

*American Accounting Association ♦ Auditing Section
Auditing Standards Committee*

May 12, 2005

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

Via email to comments@pcaobus.org

RE: Invitation to Comment on PCAOB Rulemaking Docket Matter No. 018

Dear Board Members:

The Auditing Standards Committee of the Auditing Section of the American Accounting Association welcomes the opportunity to comment on *Proposed Auditing Standard – Reporting on the Elimination of a Material Weakness*. The views expressed in this letter are those of the Auditing Standards Committee members and do not reflect an official position of the American Accounting Association. In addition, the comments reflect the overall consensus view of the Committee, not necessarily the views of every individual member.

We offer our responses to the specific questions posed in section IX of the Board's Release No. 2005-002 dated March 31, 2005. We find the proposed rules and discussion to be very well constructed and consistent with existing Board and SEC requirements, and we compliment the Board on taking quick action to address this topic.

The Board invited comment on three specific issues:

1. Does the sample auditor's report, which is included in the proposed standard, clearly describe the results of the engagement?

Yes. The sample report clearly describes the results of the engagement. The report seems to be consistent with what a user would expect based on the original audit report on the material weakness that would have been issued under AS No. 2.

2. If the auditor does not express an opinion on all of the material weaknesses that were identified during the company's most recent audit of internal control over financial reporting, should the proposed standard require the auditor's report to specifically identify the additional material weaknesses?

No. A requirement to specifically identify the additional material weaknesses seems to increase the risk of confusion about the intent of the engagement and subsequent report.

3. Should this standard allow an auditor to report on the elimination of a material weakness in the circumstance in which the material weakness was identified and eliminated by management as of an interim date?

No. Our view is that the purpose of this type of engagement and subsequent report is to allow the auditor to address material weaknesses identified in prior 404 reporting. If the auditor has not identified the item as a material weakness in a prior 404 engagement and report, it does not seem appropriate to report on the correction of that weakness in a separate report.

We hope that our suggestions are helpful and will assist in finalizing the auditing standard. Please feel free to contact our committee Chair for elaboration on or clarification of any comment.

Respectfully Submitted,

Auditing Standards Committee
Auditing Section, American Accounting Association

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