WithumSmith+Brown Global Assurance
A Limited Liability Company

February 26, 2007

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. 021
An Audit of Internal Control Over Financial Reporting That Is Integrated with An Audit of Financial Statements and Related Other Proposals

Dear Mr. Secretary:

WithumSmith+Brown Global Assurance, LLC ("WS+B GA") is pleased to submit our comments to the PCAOB with respect to its proposed auditing standard, *An Audit of Internal Control Over Financial Reporting That Is Integrated with An Audit of Financial Statements and Related Other Proposals*. The comments of WS+B GA are based on our experience as advisors to public and private companies in assisting them with achieving compliance with Section 404 of the Sarbanes-Oxley Act of 2002 ("SOX"). WS+B GA is a division of WithumSmith+Brown, P.C. ("WS+B") , which is a registered public accounting firm serving middle market issuers, and our comments include those of WS+B in its role of performing integrated audits.

In general and overall, WithumSmith+Brown Global Assurance, LLC supports the PCAOB's efforts to align the expectations of the marketplace for an effective and efficient audit process with the fundamental need to have all companies, large and small, operate under a sound system of internal control over financial reporting. We believe that any action to move small public companies toward compliance with Section 404 of SOX is a move in the right direction. We have long been critical of the constant delays with compliance that continue under the unproven guise of excessive costs, which has been measured based solely on the experience of accelerated filers attempting to comply with a new standard. We applaud the PCAOB in its stand to apply a single set of rules to all public issuers as anything less would cause confusion and misinterpretation of the results by the investing public.

We applaud the PCAOB's attempt to provide more flexibility in the auditor's approach to implementing Section 404 of SOX. Particularly noteworthy are the permitting of auditors to use company level controls as a basis for expressing an opinion on the effectiveness of certain internal controls over financial reporting, expanding the use of risk assessment to adjust procedures, considering the results of prior year audits to determine the nature, extent and timing of testing and removing the barriers to using the work of others to reduce testing. The appropriate use of these techniques will most certainly reduce the time the auditor will spend retesting controls.

We do express some concern on the principles-based nature of the proposed standards as this may result in an inconsistency of the application of the standards by auditors. The use of a top down, risk-based approach, in theory, is a viable solution. However, in practice, significant control issues that could materially effect the financial statements in supposedly low risk accounts, such as property, plant

5 Vaughn Drive . Princeton, New Jersey 08540 USA . 609 734 9090 . fax 609 734 0333 . www.wsbga.com

A member of HLB International. A world-wide organization of accounting firms and business advisors.

and equipment (as noted in both the WorldCom and Health South frauds) may be missed based on auditor judgment and audit predictability.

We believe that SOX has been a complete success insofar as it accomplished the goals set by its authors, namely to improve investor confidence in the integrity of the financial statements, achieve greater auditor independence and focus on corporate governance through the creation of an effective system of internal control over financial reporting. However, the initial implementation of SOX has required a much greater effort than anticipated and the cost of implementation has been greater than anyone could have possibly envisioned. Although we do not believe that the institution of the top down, risk-based approach will be the complete answer to reducing SOX compliance costs, we still believe the initial cost of SOX compliance was way out-of-line and implementing a modified risk-based approach is certainly in order. We believe that high costs in the initial year for accelerated filers were due to four critical factors that we think will be resolved:

1. The learning curve associated with the implementation of a new standard such as SOX always takes longer the first time around. The increased experience by the SOX consulting firms coupled with improved software to manage the SOX project will reduce costs.

2. Companies neglected their internal control documentation during the 1990's and beyond due to the advent of risk-based auditing. Firms once again will be keeping the documentation up-to-date after the painful process to get the documentation current.

3. Companies waited until the last minute to start their SOX compliance process causing an increased demand for qualified SOX consulting firms that could not be met in time for many of the companies to complete their documentation and testing requirements. There are more firms today that are qualified to do SOX compliance consulting work and the non-accelerated filers have been granted extensions through December 31, 2008 to comply. If the non-accelerated filers act soon, the deadline will not impact them and their costs will be reduced.

4. The revisions proposed by the PCAOB to AS 2 clearly provide for auditor reliance on the work of independent and competent internal auditors and SOX consulting firms. However, many of the independent auditors failed to utilize this provision and chose to retest all of the accounts. It is anticipated that less retesting will occur.

As discussed above, we are supportive of the PCAOB's overall proposal to streamline the implementation of Section 404 of SOX. Our major concern with the issuance of an entirely new statement is the potential for continued delay in requiring non-accelerated filers to comply with SOX. We believe that any further delay will have a negative impact on achieving the cost efficiencies expected by the marketplace. The proposed new standard does not require any change on the part of the company to implement a system of internal control over financial reporting. In fact, it provides the company with the ability to provide less documentation and undergo less retesting than AS 2 allowed. Therefore, we strongly urge that the PCAOB and SEC to stand firm in opposing any further delays in the implementation process and make the non-accelerated filers comply by the new due date. We have supplied some specific comments to certain questions in the attached Appendix.

