



May 11, 2005

Office of the Secretary  
Public Company Accounting Oversight Board  
1666 K Street, N.W.  
Washington, D.C. 20006-2803

RE: PCAOB Rulemaking Docket Matter No. 018

To Whom It May Concern:

One of the expressed goals of the Texas Society of Certified Public Accountants (TSCPA) is to speak on behalf of its members when such action is in the best interest of its members and serves the cause of Certified Public Accountants in Texas, as well as the public interest. The TSCPA has established a Professional Standards Committee (PSC) to represent those interests on accounting and auditing matters.

We appreciate the opportunity to provide input into your deliberations on the Proposed Auditing Standard – *Reporting on the Elimination of a Material Weakness*.

Regarding the three areas where specific comments were requested, we have the following input:

1. In our opinion, the sample auditor's report included in the proposed standard adequately describes the results of the engagement.
2. We believe the requirement to modify the report in an attempt to point out that other material weaknesses were previously identified, and are not currently being addressed, is sufficient. Readers who are interested in more detail regarding these other material weaknesses can easily obtain the previously issued reports in which they were identified and described.
3. Regarding the third area where comment was requested, we believe the standard should be modified to permit an auditor to report on the elimination of a material weakness that had been identified on an interim basis subsequent to the auditor's prior report. The Board has concluded (page 3 of the Release) that "it is appropriate to provide a mechanism to facilitate . . . assurance [by the company's independent auditor]." We feel that it would be inappropriate to preclude a company from providing such assurance solely due to the timing of the discovery of the material weakness. If a successor auditor can address weaknesses he or she had not previously reported upon (paragraph 23 of the proposed standard), then the continuing auditor should have the same opportunity. If the Board agrees with this recommendation, we believe the proposed standard should include guidance on the additional work that would be necessary to support the auditor's report.

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We believe one additional issue should be considered by the Board prior to the final issuance of the proposed standard. The Board should require that the date of the assertion regarding the elimination of the material weakness coincide with the company's reporting date. Making the assertion date coincide with the company's reporting date eliminates any potential confusion on the part of readers regarding the impact of the material weakness on financial statements issued on a particular date. For example, if management's assertion regarding the elimination of a material weakness is dated April 5, a reader might question whether the first quarter's (as of 3/31/200X) financial information presented by the company was negatively impacted by the existence of the material weakness. If the assertion date and the company's reporting date coincide, the reader would be assured that the financial information reported on by the accountant was free of any impact on the material weakness. We believe this is consistent with Auditing Standard No. 2 where the assertion date and the accountant's reporting date are the same (for example, as of December 31, 200X).

We appreciate the opportunity to provide our input into the standard setting process.

Sincerely,

A handwritten signature in black ink, appearing to read "C. Jeff Gregg". The signature is written in a cursive style with a large initial "C" and "J".

C. Jeff Gregg, CPA  
Chair, Professional Standards Committee  
Texas Society of Certified Public Accountants