

19(b)(3)(A)(i) of the Act,<sup>10</sup> and Rule 19b-4(f)(1) thereunder,<sup>11</sup> which renders the proposed rule change effective upon filing with the Commission.

At any time within 60 days of this filing, the Commission may summarily abrogate this proposal if it appears to the Commission that such action is necessary or appropriate in the public interest, for the protection of investors, or otherwise in furtherance of the purposes of the Act.<sup>12</sup>

#### IV. Solicitation of Comments

Interested persons are invited to submit written data, views, and arguments concerning the foregoing, including whether the proposal is consistent with the Act. Comments may be submitted by any of the following methods:

##### *Electronic Comments*

- Use the Commission's Internet comment form (<http://www.sec.gov/rules/sro.shtml>); or
- Send an e-mail to [rule-comments@sec.gov](mailto:rule-comments@sec.gov). Please include File Number SR-MSRB-2004-07 on the subject line.

##### *Paper Comments*

- Send paper comments in triplicate to Jonathan G. Katz, Secretary, Securities and Exchange Commission, 450 Fifth Street, NW., Washington, DC 20549-0609.

All submissions should refer to File Number SR-MSRB-2004-07. This file number should be included on the subject line if e-mail is used. To help the Commission process and review your comments more efficiently, please use only one method. The Commission will post all comments on the Commission's Internet Web site (<http://www.sec.gov/rules/sro.shtml>). Copies of the submission, all subsequent amendments, all written statements with respect to the proposed rule change that are filed with the Commission, and all written communications relating to the proposed rule change between the Commission and any person, other than those that may be withheld from the public in accordance with the provisions of 5 U.S.C. 552, will be available for inspection and copying in the Commission's Public Reference Room. Copies of such filing also will be available for inspection and copying at the office of the MSRB. All comments received will be posted without change; the Commission does not edit personal

identifying information from submissions. You should submit only information that you wish to make available publicly. All submissions should refer to File Number SR-MSRB-2004-07 and should be submitted on or before December 15, 2004.

For the Commission, by the Division of Market Regulation, pursuant to delegated authority.<sup>13</sup>

**J. Lynn Taylor,**

*Assistant Secretary.*

[FR Doc. E4-3309 Filed 11-23-04; 8:45 am]

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#### SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-50688; File No. PCAOB-2004-08]

#### **Public Company Accounting Oversight Board; Order Approving Proposed Conforming Amendments to PCAOB Interim Standards Resulting From the Adoption of PCAOB Auditing Standard No. 2, "An Audit of Internal Control Over Financial Reporting Performed in Conjunction With an Audit of Financial Statements"**

November 17, 2004.

#### **I. Introduction**

On September 16, 2004, the Public Company Accounting Oversight Board (the "Board" or the "PCAOB") filed with the Commission proposed *Conforming Amendments to PCAOB Interim Standards Resulting From the Adoption of PCAOB Standard No. 2, "An Audit of Internal Control Over Financial Reporting Performed in Conjunction With an Audit of Financial Statements"* ("Conforming Amendments"), pursuant to the Sarbanes-Oxley Act of 2002 (the "Act")<sup>1</sup> and Section 19(b) of the Securities Exchange Act of 1934 (the "Exchange Act"). The Conforming Amendments would change and add to the interim standards certain text, including references, to assist auditors in performing integrated audits of financial statements and internal control and would apply certain concepts developed in Auditing Standard No. 2 to assist an auditor engaged solely to audit the financial statements. Notice of the proposed Conforming Amendments was published in the **Federal Register** on October 13, 2004,<sup>2</sup> and the Commission received two comment letters. For the reasons discussed below,

the Commission is granting approval of the proposed Conforming Amendments.