WithumSmith+Brown Global Assurance
A Limited Liability Company

We appreciate the opportunity to comment on these proposed standards and would be pleased to discuss any of our points in more detail. If the staff has any questions regarding our comments, please contact Tom Basilo, Chairman and CEO at 609-734-9090 x 211.

Very truly yours,

WithumSmith+Brown Global Assurance, LLC

WithumSmith+Brown Global Assurance, LLC

WithumSmith+Brown Global Assurance
A Limited Liability Company

APPENDIX

Comments to Certain Questions Raised
In PCAOB Release 2006-007
PCAOB Rulemaking Docket Matter 021

Questions 1-4: Use of the Top-down approach to auditing internal controls

We believe that in theory this approach can work effectively and significantly reduce the amount of audit hours needed to test the internal controls over financial reporting. However, in practice, this approach has risks that may supersede the time benefits that such an approach allows. There appears to be no guidance on how to assess whether company-level controls are operating effectively. In the past, company-level controls were assessed based on inquiry and observation. In reviewing paragraph 20, it appears that a great deal of subjective auditor judgment will be required to make these assessments. This will be a greater issue with small public companies because auditors are not present at the Company facilities all year long to observe the operating style first-hand. There is also no correlation made between positive assessments of the items listed in paragraph 20 and the corresponding transaction level controls that could qualify for non-testing. This needs to be developed in order for the approach to provide the desired impact on cost savings. How does an auditor test whether management's philosophy and operating style promote effective internal control over financial reporting? If the Company has an incentive-based compensation structure for management, does that mean that company-level controls are inherently ineffective since the Company did not mitigate the reasons for misstating the financial results?

The use of the top-down, risk-based audit approach has been blamed by many for the frauds that necessitated the need for SOX. It is difficult to believe that its use will now be the solution to the high costs associated with SOX compliance. We do not think that the top-down approach will better focus the attention of the auditor on the most important controls in most situations. The common financial statement deficiencies, such as revenue recognition, would be difficult to detect at the company level.

We believe that the top-down approach will not work in achieving the objectives of the PCAOB in reducing audit costs. The PCAOB Inspection process will likely raise serious questions and challenges to the auditor as to the basis of the judgment to rely on the company-level controls. Because the judgment of both the PCAOB inspector and the auditor are based on subjective evidence, disagreements are likely to occur and auditors will quickly abandon the top-down approach out of fear of retribution by the PCAOB.

Questions 5-6: Risk Assessment

We believe the proposed standard appropriately incorporates risk assessment and we believe that the use of walkthroughs for low risk controls is appropriate.

Questions 7-9: Revising the Definition of Significant Deficiency and Material Weakness

This has been a difficult area for most auditors and companies to agree upon since it naturally requires a high degree of professional judgment. Utilizing terms similar to those in FASB Statement No. 5 is a positive step since it provides a sense of familiarity with terminology missing previously. However, there will likely be disagreements with the assessment since it is a judgment area. Therefore, we do not believe that the changes will have a significant impact on the amount of effort to make the determination, but we do believe that the revision is an improvement over AS 2. This is an area that the auditor and management should spend time on so assessing whether the change is good based on time is irrelevant.

Questions 10-27

We believe our general comments co0ver the factors we consider important and we will offer no further comment on these matters.

Questions 28-32: Scaling the Audit for Smaller Companies

We believe that the proposed standard addresses the differences that the auditor should take into account when auditing smaller public companies and we are supportive of the guidance provided. There are no hard and fast rules covering smaller public companies that should limit the implementation of controls. In many respects, smaller public companies have a higher degree of complexity than larger companies, especially in the areas of revenue recognition and debt and equity issues. The controls over these complex areas are no different from those needed in larger entities. Therefore, size alone cannot be a factor in assessing risk of material misstatement of financial statements. The complexity of the transactions and the abilities of the internal accounting staff are more definitive than size in determining the risk of material error in the financial statements. Since these cannot be objectively measured, market capitalization is as good a criteria as any other measure.

Question 33: Audit Committee pre-approval

We believe the information already provided is sufficient.

Question 34: Effective Date

We believe that the PCAOB must act quickly in to preserve the current effective date for years ending on or after December 31, 2007. We strongly urge the PCAOB to move forward and approve a standard by May 15, 2007 so that independent auditors, SOX consultants and companies can collaborate on an appropriate plan to address the new implementation standards. As mentioned previously, additional delays will create more procrastination on the part of small public companies in becoming compliant with SOX and 5 years is an adequate reprieve.

Other Comment

We again recommend that the PCAOB and SEC consider requiring auditor assessment every other year for small public companies and every third year for micro caps once the company has complied with Section 404 of SOX and obtained a clean opinion.