



February 16, 2023

Public Company Accounting Oversight Board
Office of the Secretary
1666 K Street, NW
Washington, DC 20006-2803

RE: CASE Credit Union Comments Regarding PCAOB Rulemaking Docket Matter No. 028

Dear Chair Williams and PCAOB Members DesParte, Ho, Stein, and Thompson:

On behalf of CASE Credit Union, a Community Development Credit Union that serves over 45,000 members, operates five branches throughout the Greater Lansing area, and controls over \$400 million in assets, we appreciate the opportunity to comment on the Public Company Accounting Oversight Board's (PCAOB) proposed auditing standard, "The Auditor's Use of Confirmation, and Other Proposed Amendments to PCAOB Standards."

Section III(I) of the PCAOB proposal states:

Involving internal auditors or other company employees in these activities [confirmation process] would create a risk that information exchanged between the auditor and the confirming party is intercepted and altered.

Upon publication of the proposed auditing standard, PCAOB officials indicated in a Wall Street Journal article, "The goal is to make sure that internal auditors don't manipulate the confirmation requests before they go out or the responses after they come back."

CASE Credit Union is concerned about and objects to this proposed change in PCAOB standards which is presented without any explanation or evidence for the need for such a change. In addition, we are deeply concerned by the PCAOB's characterization of internal auditors – both in the release and in comments made by PCAOB staff to the press – which imply that internal auditors are untrustworthy or incapable of exhibiting due care in the performance of their duties.

Internal auditors pride themselves on their commitment to providing objective assurance, independent from management, in accordance with the globally recognized International Standards for Professional Practice of Internal Auditing (Standards) and the requirements of the IIA's Code of Ethics. Adherence to the mandatory principles-based IIA Standards promotes a sound ethical culture and establishes the basis for relying upon the work and judgment of internal audit professionals. The Standards, coupled with the Code of Ethics, creates a process for evaluating the performance and efficacy of internal audit services.

It is also important to note that internal auditors and external auditors possess the same independent reporting relationship to an organization's audit committee. Both internal auditors and external auditors also have an obligation to exercise due care in the handling of all information.

Further, Accounting Standard 2605 (AS 2605) entitled, "Consideration of the Internal Audit Function," unequivocally grants external auditors the authority to utilize an internal audit function, as needed, to provide direct assistance during an audit. When direct assistance is provided, the auditor should assess the internal auditors' competence and objectivity. However, PCAOB's new proposal seemingly implies no assessment of competence and objectivity can possibly permit internal auditors to assist external auditors in certain facets of the confirmation process. The incongruity between AS 2605 and the present proposal creates regulatory mixed messages.

According to the PCAOB's language, internal auditors are presumptively never to be trusted. Such a position is offensive to the longstanding history of collaboration and cooperation between external auditors and internal audit functions and unnecessarily casts suspicion on the integrity of all internal auditors. While the scope of responsibilities for each profession is different, internal and external auditors must work in harmony to ensure that governance, risk, and control processes are in place and adequately working. Disparagement of either audit function – particularly from a government regulatory agency – undermines this partnership and risks engendering public mistrust in the auditing profession.

While internal auditors are not often involved in the confirmation process, they should be treated without prejudice and external auditors should be trusted to evaluate the objectivity, competence, and independence of the internal audit function from management. Here at CASE Credit Union, it is imperative that our internal audit function and external auditors collaborate and cooperate during the confirmation process for a myriad of reasons, such as to ensure that confirmations are not mailed to members who have a court mandate that they not be contacted.

Therefore, I respectfully ask that you maintain AS 2605 as the standard for evaluating internal auditors' involvement in the confirmation process.

Respectfully,

DocuSigned by:

Craig Godfrey

Craig Godfrey, CPA
Board Vice Chairperson

DocuSigned by:

Charmaine Shellman

Charmaine Shellman
Audit Committee Chairperson

DocuSigned by:

Jeffrey S. Benson

Jeffrey Benson, CPA
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