

MARCH 31, 2005 OPEN MEETING

**PROPOSED AUDITING STANDARD --
REPORTING ON THE ELIMINATION OF A MATERIAL WEAKNESS**

Statement of Daniel L. Goelzer

I support the proposed standard and would like to join in commending the Chief Auditor's staff for bringing it forward. To me, this proposal is evidence that we are accomplishing one of the things that we set out to do in our standard-setting program -- responding to a need for a new standard that was pointed out to the Board by public companies and investors. The Board's Standing Advisory Group discussed the possibility of an auditor's report on the elimination of a material weakness at its meeting last November. Many of the public company representatives at that meeting stressed the importance of a remediation standard. We have heard the same thing in other fora. I think it is key that our standard-setting program have the flexibility to respond promptly to that sort of emerging development, even when the subject is not one that was previously on the Board's agenda.

While I think this is an important proposal, I would also like to emphasize its limits. The Board's standard-setting group has fashioned a narrowly drawn tool that will give a company the option of affording the investing public assurance that its auditor agrees with management that a specific, previously disclosed, material weakness in internal control over financial reporting has been cured. I support making this option available. However, I hope that this particular tool will be used sparingly.

As others have already said, retaining the auditor to issue a report concurring in management's view that a weakness has been fixed is completely voluntary. It seems to me that, in most cases, investors should be able to accept management's assurance that it has remediated a weakness without the added support of an interim auditor's opinion. The auditor will, of course, have to consider whether the weakness was eliminated in its next annual audit of internal control over financial reporting. In many cases, that should be sufficient. I hope that audit committees will carefully weigh the benefits of an auditor's report on the remediation of a material weakness before they decide to incur the costs. It would be unfortunate, and contrary to what I believe the Board intends, if this standard were to become a kind of de facto requirement.