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Office of the Secretary
PCAOB
1666 K Street, N.W.
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Rulemaking Docket No. 29 – PCAOB Release No. 2013-009:
Proposed Auditing Standard – 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 Secretary:

My General Comments on the above-mentioned proposed auditing standard (the "reproposal") and my responses to the questions asked in Section VII, *Questions for Commenters*, follow:

## General Comments

The reproposal itself does not support or convincingly argue for the disclosure of the engagement partner's name, particularly when the reproposal speculates on the need for much more information than just the name, and its possible future usefulness by investors and other financial statement users. In addition, when two of the Board members[1] raise significant concerns and many probing questions regarding the value of certain of the reproposal's disclosures, it is apparent that not all of the PCAOB parents love their own baby. There are many other Board projects that would improve transparency and "audit quality,"[2] but this reproposal is not one of them.

With regard to the engagement partner's name and other participants in the audit, other than repeatedly saying that investors will find the new disclosures "useful" and "valuable," the reproposal does not say exactly how investors will use these disclosures in their buy, sell or hold investment decisions, or how other users, such as creditors will use the new disclosures in lending decisions. The disclosures are backward looking and old news, meaning that investors and lenders do not know if the engagement partner or other participants are involved (and to what extent) in the current audit, or will be involved (and to what extent) in later audits. I believe investors and lenders want company and financial information as quickly as possible; they have very little or no interest in stale information.

[1] Statement on the Reproposal on Improving Transparency Through Disclosure of Engagement Partner and Certain Other Participants in Audits; Jeanette M. Franzel and Jay D. Hanson; Dec. 4, 2013.

[2] See Public Company Accounting Oversight Board Strategic Plan – 2013-2017, November 26, 2013, *Near-Term Priority: Audit Quality Indicators*.

Having served on the board of directors and chairman of the audit committee of a New York Stock Exchange company, and having attended many stockholders meetings as a Board member and investor, not once had any investor asked for the names and locations of the other participants in the audit, nor the name of the lead/engagement partner. Once a year, shareholders are normally introduced to the engagement partner (or a designee) at the issuer's annual shareholder's meeting where the partner answers stockholder questions and (if they wish) make a statement. Over many years, shareholders have shown no interest in knowing the curriculum vitae of the engagement partner or the names (percent of involvement and headquarters' office location) of the other participants in the audit, either to make an investment decision or when ratifying the accounting firm. Shareholders properly rely on the oversight of the audit committee and the board of directors to select the auditor.

Outside of the annual shareholder's meeting, to my knowledge, neither financial analysts nor investors have directly communicated with management or a board member asking for this specific information. If they did and management or the board member responded, then such "selective disclosure" (assuming it is considered material) would need to be disclosed to the SEC or to the public, e.g., through a press release.[3] I could find no recent Form 8-K filings or other public disclosure with this specific information.

The papers and articles included in Section V., *Economic Considerations*, are another concern in that they give little or no credence to the discussion in the reproposal regarding the need for the disclosures. Moreover, certain of the conclusions and results reached in these papers and articles are highly questionable; only two of seven papers I read were blind peer reviewed and none of the conclusions had been validated by replication.

Further, the belief that the disclosure of the engagement partners name would result in a positive behavioral modification by increasing that partner's sense of accountability and thereby "do a better audit" is wishful thinking and is unfounded.

The reproposal presents no concrete evidence to support the anticipated future usefulness and value to investors or creditors of the required audit report disclosures; nevertheless, to address the Board's concerns regarding uninspected firms, the disclosures in any final auditing standard should be targeted only to the following situations:

- when the audit work is performed by firms in jurisdictions where the PCAOB is prevented from inspecting U.S. related audit work, and
- when there are other participants – who prepare or issue an audit report, or play a substantial role in the preparation or issuing an audit report – that are not registered with the PCAOB.

This focused disclosure should be in a new and targeted PCAOB form, and not in the auditor's report. The participation of all other firms need not be disclosed, except (of course) when the principal auditor makes reference to the audit of another auditor in the audit report.

Amplification of these General Comments and additional comments and suggestions follow:

## Responses to the Questions for Commenters

**1. Would the reproposed requirements to disclose the engagement partner's name and information about other participants in the audit provide investors and other financial statement users with useful information?**

[3] See Regulation FD.

