

January 9, 2012

The Office of the Secretary
Public Company Accounting Oversight Board
1666 K Street, NW
Washington, DC 20006-2803

Email: comments@pcaobus.org

Re: PCAOB Docket No. 029

We are young auditing scholars who are in the process of developing a three-link model that explores the potential impact of engagement partner identity disclosure on auditor independence. While we greatly applaud the PCAOB's efforts to implement changes to the audit process aimed at increasing audit quality, we urge caution with respect to this particular proposal. We do not dispute the notion that such a requirement might lead to increased feelings of accountability in engagement partners and increased transparency for investors. However, we feel that potential negative ramifications for auditor independence have not yet been fully explored.

Specifically, we contend that partner disclosure may lead to an unintended transfer of potentially biased information from one reporting entity to other reporting entities. In other words, we expect, and find in our testing, that negative information disclosed related to one audit engagement will bias investor perceptions related to other engagements that are conducted with the same audit partner in the lead role. We contend that this information transfer will alter audit partner's incentives as they seek to minimize reputational costs. We further contend that this, in turn, may align partner incentives more closely with those of management, thereby potentially impairing auditor independence.

As evidence, we have performed an experiment to substantiate the potential for accounting information transfer (i.e., the first link of our model). The purpose of our paper (which we expect to make publicly available on ssrn.com this week) and this comment letter is not meant to be overly critical of the proposed standard. That is, it may be that the potential for increased accountability and/or transparency outweigh any costs related to the potential for impaired independence. However, we feel that the potential for independence impairment has not been adequately examined or addressed in the debate over this proposal thus far. We hope that you will consider our arguments, which are more fully developed in our paper. However, we recognize and caution that the paper we will be posting is a very early draft that has not yet been subject to the peer review process. As alluded to earlier, we are currently putting the finishing touches on this draft so that we can begin seeking criticism from our peers and colleagues this week.

Thank you for your time and all of your work aimed at improving the audit and financial information environment.

Sincerely,

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Chad M. Stefaniak, CPA, Ph.D.