



September 1, 2011

Office of the Secretary
PCAOB
1666 K Street, N.W.
Washington, D.C. 20006-2803

RE: Proposed Auditing Standard: *Auditing Supplemental Information Accompanying Audited Financial Statements and Related Amendments to PCAOB Standards*

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 PSC has been authorized by the TSCPA Board of Directors to submit comments on matters of interest to the PSC 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 (ED), we considered each of the 14 questions posed by the PCAOB in Appendix 3. Our response to each question is indicated below.

Question 1: Does the definition of supplemental information in the proposed standard sufficiently describe the type of information covered by this standard?

We found the definition of supplemental information to be an acceptable characterization of the data that would be considered supplemental information in a vast majority of financial reporting situations.

Question 2: Are there other types of supplemental information that are currently reported on but are not addressed in the definition of supplemental information in the proposed standard?

The comprehensive nature of the definition of supplemental information found in the proposed standard adequately characterizes what we believe constitutes the concept of supplemental information in the financial reporting arena.

Question 3: Are there any particular challenges to applying the requirements of this standard to certain types of supplemental information required by regulatory bodies and included in SEC filings?

The issuance of a standard that focuses on Auditing Supplemental Information will obviously elevate the auditor's responsibility to provide a higher level of assurance with respect to such information. This increased responsibility will cause the auditor to expand his or her understanding of the risks related to the supplemental information, as well as the controls surrounding its preparation and presentation. We

as auditors often wonder if the resulting level of assurance required by a standard is equal to the expectations held by those using the attestation report. Auditors apply an effort designed to meet the requirements of a standard and attempt to provide users with reasonable assurance. However, those users often apply a more absolute level of assurance that is difficult, if not impossible, to meet. We recognize the difficulty in gauging the gap between auditor representation and user interpretation. However, we must be mindful that the greatest challenge we face in setting standards is to clearly communicate the reasonableness of an expectation as it relates to the representation.

Question 4: Should additional guidance be provided regarding reporting on audits of financial statements that are deemed to include schedules required by SEC Regulation S-X? For example, is guidance needed regarding reporting when the schedules required by SEC Regulation S-X are included in SEC filings in which the audited financial statements are incorporated by reference? Are there other practical implications that the Board should consider?

We believe further guidance in this area would be redundant since supplemental schedules required by Regulation S-X are currently considered an integral component of the financial statement package. The auditor's responsibility regarding schedules required by SEC Regulation S-X has been defined in the Regulation. The auditor's acknowledgement of that responsibility occurs when he or she performs the audit in accordance with generally accepted auditing standards. We are not aware of any other practical implications that the Board should consider.

Question 5: Is the proposed "in relation to" audit opinion an appropriate degree of responsibility for supplemental information to serve the public interest and protect investors and customers of brokers and dealers? If not, what would be a more appropriate degree of responsibility, and what would be the necessary changes to the auditor's work?

The "in relation to" audit opinion represents an appropriate degree of responsibility for supplemental information as it applies to the public interest and the protection of investors and customers of brokers and dealers. To move beyond the "in relation to" audit opinion would elevate the effort of the auditor to a level that would not pass the cost/benefit test. As the name implies, this information is *supplemental* and should not be elevated to a level of significance that seems to serve no useful purpose.

Question 6: Are there circumstances in which the auditor cannot provide an opinion on supplemental information in relation to the financial statements as a whole? If yes, what would those circumstances be, and what should the auditor's responsibilities be for that information?

We are aware of numerous circumstances (scope limitations, data integrity, uncertainties, etc.) that could prohibit an auditor from issuing an opinion on supplemental information. However, we believe general audit guidance would require the auditor to explain the reason for the inability to provide the opinion and disclaim any responsibility for the supplemental information. The problem with this question is the breadth of the circumstances that could cause such a problem and the fact that some general guidance would be quite difficult to develop. This issue again relates to the cost/benefit that would result from such an effort.

Question 7: Are there certain types of supplemental information for which a different materiality consideration should be applied? If so, in what circumstances, and what materiality considerations, should be used in those circumstances?

Materiality is a matter of professional judgment on the part of the auditor. The proposed standard includes the following regarding the auditor's application of materiality related to supplemental information: "When planning and performing the audit of supplemental information, the auditor should use the same consideration of materiality as that used in planning and performing the audit of the financial statements." We believe that there are probably different materiality considerations that may arise regarding individual audits, as well as different types of supplemental information. To identify all such possibilities would be impossible. Thus, we suggest the Board merely reiterate that materiality is a matter of auditor judgment and that judgment may have to be altered in situations where different materiality considerations are required for certain types of supplemental information.

Question 8: Are there other factors that the auditor should consider that would affect the nature, timing, and extent of procedures in the audit of supplemental information?

The required audit procedures applicable to supplemental information included in the proposed standard appear to reflect a sufficient array of procedures to adequately test supplemental information. However, we do believe that consultation with legal counsel or other experts may be necessary if non-accounting interpretations or disclosures are needed in the schedules.

Question 9: Are there additional audit procedures that the proposed standard should require, for example, to address particular types of supplemental information?

We do not believe that additional audit procedures should be required. Also, to try to identify the particular types of supplemental information where certain procedures should be performed would lead to unnecessary controversy regarding the reasons for singling out certain types of supplemental information.

Question 10: Are the required audit procedures sufficiently clear and appropriate?

The procedures appear to be sufficiently clear and appropriate.

Question 11: Are the representations in the proposed standard clear and appropriate? Are there any additional representations that the auditor should obtain from management for the auditor to provide an opinion on the supplemental information accompanying audited financial statements?

We believe the representations found in the proposed standard are clear and appropriate, and we have no suggestions for any additional representations that should be obtained from management.

Question 12: Does the proposed standard sufficiently describe the requirements for evaluating the audit results in relation to financial statements?

Office of the Secretary
PCAOB
September 1, 2011
Page Four

We believe the four requirements for evaluating audit results, as presented in the proposed standard, provide an adequate basis for evaluating the audit results in relation to the financial statements.

Question 13: Do the required elements of the auditor's report clearly communicate the auditor's responsibilities for the supplemental information?

The auditor's responsibilities are clearly communicated in the auditor's report.

Question 14: What changes, if any, should be made to the form or content of the report described in the proposed standard? Are there additional auditor representations or other information that the auditor's report should include?

We have no suggestions for changes in the form or content of the report and we do not believe there should be any additions made to the auditor's representations.

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

Sincerely,



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