



Federal Housing Finance Agency

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January 31, 2014

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

**Re: PCAOB Rulemaking Docket Matter No. 29
Improving the Transparency of Audits: Proposed Amendments to PCAOB
Auditing Standards to Provide Disclosure in the Auditor's Report of Certain
Participants in the Audit**

Dear Office of the Secretary:

The Federal Housing Finance Agency (FHFA or Agency) welcomes the opportunity to comment on the Public Company Accounting Oversight Board's (PCAOB or Board) proposed auditing standards on *Improving the Transparency of Audits: Proposed Amendments to PCAOB Auditing Standards to Provide Disclosure in the Auditor's Report of Certain Participants in the Audit*, PCAOB Release No. 2013-009, PCAOB Rulemaking Docket Matter No. 29 (the proposed auditing standards).

FHFA is the prudential supervisor for Fannie Mae, Freddie Mac, and the Federal Home Loan Banks. It also is the conservator for Fannie Mae and Freddie Mac. FHFA considers audited financial reports by its regulated entities an important input to the Agency's safety and soundness supervision process.

FHFA previously commented on the Board's 2011 Concept Release on possible revisions to auditor's report (the 2011 Concept Release) in a letter dated September 30, 2011. In that letter, FHFA indicated its support to "require both the firm and the engagement partner to sign the report." The Agency continues to support the proposed auditing standards' requirements that the auditor's report disclose the name of the engagement partner and certain other participants in the audit. FHFA's commentary on these items follows.

I. Disclosure of the Name of the Engagement Partner

The fee for service model by which an audit firm is compensated by the entity whose financial statements are being audited creates a potential conflict of interest that could impair the audit firm's independence, objectivity and professional skepticism. The

engagement partner plays a critical role in managing this potential conflict and ensuring the overall quality of the audit. Therefore, providing information about the engagement partner in the auditor's report would be useful information to investors and other financial statement users.

FHFA supports the PCAOB proposal to disclose the name of the engagement partner in the auditor's report. FHFA further recommends the engagement partner be required to sign the auditor's report, and the engagement partner's name be required to be included in the proxy statement as well.

The European Union, Australia, and Taiwan already have similar regulations requiring the signature of the engagement partner, and the International Auditing and Assurance Standards Board has issued a proposal on this topic as well. The adoption of the proposed standard would make US practices more consistent with existing and emerging global practices.

The Agency believes that the engagement quality review partner also contributes to the promotion of audit quality. Therefore, the Agency also recommends that the engagement quality review partner be subject to the same requirements as the engagement partner.

II. Disclosure of Certain Other Participants in the Audit

By signing the auditor's report, the audit firm assumes responsibility for the work performed by the firm's employees and other participants. The work performed by others can range from minimal to quite extensive, and this information is currently not transparent to users of the financial statements. Therefore, FHFA supports the PCAOB's proposal for "disclosure in the auditor's report of the names, locations, and extent of participation of other independent public accounting firms that took part in the audit."

Thank you for the opportunity to provide the Agency's views on the Board's proposals. FHFA hopes the Board and staff will find these comments and recommendations helpful. If the Board and staff have any questions or comments regarding this letter, please feel free to contact me at 202-649-3450.

Sincerely,



Nicholas J. Satriano
Chief Accountant and Senior Associate Director - Office of Risk Analysis
Federal Housing Finance Agency