release number 2003-005, "Statement Regarding The Establishment Of Auditing And Other Professional Standards". Our comments are offered in the context of the language contained in Sections 302 and 404 of the Sarbanes-Act of 2002, as well as the AICPA's Auditing Standards Board exposure draft of March 18, 2003.

Inaccurate disclosures occur because Management makes them and auditors attest to them, intentionally or unintentionally. Our company recently provided comments to the Securities and Exchange Commission regarding the Commission's proposed rule regarding internal controls (please see attached). In our comment letter to the SEC, we focused on the accuracy of Management's assertions in their disclosures to the public. But in order to provide a "true" picture to the investing public, the accountability must be shared between issuers and their auditors. Therefore, similar attention should be paid to the tests and tools used by public accounting firms to verify and validate an issuer's financial results and the control systems that produce them. Under the Act, the proposed Commission rules, and the proposed AICPA Standards, the burden is placed almost exclusively at the feet of the issuer.

Both the Sarbanes-Oxley Act of 2002 and the AICPA's standards rely heavily on the Commission on Sponsoring Organization's 1992 report, "*Internal Control – Integrated Framework*". While the COSO Framework is an important and meaningful ingredient in the overall foundation of financial transparency, it is important to note that the COSO Framework was written more than ten years ago. Ten years ago, public companies could not leverage the benefits of today's computer systems. Today's computer systems are relatively inexpensive and allow companies to manage their business processes, controls, results, and disclosures. Therefore, we hope that the PCAOB's efforts will focus beyond COSO and take into account the accelerated velocity of technology. This technology has given issuers access to near perfect information in near real-time, allows them to disclose information in an accurate and timely fashion, and facilitates the validation and verification of mountains of information in seconds.

We applaud the PCAOB's efforts to explore new standards with respect to internal control reporting, and to include interested parties from multiple disciplines in the dialog. We are hopeful that the PCAOB, in your own rulemaking process, will not open up the validation and verification loopholes that the Act sought to close. Closing these loopholes and eliminating linguistic "gray areas" will go a long way toward restoring investor confidence in the capital markets.

Sincerely,

Jonathan Ewert
VP Marketing



April 22, 2003

Jonathan G. Katz
Secretary
U.S. Securities & Exchange Commission
450 Fifth Street NW
Washington, DC 20549-0609
Re: File No. S7-40-02

Dear Mr. Katz:

PRESCIENT is pleased to comment on the Commission's proposed rule regarding internal controls.

Internal controls are at the center of an issuer's ability to disclose financial results to the public in an accurate and timely manner. We applaud the Commission's efforts to restore investor confidence by eliminating the "gray areas" of financial disclosure that have eroded that confidence in the capital markets. Yet despite the Commission's best efforts, the language of the proposed rules leaves important disclosure loopholes untouched.

While many powerful constituencies have vociferously objected to certain sections of the Act and the Commission's proposed rules, the general investing public has remained silent through the process as evidenced by the absence of comments letters. Despite the Commission's best efforts for free and open exchange of information, public investor comment has been muted by the noise of enterprises and organizations that seek to soften the rules to enhance their market position. This is evidence by the conspicuous lack of comment letters from the investing public, in whose interests the law was enacted and on whose behalf the Commission's rules will be enforced. As a result, we believe the proposed rules fall short of their desired effect for transparency, and instead will perpetuate the "shades of gray" the rules seek to eliminate.

Specifically, we point to the language of the proposed rules and the 1992 COSO guidelines on which they are based. At root, disclosure of the "significant deficiencies in the design and operation of internal controls and procedures for financial reporting" is required by management only based on "his or her knowledge" at the time. Regardless of the frequency of testing and certification, this language reopens the loopholes to a sliding scale of accuracy. This sliding scale is not in the best interests of shareholders and the investing public, is certainly not the Commission's intent, and is not consistent with the spirit of the Sarbanes-Oxley Act of 2002. These loopholes become particularly acute in the two most critical areas investors use to evaluate the overall financial health of a business: revenues and expenses.

On the revenue side, much attention has been paid and much progress has been made to clarify the laws, rules, auditing standards, and testing tools. Yet the expense side of the business has been left largely to the discretion of management as part of Management's "Duty Of Care". Sadly, however, many enterprises do not have sufficient financial control systems in place to efficiently and accurately manage the expense side of the ledger. This is true not only of the headline grabbers, but also of the vast majority of public companies. There are several causal factors. Among them are: decentralized decision making, particularly within large companies; the number of disparate vendors required to support an enterprise's needs; the sheer volume of bills an enterprise receives; multiple vendor billing formats and lack of transparency in pricing/consumption; dynamic market pricing conditions; inadequate contract compliance mechanisms and dispute resolution processes; lack of accurate demand forecasting; and more.

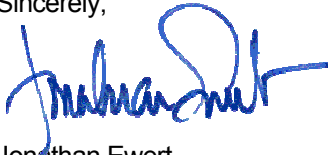
In some major expense categories, more than half of vendor invoices are wrong. Most of the time, these errors are in the favor of the vendor. Overpayment is a direct drain on corporate cash flows and Earnings Per Share. Vendor overpayments indicate that the enterprise has materially deficient internal controls and procedures. Yet because of the sliding scale of accuracy in the Commission's proposed rules, the investing public will continue to rely on Management's assertions that corporate cash flows are under control.

Public companies use public investment dollars similar to the way the government uses the public's tax dollars. We believe that public companies should be held to the same transparency standard as the Federal government. Even its own dealings with vendors, the government has gone to extraordinary lengths to verify and validate that the public's tax dollars are well spent. The Federal Aviation Administration, for example, recently signed a long-term contract to validate and verify each line item of each telecommunications invoice received on a monthly basis. The volume of invoice information received by the FAA dwarfs that of even the largest public company. Verifying and validating expenses is achievable and is neither an operational nor a financial burden.

According to Commissioner Glassman in a speech delivered at the National Economists Club on April 7, the Commission received over 9,000 comment letters and consumed over 4,800 cups of coffee reading and processing each one. To be sure, the Commission's efforts to achieve the goal of financial "transparency" on behalf of the investing public are Herculean in scope and admirable in thoroughness. We hope that the Commission's efforts continue apace after issuance of the final rules.

The proposed rules, as written, simply provide public companies with too many excuses for ineffective controls and too many opportunities to obfuscate the results disclosed to the public.

Sincerely,



Jonathan Ewert
VP Marketing