

9 January 2012

Mr. J. Gordon Seymour
Secretary
Public Company Accounting Oversight Board
1666 K Street, NW
Washington, DC 20006-2803

**PCAOB Rulemaking Docket Matter No. 29
Improving the Transparency of Audits: Proposed Amendments to PCAOB Auditing
Standards and Form 2**

Dear Mr. Seymour:

Ernst & Young LLP (EY) is pleased to comment on the Public Company Accounting Oversight Board's (PCAOB or Board) above referenced proposal (the Proposed Standard) aimed at improving the transparency of audits.

I. Summary of our positions on the Proposed Standard

We agree with the PCAOB's goal of providing greater transparency about the auditor's responsibilities. Indeed, EY was significantly involved in developing a set of recommendations relating to possible changes to the audit report that was submitted to the PCAOB by the Center for Audit Quality on 9 June 2011. These recommendations included a proposal that the audit report be revised to "describe the accounting firm network structure, the responsibility of the member firm signing the audit report, and the participation of other member firms in the audits." We are pleased that the Proposed Standard incorporates this concept, which would provide meaningful information to investors and others who rely on audited financial statements. However, as discussed below, we suggest some modifications to the Proposed Standard to improve the usefulness of the disclosure and permit the information to be compiled in a way that is not disruptive to the audit process.

We also appreciate that the PCAOB has not gone forward with a proposal, described in the earlier Concept Release, that the partner sign the audit report. Nonetheless, we cannot support the proposal that the engagement partner's name be otherwise identified in the audit report or in Form 2. The purpose of such disclosures, according to the PCAOB's release, is two-fold: to enhance audit quality and to provide useful information to investors. As for the first point, we believe that such a disclosure would not alter a partner's existing strong sense of accountability to the investing public and would send the wrong signal to investors and the market about the nature of an audit and the role of the firm in supporting its execution. As for the goal of providing useful information, we do not believe that a partner's name would add anything useful to the total mix of information relied upon by investors and will likely cause some persons to make incorrect inferences about audit partners and audits. Moreover, we have substantial concerns that naming the partner in the audit report who is "responsible" for

the audit would result in more litigation being brought directly against the individual partner (in addition to the firm); even if such claims are ultimately unsuccessful they would have a devastating personal and professional impact. Accordingly, we urge the PCAOB not to adopt the proposal to disclose the engagement partner's name in either the audit report or in Form 2.

Below we provide additional details of our views on the two concepts included in the Proposed Standard.

II. We believe disclosing other participants in the audit will provide investors with meaningful information, and we support the PCAOB's concept in this regard

We support disclosing information in the audit report about the participation of other independent registered public accounting firms in audits. We believe this would provide meaningful and useful information to investors. We do, however, urge the Board to make two modifications to the Proposed Standard.

First, we recommend that the Proposed Standard be expanded to adequately acknowledge the signing firm's oversight, supervision and review responsibilities over those other participants in the audit. We believe investors would benefit from gaining a general understanding of the relationship between the signing firm and other participants in the audit and the signing firm's professional responsibilities for the work performed by the other participants. Some firms are part of a loose network of legal entities, while other firms (such as EY) are members of a global organization that requires all members to follow a consistent audit methodology and adhere to a similar system of quality control. In other circumstances, such as in situations where a non-network firm's work is relied upon by the signing firm, the participating firm is outside of the signing firm's organizational structure and does not follow a similar methodology. We believe investors should be provided information so they can understand the relationship and commonalities, or lack thereof, between the other participants and the signing firm.

Second, we encourage the PCAOB to reconsider the proposed use of an exact audit hour percentage for the disclosure of participating firms' involvement in the audit, and recommend that the Board consider requiring firms to estimate and disclose other participants' efforts by range of percentage, which we believe will be easier to prepare while providing meaningful information to investors.

