July 12, 2007

Ms. Nancy M. Morris
Secretary
Securities and Exchange Commission
100 F Street, NE
Washington, DC 20549-1090

Reference File No. PCAOB-2007-02

Dear Ms. Morris:

We appreciate the opportunity to comment on the SEC's questions regarding AS5. We continue to support the SEC's and PCAOB's efforts to enhance the guidance available to companies and auditors in this complex and challenging area.

1. Is the standard of materiality appropriately defined throughout AS5 to provide sufficient guidance to auditors? For example, is materiality appropriately incorporated into the guidance regarding the matters to be considered in planning an audit and the identification of significant accounts?

   Yes, we believe that materiality is appropriately defined throughout AS5 to provide sufficient guidance to auditors. As the new standard is intended to focus the auditor on the most important matters, we believe that the top-down risk-based approach will enable the auditor to apply appropriate judgment. As for planning the audit to identify significant accounts, the risk factors set forth in Paragraph A29 are comprehensive and should allow the auditor to apply appropriate judgment.

2. Please comment on the requirement in Paragraph 80 that the auditor consider whether there are any deficiencies or combinations of deficiencies that are significant deficiencies and, if so, communicate those to the audit committee. Specifically, will the communication requirement regarding significant deficiencies divert auditors' attention away from material weaknesses?

   AS5 requires the auditors to design their audit to focus on the most important matters, increasing the likelihood that material weaknesses will be found before they cause material misstatement of the financial statements. We do not believe the communication requirement regarding significant deficiencies will divert the auditor's attention away from the identification and evaluation of deficiencies that are considered to be material weaknesses. Auditors communicate matters warranting attention of the audit committee in the normal course of the audit (e.g. financial reporting disclosures, accounting estimates, etc.), and as a result, we *view the communication of significant deficiencies as consistent with that practice.*

3. Is AS5 sufficiently clear that for purposes of evaluating identified deficiencies, multiple control deficiencies should only be looked at in combination if they are related to one another?

   Aggregating identified deficiencies is a complex and judgmental process. It is logical that deficiencies in similar areas should be evaluated together since the ultimate determination of a material weakness could be dependent upon the existence of multiple control deficiencies in a particular process, financial statement account or disclosure. AS5 appears to be sufficiently clear in providing factors for auditors to consider in the evaluation of identified deficiencies.

4. Please comment on whether the definition of "material weakness" in Paragraph A7 (which is consistent with the definition that the SEC adopted) appropriately describes the deficiencies that should prevent the auditor from finding that ICFR is effective.

   Yes, we believe that the definition of "material weakness" in Paragraph A7 appropriately describes the deficiencies that should prevent the auditor from finding that ICFR is effective. The addition of references to FAS 5 are helpful in further defining "reasonable possibility".

5. Is AS5 sufficiently clear about the extent to which auditors can use the work of others?

   Yes, we believe that AS5 is clear about when auditors can use the work of others.

6. Will AS5 reduce expected audit costs under Section 404, particularly for smaller public companies, to result in cost-effective, integrated audits?

   We would expect that audit costs would be reduced going forward due to the ability to apply a top-down risk-based approach. The new standard is much clearer and more concise than AS2. In addition, the elimination of the requirement by auditors to opine on management's process should also reduce the level of costs.

7. Does AS5 inappropriately discourage or restrict auditors from scaling audits, particularly for smaller public companies?

   We do not believe that AS5 discourages scaling audits for smaller public companies. In fact, AS5 allows for greater flexibility of application of the rules due to the premise of a top-down risk-based approach rather than a "one size fits all " approach.

We appreciate the opportunity to express our views and would be pleased to discuss our comments. Please do not hesitate to contact me at (914) 253-3406.

Sincerely,

Peter A. Bridgman
Senior Vice President and
Controller

cc: Richard Goodman, Chief Financial Officer
Marie T. Gallagher, Vice President & Assistant Controller