

February 29, 2012

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

RE: Proposed Auditing Standard: *Communications With Audit Committees*

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. The views expressed herein are written on behalf of the PSC. The PSC has been authorized by the TSCPA's 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's Board of Directors or Executive Board and, therefore, should not be construed as representing the views or policy of the TSCPA.

In our discussion of the above referenced exposure draft, we considered each of the seven questions posed by the PCAOB (Board.) Our response to each question is indicated below.

**Question 1: Are the communication requirements in the new proposed standard appropriately aligned with the performance requirements in the risk assessment standards, where applicable? If not, why?**

We did not find the Appendix where the proposed standards were compared with the existing risk assessment standards. If we were to do this independently, we would be unable to provide assurance that our analysis was complete. Accordingly, we request the Board to provide this analysis and allow us to comment.

**Question 2: The communication requirements included in the new proposed standard are based on the results of procedures performed during the audit. Are there additional matters that should be communicated to the audit committee that also are based on existing performance obligations?**

We have no additional suggestions regarding matters that should be communicated to the audit committee that are based on existing performance obligations.

**Question 3: The auditor is required to have the engagement letter executed by the appropriate party or parties on behalf of the company. If the appropriate party or parties is other than the audit committee, or its chair on behalf of the audit committee, the auditor should determine that the audit committee has acknowledged and agreed to the terms of the engagement.**

**a. Is this requirement in the standard clear?**

The requirement in the standard is sufficiently clear.

**b. As stated, the new proposed standard allows the acknowledgement by the audit committee to be oral. Should the acknowledgement by the audit committee, or its chair on behalf of the audit committee, be required to be in a written form or is oral acknowledgement sufficient?**

Oral acknowledgement by the audit committee chair is sufficient.

**Question 4: Is the requirement for the auditor to communicate significant unusual transactions to the audit committee appropriate? If not, how should the requirement be modified?**

We believe the Board should provide a definition of "unusual transactions." In today's business environment, it appears as though companies have wide ranging business models that make it most difficult to identify what constitutes an unusual transaction. Further, in condoning the requirement to make this communication to the audit committee, are we not putting the auditor in the position of the audit committee's business manager and a watchdog over management? We believe it would be a wise decision for the Board to rethink this requirement.

**Question 5: Is the requirement appropriate for the auditor to communicate to the audit committee his or her views regarding significant accounting or auditing matters when the auditor is aware that management has consulted with other accountants about such matters and the auditor has identified a concern regarding these matters? If not, how should the requirement be modified?**

We believe it is appropriate for the auditor to communicate to the audit committee his or her views regarding significant **audit** matters when the auditor is aware that management has consulted other accountants about such matters and the auditor has identified a concern regarding these matters. However, most small- and medium-sized public companies have, as a part of their internal control over financial reporting, policies and procedures regarding consultation with other accountants regarding complex or unusual accounting matters. We believe the requirement should be modified as it relates to significant accounting matters to only communicate with the audit committee in situations where the auditor disagrees with management's conclusion on such matters (regardless of whether other accountants were consulted).

**Question 6: Are the amendments to the PCAOB standards appropriate? If not, why?**

Except as addressed otherwise in this letter, the amendments to the PCAOB standards appear appropriate.

**Question 7: The Board requests comments regarding the audits of brokers and dealers on the following matters:**

- a. **Whether the communication requirements under the Board's interim standard, AU sec. 380, should be applicable to audits of brokers and dealers if audits of brokers and dealers are to be performed under PCAOB standards before the new proposed standard becomes effective? If so, should it be applicable to audits of all brokers and dealers?**

Yes, the PCAOB standard is a PCAOB standard audit. If we have to communicate to all audit committees, we should do it for brokers and dealers.

- b. **Whether the auditor's communications to audit committees included in the new proposed standard should be applicable to all audits of brokers and dealers?**

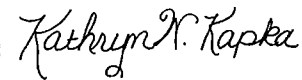
If the PCAOB has authority over brokers and dealers, then it should.

- c. **Are there any communication requirements specific to audits of brokers and dealers that should be added to the new proposed standard? Alternatively, are there any communication requirements contained in the new proposed standard that should not be applicable to the audits of brokers and dealers? If so, provide examples and explanations for why the communication requirements for audits of brokers and dealers should be different from audits covered by the new proposed standard.**

No. Points to be covered are universal and should apply to all entities.

We appreciate the opportunity to provide input into the standards-setting process.

Sincerely,



Kathryn W. Kapka, CPA, CIA, CGAP  
Chair, Professional Standards Committee  
Texas Society of Certified Public Accountants