We urge this change because, while we believe it is important for financial statement users to have a basis to understand the level of involvement by other firms, there are some practical difficulties to determining a precise percentage of other participants' involvement in an audit, and to do so timely. Developing a process to gather the relevant data and determine the precise percentages of other participant involvement through the date of the audit report would be challenging, and may take attention away from other more important matters during the busiest phase of the audit. An example of this is that in many countries, a local audit team will often execute audit procedures for a subsidiary company to permit the signing firm to conclude on the parent company's consolidated financial statements as well as a

statutory audit of the subsidiary's financial statements simultaneously. In these cases, the same audit work will be used to support both audit opinions but, for example, may be performed with a lower planning materiality than necessary for the consolidated audit in order to meet the needs of the statutory audit. As a result, local teams are often unable to provide the signing firm with accurate information on total hours incurred related only to the audit of the consolidated financial statements. Therefore, an estimation process using various assumptions would be necessary for the signing firm to disclose the exact percentage as required under the Proposed Standard. Because of the inherent uncertainty associated with this, we believe the PCAOB should modify the proposed information to be included in the audit report, as well as recognize and allow firms to develop a reasonable process to estimate time incurred by the various participants in the audit. A firm's estimation process would likely include, at a minimum, a process to estimate (i) hours needed to complete the audit (including post report issuance work paper archiving and other internal procedures) (ii) the effect of statutory audit procedures as described above and (iii) other matters affecting the disclosures. We are concerned that a lack of acknowledgement of the necessity of an estimation process, combined with a precise percentage threshold for disclosure, would result in significant efforts to obtain a level of precision (and communicating that such precision, in fact, exists) without translating into significantly more useful information to investors.

We believe disclosing individual firm participants in the audit by their approximate level of involvement within a range would provide more useful information to investors while at the same time facilitate a more efficient process to gather information for such a disclosure. When considering the ranges to be used for describing relative auditor involvement, we believe it is important to consider that if the ranges are defined too narrowly (e.g., in 3% or 5% increments), many audit teams may run into challenges given the estimation uncertainty associated with the effort as previously described. By assigning the percentage effort of others involved in the audit to broader ranges, engagement teams will be able to provide the necessary transparency to investors (regarding how significantly other participants were involved in the audit), while allowing the auditor to make reasonable estimates at the time the audit report is filed. Additionally, presenting an estimated aggregate percentage of other participants' involvement in the audit will provide the users of the financial statements with visibility into the magnitude of the total work performed by firms other than the signing firm.

Accordingly, we propose an alternative to modify the audit report as follows:

- I. Explain the responsibility of the signing firm, the responsibility of the other firm participants, and acknowledge the signing firm's responsibility for supervising and reviewing the work of the other firm participants, which may include a combination of procedures performed by the engagement team and reliance on a consistent global audit methodology and system of quality control.
- II. Disclose the approximate aggregate involvement of other firm participants based on an estimate of audit hours incurred.

- III. Include, as an appendix to the audit report, a listing of individual firm participants in the audit (segregated by their participation within or outside a firm's global network) organized by their approximate level of involvement within a specified range. We believe the ranges of 10% to 20% of estimated total audit hours, 21% to 50% of estimated total audit hours, 51% to 80% of estimated total audit hours and greater than 80% of estimated total audit hours would provide investors with useful information about the relative effort of firms other than the firm signing the audit opinion. Specific percentages attributable to each individual participant would not be listed and individual firm participants with involvement of less than 10% of estimated total audit hours would not be separately identified because we do not believe the disclosure of individual auditor involvement below this level would provide a benefit to investors.
- IV. Identify individual firm participants listed in the appendix to the audit report that are located in jurisdictions in which the PCAOB, as of the date of the audit report, is unable to perform inspections.

We present in an attachment to this letter an example of the recommended disclosure to be included in the audit report (or as an appendix to the audit report), that incorporates the concepts discussed above.

III. We do not support the proposal regarding disclosure of the names of engagement partners

On its face, the proposal to publicly identify audit engagement partners by name might appear to be relatively innocuous. However, we believe it is necessary to consider how such information might be utilized, whether by the trial bar in litigation or by others who would associate the name with other publicly available information. We conclude the long-term implications of the proposal do not serve the public interest and urge the PCAOB to reconsider the proposal.

a. Identifying the engagement partner by name, either in the audit report or in Form 2, would not provide meaningful or useful information to investors

There are a number of reasons why disclosure of the individual partner's name in either the audit report or in Form 2 would not provide information that is useful to investors and, in fact, could lead to incorrect assumptions or conclusions about the quality of the audit and the skills of the individual auditor.

The partner's name, by itself, is not useful information: The Proposed Standard states that disclosure of the engagement partner's name "could provide investors with useful information." While we support and previously have proposed changes we believe will improve the usefulness of the audit report to investors, those changes are centered around increasing the discussion of certain elements of the audit and highlighting, through an emphasis of matter paragraph approach, those issues in the financial statements that were most important to the auditor. We do not believe that the disclosure of an engagement partner's

name would add anything to the total mix of information that is used by an investor in making an investment decision.

