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Office of the Secretary
PCAOB
1666 K Street, N.W.
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PCAOB Rulemaking Docket Matter No. 018

Gentlemen:

I have read the Proposed Auditing Standard – Reporting on the Elimination of a Material Weakness – and I support its issuance as a final standard. This is an issue that has come up in my own experience as a corporate board member and I believe it is appropriate for a company to be allowed to have its assertion that a material weakness in internal controls has been eliminated endorsed by its auditor. I also strongly support making this a voluntary service. Given what many believe is already excessive cost involved in the Sarbanes-Oxley Section 404 exercise, companies should not be required to incur extra costs for “elimination services” at an interim date.

Page 4 of the Proposal states that an auditor would not be permitted to report on the elimination of a material weakness that arose in the current year (did not exist at the end of the last reporting year). As far as I can tell, the only way that this is addressed in the actual proposed standard is through the Note on page A1-3 that says, “In this context, previously reported material weakness means a material weakness that was previously described in an auditor’s report issued pursuant to Auditing Standard No. 2.” Perhaps I am missing something, but that seems like an awfully subtle way of communicating what apparently is an important point, given your request for

specific comments on this matter. So one suggestion would be to make the scope of the standard clearer.

More importantly, I really don't see a need for this limitation and urge that it be dropped. At a minimum, you should explain why such a limitation is necessary. In neither the introductory part of the Proposal nor the draft standard is any reasoning given for the position you have taken. Given that a company will have to publicly report both the occurrence of a new material weakness and its subsequent elimination in a later quarter (if that happens), I see no reason why the company shouldn't be allowed to seek its auditor's concurrence with the elimination if it wants. Again, I wouldn't require such an engagement, but I can't think of why it should be precluded.

As a further point, there is very little "basis for conclusions" included in the Proposal. I suggest that you consider providing your reasoning in the PCAOB's documents as much as possible. Knowing why something is being required helps interested parties understand the purpose of new rules and allows those parties to provide more informed comments on proposals. I recognize that the PCAOB has done a reasonably good job of explaining in final rules what comments were received and why or why not those comments were reflected in the final rules. However, given that all of the development of the standards is "behind closed doors" and not subject to significant public observation or even knowledge, those interested in your standards seek to understand more of the thinking that caused the PCAOB to reach the tentative positions that you did. I think you owe this to those who wish to follow your efforts and help you make the final products as good as possible.

Thank you for considering these comments and please let me know if you have any questions.

Sincerely,

Dennis R. Beresford