#### **II. Description**

The Act establishes the PCAOB to oversee the audits of public companies and related matters, to protect investors, and to further the public interest in the preparation of informative, accurate and independent audit reports.<sup>3</sup> Section 103(a) of the Act directs the PCAOB to establish auditing and related attestation standards, quality control standards, and ethics standards to be used by registered public accounting firms in the preparation and issuance of audit reports as required by the Act or the rules of the Commission. Section 103(a)(3) of the Act also states that the Board may adopt any statement of auditing or related professional practice standards developed by a professional group of accountants as interim or transitional standards, with the Board retaining full authority to modify, supplement, revise or subsequently amend, modify or repeal, in whole or in part, any such statements. Pursuant to this authority, the PCAOB adopted the auditing and related professional practice standards of the American Institute of Certified Public Accountants, as they existed on April 16, 2003, as interim or transitional standards (the "interim standards").<sup>4</sup>

The proposed Conforming Amendments specifically identify changes to the interim standards as a result of adopting PCAOB Auditing Standard No. 2. The identification of such changes is intended to help auditors comply with the Board's standards, as well as to eliminate potential confusion and inconsistencies in interpretation with respect to the affected portions of the Board's interim standards.

The Conforming Amendments also supersede AT Section 501, *Reporting on an Entity's Internal Control Over Financial Reporting* ("AT 501")<sup>5</sup> and SAS No. 60, *Communication of Internal Control Related Matters Noted in an Audit* ("SAS No. 60").<sup>6</sup> AT 501 provides guidance for performing an attestation engagement to issue an examination report on the effectiveness of an entity's internal control over financial reporting as of a point in time. The Board believes

<sup>3</sup> Section 101(a) of the Act.

<sup>4</sup> The Commission approved the PCAOB's action in Release No. 34-47745, *Order Regarding Section 103(a)(3)(B) of the Sarbanes-Oxley Act of 2002*, (April 25, 2003).

<sup>5</sup> Statements on Standards for Attestation Engagements ("AT") are codified into the AICPA *Professional Standards*, volume 1.

<sup>6</sup> Statements on Auditing Standards ("SAS") are codified into the AICPA *Professional Standards*, volume 1.

<sup>10</sup> 15 U.S.C. 78s(b)(3)(A).

<sup>11</sup> 17 CFR 240.19b-4.

<sup>12</sup> See 15 U.S.C. 78s(b)(3)(C).

<sup>13</sup> 17 CFR 200.30-3(a)(12).

<sup>1</sup> Sections 101, 103 and 107 of the Act.

<sup>2</sup> Release No. 34-50495 (October 5, 2004); 69 FR 60913 (October 13, 2004).

that Auditing Standard No. 2 is a superior standard to its predecessor attestation standard, AT 501, and the proposal would supersede AT 501, effective immediately upon approval of the Conforming Amendments by the Commission. SAS No. 60 provides guidance in identifying and communicating conditions that relate to a company's internal control observed during an audit of the financial statements. SAS No. 60 for integrated audits (*i.e.*, audits of both financial statements and internal control over financial reporting) would be replaced by portions of Auditing Standard No. 2, and the proposal also would amend SAS 60 as it applies to financial statement only audits.

The proposed Conforming Amendments have multiple effective dates. The amendments that affect integrated audits for accelerated filers would be effective for fiscal years ending on or after November 15, 2004 (*i.e.*, at the same time as Auditing Standard No. 2 for integrated audits of accelerated filers that are subject to the Commission's rules implementing Section 404<sup>7</sup> of the Act). Those amendments that affect audits of financial statements only and those that affect integrated audits of non-accelerated filers subject to the Commission's rules implementing Section 404 of the Act would be effective for fiscal years ending on or after July 15, 2005. Finally, the superseding of AT 501 would be effective immediately upon approval by the Commission.

### III. Discussion

The Commission's comment period on the Proposed Standard ended on November 3, 2004, with the Commission receiving two comment letters. The comment letters came from two registered public accounting firms.

Both commenters expressed support for Commission approval of the Conforming Amendments.

### IV. Conclusion

On the basis of the foregoing, the Commission finds that proposed Conforming Amendments are consistent with the requirements of the Act and the securities laws and are necessary and appropriate in the public interest and for the protection of investors.