Inappropriate emphasis will be placed on the partner, as opposed to the firm: Attaching the partner's name to the report would place a disproportionate emphasis on the role of the partner. It is certainly true, as the Proposed Standard notes, that the engagement partner is ultimately responsible for the performance of the audit. But, as was emphasized in many of the responses to the 2009 concept release, an audit opinion is issued by the firm, not an individual partner. While the engagement partner has a significant role in the audit, there are many others involved in the engagement, such as the engagement quality reviewer, technical resources and other specialists, and many non-partner level auditors. Additionally, there are aspects of the audit that are managed at a firm-level, such as the audit methodology employed, training, consultation policies, etc. We are concerned that the Proposed Standard, if adopted, would create confusion in an area where we don't believe any currently exists.

Inappropriate use of this information could be harmful to audit partners: With regard to the proposed Form 2 disclosure, the PCAOB states that the purpose is to provide investors with a "convenient mechanism to retrieve information about a firm's engagement partners for all of its audits." Moreover, at the 11 October 2011 open meeting to consider this Release, the PCAOB staff indicated that, should this proposal be adopted, the PCAOB would likely enhance its website function to ensure that such information would be easily searchable. It is difficult to understand how this proposed disclosure would be used in a responsible manner (aimed at promoting audit quality) rather than for purposes that could be harmful to individual partners both professionally and personally.

For instance, it is likely that databases will be created to track the names of engagement partners and associate them with publicly available information regarding companies where they currently or previously have served as the engagement partner. Such information could include the identification of material weaknesses in internal controls over financial reporting, the issuance of audit reports with going concern emphasis paragraphs, corporate bankruptcies, restatements of financial results, disclosure of corporate financial improprieties or corporate failures. While this information may sound useful, it would generally be misleading to link the audit report and the individual audit partner to such events. The existence of such events could occur in the context of, or in some cases even result from, an auditor performing his or her job at the highest skill level. Accordingly, the attempted linkage of an individual audit partner's name to certain company events or occurrences would likely yield incorrect inferences for both the partner and the companies they audit and thus potentially provide misleading information to investors.

Use of this information might result in inappropriate inferences about partner changes: The Proposed Standard states, "Once in effect for at least five years, the additional transparency could also allow investors to consider whether the engagement partner was replaced sooner than is required under the partner rotation requirements in the Act and SEC rules." The Proposed Standard then asks, "Could that additional transparency, in turn, promote auditor independence by discouraging audit clients from inappropriately pressuring the firm to remove an engagement partner?" There are numerous reasons why a partner may leave an

engagement before the mandatory rotation date, such as through reassessments by the firm of partners' workloads, retirement timing/planning, different responsibilities for the partner within the firm or for health or personal reasons. In view of the question posed in the Proposed Standard, we are concerned that investors might start to infer that early rotation is due to an audit firm's inability to stand up to a client on an accounting or auditing matter or otherwise conclude that some type of audit problem exists.

The proposal overlooks the role of the audit committee in approving the audit partner: The assumption that investors need to have the name of the audit partner overlooks the key role of the audit committee in overseeing the conduct of the audit, a role given to the audit committee under Section 301 of the Sarbanes-Oxley Act. The audit committee, acting on behalf of shareholders, is given extensive information about the engagement partner's qualifications and experiences and will typically interview a number of partners before approving the selection of the audit partner. Based on that information, the audit committee determines whether the partner is capable of leading a high quality audit team. Financial statement users are not in a position to perform a similar evaluation by only using the partner name.

b. Identifying the engagement partner by name, either in the audit report or in Form 2, would not improve audit quality

The Proposed Standard offers another rationale for partner identification: that audit quality will be improved by the enhanced accountability felt by an engagement partner upon disclosure of his or her name and that the greater transparency will incentivize audit firms to assign more experienced and capable partners to engagements. Again, we respectfully disagree.

Making public the audit partner's name would not increase the partner's sense of responsibility. That sense of accountability and professional responsibility exists now. Partners today feel a strong sense of accountability when they authorize the use of a firm's signature on an audit report. This accountability is based on the partner's professional responsibilities to the audit committee, investors and regulators. The firm's system of quality control, which promotes audit quality and provides reasonable assurance that the firm and its personnel at all levels comply with the applicable professional standards, is a key contributor to a partner's sense of personal accountability.

