INTERNATIONAL BROTHERHOOD OF TEAMSTERS

JAMES P. HOFFA
General President

25 Louisiana Avenue, NW
Washington, DC 20001

C. THOMAS KEEGEL
General Secretary-Treasurer

202.624.6800
www.teamster.org

February 22, 2007

Via Email: comments@pcaobus.org
Via U.S. Postal Service

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

Re: PCAOB Rulemaking Docket Matter No. 021

Dear Sir or Madam:

Teamster-Affiliated Pension and Benefit funds hold roughly $100 billion in equity assets representing the retirement security of roughly 1.4 million active and 600,000 retired members of the International Brotherhood of Teamsters (IBT). On their behalf, I am pleased to comment in regard to the Public Company Accounting Oversight Board (PCAOB) proposed auditing standard, *An Audit of Internal Control Over Financial Reporting That Is Integrated with An Audit of Financial Statements and Other Related Proposals* ("Proposal").

As investors, we expect the Securities and Exchange Commission to uphold the rights of investors and facilitate increased corporate accountability. In our view, Section 404 of the Sarbanes-Oxley Act of 2002 ("Section 404") has been a critical component of restoring investor confidence and the overall integrity of our capital markets in the wake of the Enron and WorldCom scandals. Although effective internal controls have long been required of public companies under the Foreign Corrupt Practices Act of 1977, Section 404 has reinforced this basis for high-quality financial reports. We believe that public companies of all sizes must have appropriate controls in place and that management should be responsible for assessing those controls with a thorough review by external auditors.

Glass Lewis & Company, a leading research and professional services firm that assists institutions with investment, financial or reputational exposure to public companies, has found that the scrutiny of internal controls under Section 404, "is what uncovered the weaknesses at the heart of the current rash of financial misstatements."[1] Indeed, Glass Lewis research analysts warn that, "The smallest companies are where strong internals control arguably are needed most, because they are where the risk of restatement is highest."[2] David Reilly, of the Wall Street Journal, has also reported that the number of restatements by public companies, that have not adopted Section 404 yet, increased by 42 percent in 2006.[3]

Teamster members and retirees, through their benefit funds and individual accounts, have significant equity holdings in the Russell 3000 stock index. Consequently, management's review and report on internal controls of financial reporting at smaller public companies, which currently lack oversight, is as important to our members as the checks and balances already provided by Section 404 at larger public companies.

We, therefore, support the prompt adoption and implementation of the Proposal, which, we respectfully request, will:

1. Explicitly require a rigorous audit process, as a final rule. We would also respectfully request that the final rule clarify that the auditor should evaluate the size and complexity of their company when determining whether a company is a "smaller public company" in implementing the interpretive guidance;

---

[1] Glass Lewis & Co., *Getting It Wrong the First Time: A look at 2005's record-breaking year for corporate restatements shows why investors can't afford a return to pre-Enron securities regulation*, March 2, 2006.
[2] Ibid
[3] David Reilly, Restatements Still Bedevil Firms, Wall Street Journal, February 12, 2007, p. C7.

2. Include a framework, under "Considering and Using the Work of Others in an Audit," for evaluating the persons performing the work that is no less restrictive than that currently contained in the Proposal;
3. Not include any form of rotational testing of sections of internal control that would allow auditors to assume that a company's controls are functioning each year without testing them under "Special Considerations for Subsequent Years' Audits"; and,
4. Not establish a rules-based numerical formula, such as five percent of net income, for assessing materiality in the audit of internal control, under "Materiality".

We greatly appreciate the PCAOB efforts in developing a thoughtful proposed standard that is responsive to our members' investment needs. If we can be of further assistance, please do not hesitate to contact Noa Oren, Projects Manager, Teamsters Capital Strategies Department, at (202) 624-8990 or noren@teamster.org.

Thank you for the opportunity to present our views on this important matter.

Sincerely,

James P. Hoffa

James P. Hoffa
General President

JPH/no