



August 27, 2007

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. 017

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 views expressed herein are written on behalf of the Professional Standards Committee (PSC) of the TSCPA. The committee has been authorized by the TSCPA Board of Directors to submit comments on matters of interest to the committee membership. The views expressed in this letter have not been approved by the TSCPA Board of Directors or Executive Board and, therefore, should not be construed as representing the views or policy of the TSCPA. We appreciate the opportunity to provide input into your deliberations on the above-referenced Exposure Draft (ED).

In general, the members of the PSC are in agreement with the direction of the proposed standard. We have addressed each of the six questions presented in the ED and provide the following comments related thereto for your consideration.

**Question 1: Would proposed Rule 3526 assist registered firms and audit committees in fulfilling their respective obligations with respect to auditor independence?**

We believe that a significant tax engagement performed by a public accounting firm for key members of an entity's financial oversight group prior to being engaged to perform attestation services for the entity would, in most instances, have minimal impact on the independence of the public accounting firm. We do believe that a consideration of such prior tax work should be made by the entity's audit committee in evaluating any impact on the public accounting firm's independence. It is the responsibility of the audit committee to make the final decision regarding any independence problems that such prior relationships might impose.

**Question 2: Would proposed Rule 3526 assist audit committees in making a decision regarding the appointment of a new auditor?**

We consider the proposed Rule to be of assistance to the audit committee in its deliberations regarding the appointment of a new auditor. However, the audit committee needs to decide on the extent of the prior relationships between members of the entity's financial oversight group and the proposed new audit firm that it needs to consider. The audit committee is responsible for making an informed decision on the independence of any new audit firm it wishes to consider. Thus, the audit committee should solicit the proposed new auditor to disclose the prior or current tax engagements with the entity that it considers to be relevant to its decision regarding the firm's independence.

**Question 3: Should proposed Rule 3526 require the registered public accounting firm to communicate any additional matters on auditor independence to the audit committee? If so, what specific communications should the auditor be required to make to the audit committee?**

We believe the significant issue regarding auditor independence as described in the ED is the performance of tax work for key members of the entity's financial oversight group. To expand the ED to include "additional matters on independence" would result in a need for expanded guidance that would do little to enhance the proposed rule. The performance of tax work for key members of the entity's financial oversight group is the critical issue regarding independence and should be the primary focus of the ED.

**Question 4: To what extent, if any, are accounting firms already making the kinds of communications that would be required by the proposed Rule 3526?**

Based on the personal experience of PSC members, we believe every effort is made to disclose any and all relationships between the accounting firm personnel and key members of the entity's financial oversight group. In most instances, we believe this disclosure also extends to family members of the financial oversight group. Public accounting firms, in our opinion, appear to be well aware of the responsibility they have to disclose any activities that might impact their independence with respect to new attest clients.

**Question 5: Should the initial communication required under proposed Rule 3526(a) be limited to relationships that existed during a particular period? If so, why, and how long should the period be?**

We do not believe there should be a limiting time frame regarding the relationships that existed between the public accounting firm and the prospective audit client. We feel the audit committee should be charged with the responsibility of determining the relevant time frame within which it considers an event could impact the auditor's independence. The decision is being made by the audit committee members and only they know what time frame is relevant for their consideration.

**Question 6: Should the Board provide a transition period in Rule 3523 to allow a registered public accounting firm to complete covered tax services once the professional engagement period begins? If so, why is such a transition period necessary? How long should any such transition period be?**

We believe the registered public accounting firm should be allowed time to complete a pending tax engagement up to the time the firm begins its year-end audit work. We feel work on the tax engagement can be continued, if necessary, during the time the firm is performing interim audit work. However, once the year-end audit work commences there should be no additional time spent on the tax engagement. Thus, if the tax engagement cannot be completed prior to the initiation of year-end audit work, the tax engagement should be terminated and the client should seek the assistance of another accounting firm to complete the tax engagement.

Office of the Secretary  
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August 27, 2007  
Page Three

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

Sincerely,

A handwritten signature in black ink that reads "Sandra K. Johnigan". The signature is written in a cursive style with a large initial 'S' and 'J'.

Sandra K. Johnigan, CPA, CFE  
Chair, Professional Standards Committee  
Texas Society of Certified Public Accountants