Partners responsible for audits of public companies today are subject to PCAOB inspections, firm internal quality reviews, SEC and PCAOB enforcement proceedings, peer reviews, state accountancy board disciplinary proceedings, as well as the threat of litigation in which the partner's performance will be challenged. We know of nothing comparable in any other profession – lawyers, doctors, architects, and others are of course subject to regulatory scrutiny but we believe that the level and diversity of review of an auditor's performance is unique.

In the Proposed Standard, the Board suggests that the transparency provided to investors about the engagement partner could “further incentivize firms to assign more experienced and capable engagement partners to engagements.” We agree that investors are best served when the most challenging audits are matched with engagement partners possessing the appropriate knowledge, experience and temperament for the circumstances. However, audit firms currently understand these factors and are in the best position to make these assignments, as approved by the audit committees.

c. Disclosure of the audit partner’s name in the audit report would increase the likelihood that partners would be named in private litigation and increase liability exposure to partners

We are concerned that the proposal would expose audit partners to substantial liability. This is an issue which is specifically raised in the Proposed Standard and was the subject of much discussion at the PCAOB’s public meeting on 11 October 2011.

Identifying partners in the audit opinion would likely lead to more litigation directly against audit partners: Partners today are generally not named individually as defendants in lawsuits. Typically, plaintiffs’ lawyers name the accounting firm itself, but not individuals involved in the audit. We have reviewed our caseload for recent years and found only a handful of cases in which a plaintiff named an individual partner as a defendant.

Although we do not have access to the plaintiff bar’s decision-making calculus, we believe there are reasons for this practice. At the time a complaint is filed, a plaintiff frequently does not know the name of the engagement partner; that information is learned through discovery. A plaintiff could, of course, seek to amend his/her complaint after learning the partner’s name, but plaintiffs’ lawyers with whom we have spoken have expressed a view that individual partners are not generally named because an individual partner is not a “deep pocket” for recovery of damages. The firm itself, at least in the case of the large firms, will satisfy a judgment. In addition, in federal securities litigation, the partner would likely seek dismissal of the lawsuit based on the *Central Bank* “primary liability” line of cases (which we discuss further below) because the firm is generally viewed as the “maker of the statement” as opposed to the individual partner. Therefore, from a plaintiff’s perspective, naming the individual partner may be viewed as a pointless exercise.

However, we believe that linking the partner’s name specifically to the audit report, as the PCAOB’s proposal would do, would change this analysis substantially. If the Proposed Standard were adopted, the report would state, “[t]he engagement partner responsible for the audit resulting in this report was [name].” Plaintiffs and their counsel will find it easy, and likely desirable, to name as a defendant the person identified as having been “responsible” for an allegedly misleading audit opinion. The plaintiff may also conclude that naming the

individual partner would provide additional leverage for purposes of settlement, would make it easier to obtain discovery from the partner, and may provide other tactical advantages.¹

We have, in fact, had experience with plaintiffs seeking tactical advantages by naming individuals as defendants. For example, in a recent case, plaintiff's counsel named a former EY audit manager as a defendant in a lawsuit, along with EY. The plaintiff's lawyer then wrote a letter to counsel, who (as is typical) was representing EY and the former manager, and told him that the plaintiff would be willing to drop the individual from the lawsuit if she would agree to be interviewed by plaintiff's counsel, without EY counsel present, to answer detailed questions about the underlying audit work – in other words, the lawyer offered the former manager dismissal from the lawsuit in exchange for her cooperation with the plaintiff. Plaintiff's counsel even insisted that the individual would need to retain separate legal counsel because his proposal had created a conflict of interest between EY and the former manager. The former manager declined the offer – but the experience demonstrates the complications in litigation that can result from naming of individual audit partners.

We also believe litigation expenses would likely increase if partners are individually named in lawsuits on a more frequent basis (which we expect would result if the Proposed Standard is adopted). An accounting firm may find it necessary to hire separate counsel for the individual partner to ensure that his/her interests are adequately protected. And a partner defendant may believe it important to his personal and professional life that a case is settled quickly, thereby potentially increasing the cost of settlement. Over time, this increased cost structure would likely result in higher audit costs.

