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January 20, 2006

Nancy Morris
Office of the Secretary
Securities and Exchange Commission
450 Fifth Street, NW
Washington, D.C. 20549-0609

Re: Release No. 34-52990; File No. PCAOB-2005-01

PCAOB Proposed Auditing Standard on Reporting on Whether a Previously Reported Material Weakness Continues to Exist

Dear Ms. Morris:

Deloitte & Touche LLP is pleased to respond to the request for comments from the Securities and Exchange Commission (the "SEC") regarding the filing by the Public Company Accounting Oversight Board (the "PCAOB" or the "Board") of its Proposed Auditing Standard No. 4, *Reporting on Whether a Previously Reported Material Weakness Continues to Exist*, PCAOB Rulemaking Docket Matter No. 018 (the "Proposed Standard").

We are supportive of the Proposed Standard, as adopted by the Board on July 26, 2005, and we recommend that the SEC adopt the Proposed Standard as presented by the PCAOB. We believe however that registrants will need guidance from the SEC as to the form of management's assertion and the mechanism for inclusion of management's assertion and the related auditor's report in the Form 10-Q or Form 8-K. For example, we believe that it would not be appropriate for management to assert in its report that "internal control is effective" because a material weakness no longer exists. In order to make such a statement, we believe it would be necessary for management to assess the effectiveness of internal control over financial reporting in its entirety, not simply the controls related to the area with the material weakness.

We are concerned that lack of specific guidance from the SEC related to the form of management's assertion and how to include management's assertion and the auditor's report in SEC filings will lead to confusion, frustration, and diversity in practice. For example, in a successor auditor situation, guidance is needed as to whether the predecessor auditor's report, which is required to be referred to by the successor auditor, would also need to be filed with the successor auditor's report. Therefore, we strongly recommend that the SEC develop guidance for issuers in these areas.

Our specific comments on the questions posed by the SEC in its request for commentary are set out below.

1. Are there unnecessary impediments to management's use of AS 4? Will it be used? What are the ways AS 4 should be changed, if any, to encourage appropriate use by management?

As acknowledged in the Proposed Standard in paragraphs 17 and 18, we believe that there are a significant number of situations in which, because of the nature of the previously reported material weakness, it will not be appropriate or possible for management or the auditor to report under the Proposed Standard because they will not be able to obtain a sufficient basis to report on whether a previously identified material weakness continues to exist without performing a complete assessment or audit of internal control over financial reporting. At this time we don't have sufficient basis to conclude whether our clients will use the Proposed Standard or not. Companies are required to provide disclosures about material changes in their internal control in their quarterly and annual filings with the SEC; accordingly, they may not perceive a need to obtain assurance as to whether a material weakness no longer exists. Based on their analysis of the costs and perceived benefits of obtaining such assurance, they may not believe that the associated costs are warranted given that they already have the ability to make complete disclosure about remediation activities, and have been strongly encouraged to do so by the SEC.

2. Under AS 4, management is permitted to select the date for its assertion that a material weakness no longer exists. Is it clear that such date may fall outside of the quarterly review period?

We believe that the guidance in paragraph 29 of the Proposed Standard is sufficiently clear that management may specify any date to assert that a previously reported material weakness no longer exists, and that such date need not coincide with the end of a fiscal quarter and the performance of interim review procedures by the auditor in accordance with AU 722. Bullet a of Paragraph 29 of the Proposed Standard clearly states that "Management's assertion that a previously reported material weakness no longer exists may be made as of any specified date that permits management to obtain sufficient evidence supporting its assertion."

We addressed this issue in our comment letter to the PCAOB on the exposure draft of the Proposed Standard and we recommended that engagements performed under the Proposed Standard only be performed as of quarterly financial reporting dates for U.S. issuers, instead of at any date during the year. We noted that the many of the material weaknesses identified during the most recent annual reporting period related to the control environment or controls relating to the period-end financial closing process. Due to the nature and pervasiveness of these types of material weaknesses, it would appear that the auditor would need to observe the period-end financial reporting process during the performance of an engagement conducted in accordance with the Proposed Standard. The requirement to perform these engagements as of quarterly dates would also provide the auditor with the added benefit of being able to consider the results of interim review procedures under AU 722 when rendering a report under the Proposed Standard. We acknowledge that the PCAOB seems to have addressed this concern with the revised paragraphs 29b. and 29d. of the Proposed Standard.

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We appreciate the opportunity to comment and would be pleased to discuss these matters with you further. If you have any questions or would like to discuss any issues related to the Proposed Standard, please contact Glenn Stastny at (203) 761-3285.

Very truly yours,

/s/ Deloitte & Touche LLP

cc: Chairman Christopher Cox
Commissioner Cynthia A. Glassman
Commissioner Annette L. Nazareth
Commissioner Paul S. Atkins
Commissioner Roel C. Campos

Willis D. Gradison, Acting Chairman of the PCAOB
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