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AMERICAN BAR ASSOCIATION

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Via e-mail: [comments@pcaobus.org](mailto:comments@pcaobus.org)

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

**PCAOB Rulemaking Docket Matter No. 004 (the “Proposal”)**

Dear Members and Staff of the PCAOB:

We write on behalf of the Committees on Law and Accounting and Federal Regulation of Securities of the Section of Business Law of the American Bar Association (the “Committees”)\* to comment on the process that the Board proposes to use in establishing auditing and other professional standards (the “Professional Standards”) for registered public accounting firms, as required by Title I of the Sarbanes-Oxley Act of 2002 (the “Act”).

The comments expressed in this letter represent the views of the Committees only and have not been approved by the American Bar Association’s House of Delegates or Board of Governors and therefore do not represent the official position of the ABA. In addition, this letter does not represent the official position of the ABA Section of Business Law, nor does it necessarily reflect the views of all members of the Committees.

We commend the Board for (i) developing an open and transparent process by which the Professional Standards will be adopted, (ii) providing a mechanism for input from various interests, regarding the proposed Professional Standards, and (iii) establishing appropriate priorities for its standard setting.

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\* References to “we” and “our” mean the Committees.

We have four comments on the Board's proposal. (We have not addressed issues relating to public accounting firms which audit the financial statements of broker-dealers pursuant to Section 17(e) of the Securities Exchange Act of 1934.)

First, we believe that it is the Board's intent consistent with the intent of Congress that Professional Standards apply only to registered public accounting firms in connection with their audits and reviews of the financial statements of "issuers," as that term is defined in Sec. 2(a)(7) of the Act, and to attest services provided by those firms, as required by the Act. Thus, the Professional Standards should not apply to firms in connection with their audits of the financial statements of non-issuers, such as governmental entities, not-for-profit entities or foreign and other entities that are not "issuers" or to other services provided by public accounting firms to non-issuers. To avoid possible confusion, however, we believe that the Board's rules should make this distinction.

Second, we understand that, in the Professional Standards, the Board generally intends to provide for a comment period of no less than 21 calendar days. While we recognize that the Board would retain discretion to establish longer comment periods, in our experience 21 calendar days does not provide sufficient opportunity for organizations, such as ours, and other entities to comment meaningfully on Proposals with far reaching consequences. The Board recognizes the value of the comment process in shaping its standards, and we urge the Board to remain flexible in establishing the length of its comment periods and to consider a comment period of 30 calendar days, rather than 21 calendar days, as the minimum period for comments on most of its proposals.

Third, the Proposal provides that advisory group members will be selected in the Board's sole discretion based upon recommendations provided by Board members, Board staff, SEC members or staff, professional groups of accountants, registered public accounting firms, investors, institutions of higher learning, or "any other person or body that the Board deems to have an interest in the accuracy of public company financial statements." Since the Board ought to encourage public participation in the process and will retain discretion for the selection of advisory group members, we suggest that the Board simply indicate that it will consider recommendations from persons or groups with an interest in the accuracy of public company financial statements, including, but not limited to, Board members, Board staff, SEC members or staff, professional groups of accountants, registered public accounting firms, investors and institutions of higher learning.

Finally, insofar as the Board has now adopted a set of "interim professional auditing standards" and indicated its intent to review those standards on an standard-by-standard basis, we suggest that the Board consider collecting and, to the extent consistent with the law of copyright, making available on its web site all of the currently applicable Professional Standards. As it now stands, public accounting firms (domestic and foreign) and others seeking to ascertain the Board's interim Professional Standards will have to gather various AICPA (including ASB and SECPS), SEC and ISB pronouncements – which may be unnecessarily burdensome for foreign entities and others.

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We are grateful for the opportunity to comment on the Proposal. In addition, members of our Committees would be pleased to meet with representatives of the Board to discuss or comments if the Board or its staff so desires.

Respectfully submitted,

Thomas L. Riesenber, Chair  
Committee on Law and Accounting

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