Naming partners in lawsuits causes substantial personal harm: When a partner is named in a lawsuit, it is likely to have a devastating personal impact. A partner who is named as a defendant in a multi-million or multi-billion dollar lawsuit may be reassured by partnership colleagues that his personal assets are not at risk, but his or her friends, neighbors, relatives and business acquaintances may not know that. The ability of a partner to obtain a mortgage loan, to get his or her accounting license renewed, or to engage in other activities may be impaired while the litigation is pending. And the impact may be long-lasting. In an age of immediate internet search capability, the ability to put the personal impacts of litigation (including frivolous suits and cases won by the defendant auditor) behind an individual partner, whose livelihood depends upon his or her professional reputation, can be

¹ At the PCAOB's public meeting on 11 October 2011, Chairman Doty noted that auditors of issuers in the EU are required to personally sign the audit opinions, and he questioned why the rules in the U.S. should be different. But we submit that the litigation environments between the U.S. and Europe are completely different. Lawsuits against auditors are brought in the U.S. with much more regularity.

In this regard, we asked our global firm for information on claims that have been filed since April 2008, when the EU adopted the partner signature requirement. We determined that member firms of the EY global network located in the EU had have had five claims brought against them that relate to audit reports issued after April 2008. The individual partner was named in three of these cases, and not named in two; prior to the signature requirement, we understand that individual partners were not frequently named.

challenging. We believe the Proposed Standard would make this environment even more challenging.

As an example, one of our partners was personally sued, along with EY, in a state court action several years ago. This suit occurred in a relatively small city, where our partner's spouse ran her own small accounting business. Both our partner and his spouse were significantly impacted by the lawsuit. Her clients soon questioned whether they could continue to do business with her, given the multi-million dollar claim pending against her allegedly negligent husband. In this matter, the partner spent months defending himself through a five-week trial (which he and EY won), all the while worried about his future career, his livelihood and the impact of the litigation on his family.

Similarly, we heard from a partner who left our firm after a lawsuit had been filed against him (and against EY) to join private industry. The former partner told us that the job opportunities at his new company were limited because of the lawsuit. Years after the lawsuit had been dismissed, he believed the lawsuit (relating to a purported major fraud) still inhibited his job prospects at his new company. We also understand that some partners have experienced difficulties with respect to their service on non-profit or charitable boards as a result of being named in an audit litigation matter. It is perhaps not surprising then that individual partner liability exposure and resulting reputational damage may cause some auditors to question whether it makes sense to remain in public accounting.

Under existing case law, the liability of individual partners is unsettled: It might be said that plaintiffs are unlikely to name individual partners as defendants because, as noted above, such claims are prone to nearly certain early dismissal on the pleadings. But this is not so clear-cut.

There are two major areas of litigation brought against accounting firms such as ours. The first consists mostly of state law fraud and negligence claims asserted by bankruptcy trustees, litigation trustees, and (less frequently) former audit clients. The negligence theory is typically based on purported professional malpractice by the accountant, failure to inform the client of information discovered by the accountant, or negligent misrepresentation by the accountant.

We try to obtain dismissal of individuals named in such state court actions, but we are not always successful. This was true in a recent case. In an arbitration that took place in mid-2011, a bankruptcy administrator named a partner, a senior manager, and a manager, along with EY itself, as respondents in an action asserting negligent misrepresentation and breach of contract as to the bankrupt company. Our motion papers seeking dismissal asserted that the EY firm, not the individuals, made the purported misrepresentations to the company, and hence the negligent misrepresentation claims against the individuals should be dismissed. We stated, "The audit opinion issued by EY for the [company's] financial statements is signed by the firm as a whole and not by any member of the firm." Further, our brief noted, "[n]one of these three audit team members is in a management position at the firm." But the arbitration panel denied the motion.

A second major area of litigation is securities class action litigation under the federal securities laws. These cases are typically brought under Section 10(b) of the Exchange Act and Section 11 of the Securities Act.

As the Board noted in its proposal, the Supreme Court decision in *Janus Capital Group, Inc. v. First Derivative Traders*, 564 U.S. ___, 131 S. Ct. 2296 (2011), established that a person cannot be liable under Section 10(b) and Rule 10b-5 unless he or she has “ultimate authority over the statement, including its content and how to communicate it.” Thus, based on the *Central Bank* line of cases, a person does not “make” a statement unless the person has “control” over the statement. Further, the Court stated that “in the ordinary case, attribution within a statement or implicit from surrounding circumstances is strong evidence that a statement was made by – and only by – the party to whom it is attributed.”

