

## **Memorandum to the File**

On February 21, 2007, individuals from the SEC met with representatives from two public accounting firms to supplement the discussion held on February 15, 2007 regarding the Center for Audit Quality's comment letters on the SEC's proposed Interpretive Guidance and the PCAOB's proposed auditing standards. The individuals in attendance were as follows:

### **Audit Firms**

- John Fogarty, Partner – Deloitte
- Craig Crawford, Partner – KPMG

### **SEC**

- Zoe-Vonna Palmrose, OCA
- Mike Gaynor, OCA
- Brian Croteau, OCA
- Nancy Salisbury, OCA
- Josh Jones, OCA

The discussion covered a number of areas, including the following:

- Suggestions for enhancements to the discussion of fraud risks in the SEC's proposal, including integrating concepts from the sources cited in the proposal as well as making it clear that all companies should have fraud risks, but that its not necessarily an indication that a fraud actually exists.
- Alignment between the PCAOB and SEC's proposals, including synchronization of terms such as "financial reporting risks" and "what can go wrong" between the two documents to further illustrate how they work together
- Concerns over perceived role of SEC's guidance compared to that of the control frameworks such as COSO
- Entity-level controls in the SEC proposal, including an emphasis on the level of precision expected when identifying them as adequately addressing financial reporting risks
- Suggestions for the SEC's discussion of documentation
- Discussion of listing of strong indicators of material weaknesses in the SEC and PCAOB proposals, including the differences between the lists in both documents and the need for the list at all