It is therefore ordered, pursuant to Section 107 of the Act and Section 19(b)(2) of the Exchange Act, that the proposed *Conforming Amendments to*

*PCAOB Interim Standards Resulting From the Adoption of PCAOB Standard No. 2, "An Audit of Internal Control Over Financial Reporting Performed in Conjunction With an Audit of Financial Statements"* (File No. PCAOB-2004-08), be and hereby are approved.

By the Commission.

**J. Lynn Taylor,**

*Assistant Secretary.*

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### SMALL BUSINESS ADMINISTRATION

#### [Declaration of Disaster # 3653]

#### State of Georgia

Charlton County and the contiguous counties of Brantley, Camden, and Ware in the State of Georgia; and Baker and Nassau Counties in the State of Florida constitute a disaster area as a result of damages caused by heavy rains and severe localized flooding from Tropical Storm Jeanne that occurred on September 25 and September 26, 2004. Applications for loans for physical damage as a result of the disaster may be filed until the close of business on January 18, 2005, and for economic injury until the close of business on August 16, 2005, at the address listed below or other locally announced locations: U.S. Small Business Administration, Disaster Area 2 Office, One Baltimore Place, Suite 300, Atlanta, GA 30308.

The interest rates are:

	Percent
<i>For Physical Damage:</i>	
Homeowners with Credit Available Elsewhere .....	6.375
Homeowners Without Credit Available Elsewhere .....	3.187
Businesses With Credit Available Elsewhere .....	5.800
Businesses and Non-Profit Organizations Without Credit Available Elsewhere .....	2.900
Others (Including Non-Profit Organizations) with Credit Available Elsewhere .....	4.875
<i>For Economic Injury:</i>	
Businesses and Small Agricultural Cooperatives Without Credit Available Elsewhere ...	2.900

The numbers assigned to this disaster for physical damage are 365306 for Georgia and 365406 for Florida. The numbers assigned to this disaster for economic injury are 9AJ800 for Georgia, and 9AJ900 for Florida.

(Catalog of Federal Domestic Assistance Program Nos. 59002 and 59008.)

Dated: November 16, 2004.

**Hector V. Barreto,**  
*Administrator.*

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### SMALL BUSINESS ADMINISTRATION

#### [Declaration of Disaster #3652]

#### State of Hawaii

The city and county of Honolulu in the State of Hawaii constitutes a disaster area as a result of heavy rains and flooding that occurred on October 30, 2004 on the island of Oahu.

Applications for loans for physical damage as a result of this disaster may be filed until the close of business on January 18, 2005, and for economic injury until the close of business on August 16, 2005, at the address listed below or other locally announced locations: U.S. Small Business Administration, Disaster Area 4 Office, P.O. Box 419004, Sacramento, CA 95841-9004.

The interest rates are:

	Percent
<i>For Physical Damage:</i>	
Homeowners with Credit Available Elsewhere .....	5.875
Homeowners Without Credit Available Elsewhere .....	2.937
Businesses With Credit Available Elsewhere .....	5.800
Businesses and Non-Profit Organizations Without Credit Available Elsewhere .....	4.000
Others (Including Non-Profit Organizations) with Credit Available Elsewhere .....	4.750
<i>For Economic Injury:</i>	
Businesses and Small Agricultural Cooperatives Without Credit Available Elsewhere ...	4.000

The number assigned to this disaster for physical damage is 365206 and for economic damage is 9AJ700.

(Catalog of Federal Domestic Assistance Program Nos. 59002 and 59008.)

Dated: November 16, 2004.

**Hector V. Barreto,**  
*Administrator*

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### SMALL BUSINESS ADMINISTRATION

#### [Declaration of Disaster # 10001]

#### State of Maryland

Allegany County and the contiguous counties of Garrett and Washington in the State of Maryland; Bedford, Fulton,

<sup>7</sup> See Release No. 33-8238 (June 5, 2003) [68 FR 36636] and Release No. 33-8392 (February 24, 2004) [69 FR 9722].