From: Jordan, David [mailto:David.Jordan@nike.com]
Sent: Monday, February 26, 2007 8:12 PM
To: Comments
Subject: Docket 21

January 19, 2006

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

Re: PCAOB Rulemaking Docket Matter No. 021.

We are pleased to have the opportunity to comment the Board's proposed standard for the audit of internal control over financial reporting. As we undertake our third year of compliance with the provisions of the Sarbanes Oxley Act we are particularly interested in interpretations that will support the ongoing cost-effectiveness of compliance programs. We continue to support the objectives of the Act and believe that cost-effective implementation is critical in sustaining achievement of those objectives.

In response to questions 13 and 14 of the Release, we believe that removing the requirement for an evaluation of management's process will not eliminate a meaningful amount unnecessary audit work. Under current standards, the external auditor already spends the overwhelming majority of effort conducting a redundant assessment of controls in parallel with management's assessment.

We believe, conversely, that true efficiencies can only be realized by *strengthening* the evaluation of management's process and by eliminating the external auditor's own opinion over internal controls.

- Focusing the auditor on management's assessment program, rather than on redundant assessment of internal controls, would provide incentive to management to create stronger and broader assessment programs, which in turn would identify and control significant risks as they emerge.
- Eliminating the redundant assessment by the external auditor would allow compliance programs to focus on improving governance and controls rather than on coordination among external auditors and internal assessment teams in order to contain costs.
- The need to support the external auditor's redundant assessment drives management to conduct more extensive separate evaluation-type testing than is required to perform an effective and competent assessment of its internal controls. The "assess the assessment" approach would support the efficiency of management's assessment by encouraging a combination of independent

evaluation testing, self assessment and monitoring based on risk and would allow management to take full advantage of the Commission's proposed guidance.

- Eliminating the redundant assessment by the external auditor would eliminate completely redundant controls testing in areas in which PCAOB standards require the auditor to perform substantive testing of financial balances regardless of the results of controls testing.

We anticipate that external auditors would still need to perform some level of controls testing to support their evaluation of management's program, but the scale and scope of such testing would be to test management's process, not to re-create it. In response to question 15, we believe the auditor's parallel opinion on internal controls detracts from the emphasis on management's responsibility for controls and implies incorrectly that the external auditor functions as an element of the company's internal control environment.

However, within the context of the parallel external auditor assessment of internal controls as proposed, we believe further efficiencies may be gained by aligning the framework for reliance on the work of others for internal control assessment with the guidance proposed by the SEC to guide management's assessment. In response to question 19, this may imply a separate framework for reliance upon internal controls evaluation as the auditor would need to consider procedures employed by Management, such as monitoring and self-assessment. In response to question 23, this also implies that the standard as proposed is too restrictive in that it does not allow auditor reliance on procedures employed by Management consistently with the SEC proposed guidance.

In conclusion, we believe that companies and capital markets will be best served by an interpretation of the Act that focuses the external auditor's evaluation on management's assessment and eliminates the auditor's redundant assessment. Absent that approach, we believe that alignment of the SEC's guidance for management and the framework for reliance on internal controls will be critical for efficient and effective implementation of the Act.

David Jordan CPA,
Director of Compliance
NIKE, Inc.