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Office of the Secretary

Public Company Accounting Oversight Board

1666 K Street, NW

Washington, DC 20006-2803

PCAOB Rulemaking Docket Matter No. 2008-026

Proposed Auditing Standards Related to the Auditor's Assessment of and Response to Risk and Conforming Amendment to PCAOB Standards

Dear Members and Staff of the Public Company Accounting Oversight Board ("PCAOB" or "the Board"):

We appreciate the opportunity to provide our views on the *Proposed Auditing Standards Related to the Auditor's Assessment of and Response to Risk and Conforming Amendment to PCAOB Standards* (the "Proposed Standards"). We have reviewed the Proposed Standards and believe that such standards if adopted would result in improvements to the audits of issuers. We do however have certain recommendations and observations.

We note the efforts of the Board to eliminate unnecessary differences between the proposed standards and other risk assessment standards. We understand that the Board was unable to completely eliminate differences between the IAASB risk assessment standards and the proposed PCAOB standards. As you know, the AICPA as part of its clarity project has redrafted certain of its risk assessment standards in order to assist with the convergence of U.S. GAAS with the ISAs. We believe that it is in the best interest of the global financial markets as well as auditors and preparers to have a single set of auditing standards. We encourage the Board to work with the Auditing Standards Board ("ASB") and IAASB to minimize if not completely eliminate the number of differences between such standards. To the extent that differences between the various risk assessment standards remain prior to issuance of the Board's final risk assessment standards, we encourage the Board to retain the reconciliation of such differences appearing in Appendix 10 of the Board's proposed risk assessment standards and to expand the reconciliation to also explain differences between the PCAOB standards and U.S. GAAS.



We have observed that the PCAOB's proposed risk standards do not contain nearly the application guidance provided by the ASB's proposed risk assessment standards. We believe that application guidance and illustrative examples to support the requirements is helpful to auditors and promotes consistent application of principles. We encourage the Board to follow suit with the ASB in providing application guidance and illustrative examples that address compliance with the proposed requirements. We also encourage the Board to adopt the ASB and IAASB drafting convention of having distinct sections of the standards for Objectives, Requirements and Application Guidance. We are concerned that absent similar illustrative guidance from the Board, the ASB guidance will become the de facto standard because it is considered more "user-friendly".

We have considered the Board's intention to emphasize the auditor's responsibilities for considering the risk of fraud during an audit. We agree with the Board that the integration of the consideration of fraud into the risk assessment process is an improvement over past practice. We are concerned that financial statements users, the Plaintiff's Bar and other constituencies may incorrectly interpret the Board's prominent emphasis of the consideration of the risk of fraud in an audit as a higher degree of responsibility for auditors related to the detection and prevention of fraud. We encourage the Board to consider adding a statement to the proposed risk standards that clarifies that although the Board believes the changes set forth in the proposed consideration of fraud will likely prompt auditors to make a more thoughtful and thorough assessment of the risks affecting financial statements, (including fraud risk), the changes related to the auditor's consideration of the risk of fraud in an audit do not impart a new or higher level of responsibility than previously existed for the detection and/or prevention of fraud on the auditor.

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