

Mr. Robert F. Sanville  
Sanville, McQuestion & Company  
1706 Race Street  
Philadelphia, PA 19103

Dear Mr. Sanville:

This is in response to your letter of June 25, 1984, regarding the independence of Sanville, McQuestion & Company (the "Firm") as auditors for Roth & Company, Inc. ("Roth"). The information in your letter was supplemented by additional facts which you provided during a staff-initiated telephone call on July 3, 1984.

A firm will not be viewed as independent if it is involved in the preparation of data upon which a client's financial statements are based. Therefore, an auditor's involvement with the determination of depreciation, accruals, and other calculations necessary to state the accounts on a full-accrual basis will impair independence. An auditor may assist a client with the preparation of FOCUS and other reports without an impairment of independence, provided such assistance doesn't entail the provision of accounting services in the process.

Roth should take steps to obtain any required accounting services necessary to bring its accounts to a post-closing condition from a source other than the Firm, if the Firm is to continue as Roth's auditor.

Your attention is directed Section 602.02.c of Financial Reporting Release No. I (Securities Act Release 6395, April 15, 1982) for further amplification and clarification of the Commission's requirements in this area.

Sincerely,  
Clarence W. Staubs  
Assistant Chief Accountant

Sanville McQuestion & Company  
CERTIFIED PUBLIC ACCOUNTANTS  
1706 RACE STREET  
PHILADELPHIA, PA 19103  
(215) 561-2550

June 25, 1984

Securities and Exchange Commission  
Office of the Chief Accountant  
500 North Capitol Street, N.W. Washington, DC 20549

Dear Sir:

The NASO Atlanta District Office has questions about our independence in the audit of Roth & Company, Inc. They contend that assisting the firm in preparing the FOCUS filings impairs our independence and have provided a SEC No-Action Letter (paragraph 77,553 R.F. Thompson, Inc.) which sets forth circumstances where an accounting firm was ruled to not be independent, if they continue some services, for future audits. We are providing services quite different from those outlined in the No-Action Letter and request that you review our status accordingly.

Roth & Company, Inc. has recently relocated to Florida from Pennsylvania. The firm's business has been greatly reduced due to the entire sales force, with the exception of the owner and support staff, remaining in Pennsylvania. We first began assisting the firm with their FOCUS reports at the suggestion of the Philadelphia office of the NASO in an effort to correct past reporting error. Roth & Company, Inc. has decided to continue our engagement as auditors and to prepare the FOCUS reports. The firm's books and records are maintained under the owner's supervision in Florida.

We are provided with a month-end trial balance, an inventory schedule with the securities priced at market and the appropriate haircuts completed, a schedule of open broker items, and a schedule of open customer balances. From this information provided by the client we prepare the FOCUS reports.

We maintain a cumulative worksheet which tracks the monthly income, expenses and changes in ownership equity. From this information we then calculate the firm's tax liability. The assets and liabilities are identified and grouped into the appropriate FOCUS categories. The supplemental information is reviewed for additional Net Capital charges, such as aged fail or undue concentration haircuts, not considered by the firm. Our worksheet is then used to prepare the FOCUS report which, due to the geographic distance and regulatory time constraints, is typed and filed from our office.

None of the procedures described involve creating any entries which are posted to the firm's books and records. The only entries prepared by this firm and given to the firm for posting are audit adjustments and calendar year end entries relating to tax calculations.

We do not feel our independence as auditors is affected by our work on the FOCUS report. Roth & Company, Inc. maintains its own books and records and is entirely responsible for their content. Please advise us of your opinion on this question as soon as possible.

Very truly yours,

SANVILLE McQUESTION & COMPANY

Robert F. Sanville