

July 10, 2008

Mr. J. Gordon Seymour
Office of the Secretary
Public Company Accounting Oversight Board (PCAOB)
1666 K Street, NW
Washington DC 20006

Re: PCAOB Rulemaking Docket Matter No. 025

Gentlemen,

On behalf of the American Apparel & Footwear Association (AAFA) – the national trade association of the apparel and footwear industry, and their suppliers, I am writing to submit comments on the Proposed Auditing Standard – Engagement Quality Review. While I understand these comments are being submitted after the deadline, I would ask your permission that they be considered for the record.

By way of background, AAFA has a broad membership including many public companies designing, manufacturing, importing and selling apparel and footwear products in a very competitive environment. Apparel and footwear products sold in the United States represent approximately \$370 billion of sales annually. More information on our association, and the industries we represent, is available at www.apparelandfootwear.org.

We believe a thorough engagement quality review is a necessary part of any comprehensive and credible auditing process. We note further that, per Section 103 of the Sarbanes Oxley Act of 2002, the PCAOB promulgated interim regulations in 2003 on this area that provide for such reviews. These regulations remain in force today.

We understand with this proposal that the PCAOB is attempting to improve this process to correct deficiencies in the current regulatory framework. The PCAOB has clearly identified several areas that it would like to improve with this proposal. For example, page 4 of release PCAOB 2008-002 cites an example of an engagement where inherent risks were not assessed adequately and where engagement staffing was insufficient.

While we commend the PCAOB for its efforts to address these deficiencies, we believe the proposal inadvertently causes more harm than good. It remains questionable if the proposal would in fact solve the problems – such as the one noted above – that were identified by the PCAOB.

We remain concerned that proposals to modify these regulations – as contained in the reference docket – would significantly increase audit and other costs without a corresponding increase in public confidence in the audit reports issued. These additional costs will occur at a time when public companies are feeling increased pressures on margins because of rising energy and wholesale costs and because of dampening consumer spending patterns. Increased compliance and audit costs will weaken the bottom lines of many companies, which will adversely affect investors.

A mid sized public company in our industry should expect additional audit fees approaching six figures, or more, with the full implementation of proposed standard. Bigger companies will incur even larger costs. Yet, we have been unable to quantify how these new processes will create additional public confidence in the auditing process. In fact, we believe the proposals may weaken that process.

For example, some aspects of the proposals call for duplication of the engagement team's work or for other activities that seem out of scope for the reviewers. We believe the reviewers should be focused on assessing the evaluations and work of the engagement team and in identifying any material risks that that team may have missed. Regulations that divert the attention of the reviewers into non-critical work weaken, not strengthen, this important function.

Similarly, vague requirements to maintain objectivity, while well meaning, add an extra element of confusion to what should be a predictable and straightforward process. In an effort to be compliant, review teams might refrain from the communication necessary for any properly conducted engagement quality review. Again, the end result may be a less effective and efficient process.

We are also concerned with the creation of a "know or should know" standard. We view this standard as highly subjective since reviewers, auditors, and federal regulators may all have different assessments of what any one individual "should have known." Enforcement of such a standard would be a nightmare while compliance against such a standard would be almost impossible.

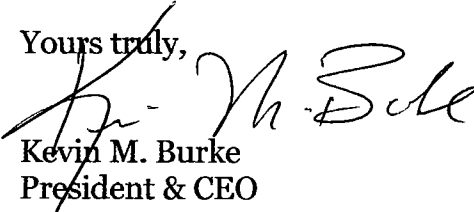
Companies should be incentivized to create auditing systems that work better, that deploy staff and resources more efficiently, and that target the risks in a more effective manner. Merely adding yet an extra layer of scrutiny, and then hobbling that extra layer with difficult-to-implement procedures, does not seem a proper solution. Additional layers only add costs, and are not necessarily

designed to uncover any problems that may exist with the initial auditing. The challenge instead should be to make the existing layers work more efficiently.

While we are pleased that the PCAOB is working to improve the current system, we strongly encourage the PCAOB not to implement the current proposal. Our members feel that the implementation of this standard will create duplicative and costly audit work that will not fix any underlying problems nor created improved investor confidence or other public benefits.

Thank you for considering our members concerns. Should you have any questions, please feel free to contact Ralph Reinecke at 703-797-9043.

Yours truly,



Kevin M. Burke
President & CEO