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July 6, 2007

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

Via email: rule-comments@sec.gov

RE: File Number PCAOB-2007-02

Dear Ms. Morris:

We appreciate the opportunity to comment on the U.S. Securities and Exchange Commission's (SEC or Commission) release entitled *Public Company Accounting Oversight Board; Notice of Filing of Proposed Rule on Auditing Standard No. 5, An Audit of Internal Control Over Financial Reporting That is Integrated with an Audit of Financial Statements, and Related Independence Rule and Conforming Amendments.*

We support the Commission's approval of the proposed rules and conforming amendments. We believe the Public Company Accounting Oversight Board appropriately responded to concerns raised by the profession, including issuers, auditors, investors and others. We further believe the proposed rules and conforming amendments are consistent with the Sarbanes-Oxley Act of 2002 and will protect investors by maintaining the quality of audits in the public's best interest. We respectfully submit our responses to your request for specific comments in the accompanying appendix.

If you would like to discuss our comments further, please contact Mr. John L. Archambault, Managing Partner of Professional Standards, at (312) 602-8701, or Mr. R. Trent Gazzaway, Managing Partner of Corporate Governance, at (704) 632-6834.

Very truly yours,

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APPENDIX – RESPONSES TO REQUEST FOR SPECIFIC COMMENTS

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

   The standard of materiality is appropriately defined throughout AS5 and is sufficient to provide guidance to auditors in planning and performing the integrated audit.

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?

   The requirement to report identified significant deficiencies to the audit committee is an important component of AS5. It allows the auditor to report matters to the audit committee that might not currently rise to the level of a material weakness, but could do so if not properly addressed by the company. We do not believe it will divert the auditor's attention away from material weaknesses.

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?

   AS 5 is clear that the auditor evaluates multiple control deficiencies that affect the same account, disclosure or assertion, or component of internal control.

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.

   The definition of material weakness in AS5 is appropriate and clearly describes the magnitude and likelihood of a deficiency that would prevent the auditor from concluding that ICFR is effective.

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

   The standard is clear about the extent to which auditors can use the work of others to gain efficiencies in the audit, while not compromising the effectiveness of the audit.

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

   AS5 requires less audit effort related to an integrated audit than that required by AS2. The amount of reduced effort will vary by company depending on their size, complexity, degree of change from year-to-year, the quality of their internal control systems and documentation, and the extent to which they appropriately apply the SEC management guidance.

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

   AS5 appropriately discusses the concepts of scalability based on size and complexity. It permits the auditor to apply judgment in applying a risk-based approach to all companies. It is the risk-based approach that will enable scalability.