Although this standard should be helpful to individual auditor defendants, the case law under *Janus* is just now developing. If the PCAOB’s rule were adopted, a plaintiff could cite the audit report’s assertion that a particular audit partner was “responsible” for the issuance of the audit report and, hence, he or she had “ultimate authority” or “control” over the report – possibly sufficient to survive a motion to dismiss under *Janus* as a “maker” of a false or misleading statement. This has happened already. In *Munoz v. China Expert Tech., Inc.*, No. 07 Civ. 10531, 2011 U.S. Dist. LEXIS 128539 (S.D. N.Y. Nov. 4, 2011), the court held that although the accounting firm PKF Hong Kong signed the opinion on a purportedly misleading set of financial statements, there was a genuine issue of fact as to whether PKF’s New York affiliate “controlled sufficiently – and thus ‘made’ – the statements in question” by virtue of the PKF New York firm having had “final approval” over the issuance of the audit opinion. Thus, even though the PKF New York firm did not sign the audit opinion, the court refused to dismiss a Rule 10b-5 claim against it. The status of the PKF New York firm, and its alleged control over the issuance of the audit opinion, might be comparable to that of an audit partner’s control over the issuance of an opinion. Cases such as this one make clear the risk to individual partners who might be sued for securities fraud.

Risks also would exist under Section 11, which provides for claims against “every accountant” who “has with his consent been named” as “having prepared or certified” any part of a registration statement or any report used in a registration. The SEC has not yet taken a position as to whether the proposed auditor disclosure requirement would mean that an individual engagement partner would be required to file a consent pursuant to Section 7 of the Securities Act; the issue has not yet been addressed by the SEC in any public fashion. If such a consent were required, there would be substantial additional liability exposure for the individual partner. At the very least, the legal obligations under Section 7 should be established prior to the adoption of the Proposed Standard.

In view of the uncertainty inherent in the present legal landscape, we are very concerned with the Board moving ahead with the Proposed Standard.

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In summary, we support providing additional disclosure regarding the participation of other firms in the audit report and more information on the overall responsibility of the signing firm as providing meaningful and useful information to investors. We believe the enhancements we outline above would enhance the value of such a disclosure.

We do not support inclusion of the engagement partner's name in either the audit report or in Form 2. Such disclosure would not enhance audit quality or improve investors' decision-making ability. Instead, it would likely have a detrimental effect on auditor liability and audit cost, and have the unintended consequence of providing a blow against the attractiveness of the profession.

We would be pleased to discuss our comments with members of the Public Company Accounting Oversight Board or its staff.

Sincerely,

Ernst + Young LLP

Attachment

Recommended disclosure to be included in the audit report

We are responsible for our opinion on the consolidated financial statements of ABC Company. In conducting our audit of the consolidated financial statements, we used the services of other independent registered public accounting firms that may or may not be affiliated with us through our global network. [Each member firm that is part of the network is a separate legal entity; however, all member firms follow a consistent audit methodology and are subject to a similar system of quality control.]² We, as the signing firm, take responsibility for the audit procedures performed by the other independent registered public accounting firms and, accordingly, have supervised or performed procedures to assume responsibility for their work in accordance with PCAOB standards. We requested the other participants, either included within our global network or outside our global network (as listed in the Appendix to this report) to conduct certain audit procedures in support of the audit of the consolidated financial statements [and effectiveness of internal control over financial reporting]. The audit procedures performed by other participants represented approximately xx% of total estimated hours involved in our audit of the consolidated financial statements on ABC Company as of and for the year ended December 31, 20xx.

APPENDIX:

In our audit of the consolidated financial statements of ABC Company as of and for the year ended December 31, 20xx, the other independent registered public accounting firms listed below were involved in the performance of our audit and subject to our supervision. Those firms indicated with a "*" are located in jurisdictions in which the PCAOB, as of the date of this report, cannot perform inspections.

| Firms incurring 10-20% of total estimated audit hours | Firms incurring 21-50% of total estimated audit hours | Firms incurring 51-80% of total estimated audit hours | Firms incurring more than 80% of estimated audit hours |
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[LISTING OF PARTICIPATING FIRMS, SEPARATED INTO CATEGORIES BY NETWORK AND NON-NETWORK FIRMS]

² Each firm would describe their member network affiliation.