Engagement Partner's Name

The requirement to furnish the engagement partner's name in the audit report would not provide any useful or valuable information to investors and other financial statement users for the following reasons:

1. The reproposal itself argues that the engagement partner's name may possibly be of some value, but only if investors are furnished more information in the future, and that just disclosing the engagement partner's name is of limited value to investors. The reproposal stating that "[t]he Board is cognizant that, initially at least, disclosure of an engagement partner's name, without more, might provide limited useful information…."[4]

2. The reproposal speculates about the future importance of the disclosure, for example (emphasis added below):

   - "The Board believes that despite the potential limited initial usefulness, public disclosure of the current engagement partner's name is a first and necessary step in the development of the type of robust information sources about engagement partners … that would be useful to investors and other financial statement users."[5]

   - "[I]nformation about who engagement partners are would be valuable, and … would become more so over time."[6]

   - "[T]he disclosure of the name of the engagement partner, combined with other information compiled over time, could enable investors and other financial statement users to research the number, size, and nature of companies and industries in which the partner served as engagement partner."[7]

   Of course there can be no guarantee that the compiled database the Board envisions will ever be assembled and that at some future date it will be "robust." This argument for disclosure of the engagement partner's name is built on the unsupported supposition that "if you build it [that is, a robust database, then investors] will come."[8]

3. The reproposal further underscores the very limited usefulness of disclosing the engagement partner's name when it asserts (emphasis added below):

   - "Because the financial statements and the auditor's report are retrospective, disclosure of an engagement partner's identity in the auditor's report provides information only about the most recent period's audit of the financial statements. It does not provide information about the identity of the next period's engagement partner, which may be of most interest to shareholders, such as in ratifying the company's choice of registered firm as its auditor."[9]

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[4] PCAOB Release No. 2013-009, at 11 [hereafter 2013 Release].

[5] 2013 Release, at 12.

[6] 2013 Release, at 7.

[7] 2013 Release, at 11.

[8] 1989 movie: *Field of Dreams*.

[9] 2013 Release, at 13.

- "[I]nformation about the engagement partner … could be valuable to investors in making investment decisions … if they are asked to vote to ratify the company's choice of registered firm as its auditor."[10] See discussion under Question 2.

4. The reproposal provides examples of the types of "other information" that may possibly be compiled and available to investors:

   - "[W]hether the engagement partner for a particular audit has any … SEC or PCAOB disciplinary history."[11]
   - "Additional information also could become available in readily accessible formats about private litigation in which the individual was a defendant in his or her capacity as an engagement partner."[12]

   Here, the reproposal presumes that either the investor will investigate SEC, PCAOB and other public sources for this disciplinary information and private litigation, or obtain it from a third party.

5. The reproposal mentions that "the identity of the engagement partner during periods involving a restatement or issuance of an audit opinion with a going concern modification"[13] would also be of importance to investors.

   - Short of evidence of an audit failure, I fail to see how a restatement or a going concern explanatory paragraph is relevant in evaluating an engagement partner by investors. This linking of a restatement or going concern modification to a low "audit quality" engagement partner incorrectly assumes (a) there is something inherently wrong with the engagement partner, and (b) all other audits in which that engagement partner is a participant are tainted in some way; for example, the audits were not in accordance with PCAOB standards and/or the financial statements are not in conformity with GAAP.

6. The reproposal speculates that "[i]nformation also could become available about the engagement partner's education, honors, awards, service on professional and public bodies and publications."[14]

   - This background information about the engagement partner may be "nice to know," but has questionable usefulness to an investor or creditor in making a buy, sell or hold, or lending decision.

In sum, the reproposal itself persuasively argues the uselessness of the initial disclosures of the engagement partner's name to investors, and speculates about its future value.

Information about Other Participants in the Audit

I do not believe that the requirement to furnish information about other participants in the audit would provide any usable information to investors in their investment analysis of equity and debt for the following reasons:

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[10] 2013 Release, at 3.

[11] 2013 Release, at 11.

[12] 2013 Release, at 12.

[13] *Id*.

[14] *Id*.

1. It is difficult to understand exactly how investors will factor the required disclosures information into any technical or fundamental analysis regarding how many dollars to invest in a company, how much of the investment to sell, when to buy, when to sell, or just to hold. These decisions are especially difficult given the historical, after the fact, nature of the information to be furnished in the auditor's report. Investors do not know if the other participants are involved in the current audit, or will be involved in next year's audit, and to what extent.

2. There is no anecdotal or empirical evidence that demonstrates that information about other participants has any direct or indirect correlation with a successful investment or lending strategy.

**How might investors and other financial statement users use the information?**

This is the key question.

The reproposal never does answer it other than to say investors want it, and as mentioned above, the reproposal says that if the information is provided in the auditor's report, and then enhanced with other public information, then sometime in the future investors could use it.

The surveys of the (a) Chartered Financial Analysts Institute ("CFA") and (b) Investor Advisory Group ("IAG")[15] did not go far enough and ask this very question of those surveyed, i.e., "how will you use this information"? The surveys did not ask -- how will the information factor into your investment analysis of issuers? What weighting will such disclosure have in your analysis and in the overall evaluation of a company? Where does this out of date information fall in the range of data ordinarily used by investors (near useless or absolutely necessary)?

The reproposal supports the disclosure of other participants in the audit by citing the 2010 survey by the CFA where 91 percent of respondents agreed that the "identities and specific roles of other auditors should be disclosed."[16] Moreover, a survey by a task force of the Board's IAG found that 70 percent of the "investors surveyed … said that they would like to know the degree of involvement in the audit of the firms that are not signing the auditor's report."[17]

Interestingly, the CFA survey also shows that 82 percent agree that the method by which the auditor determines and assesses materiality should be disclosed, and 66 percent would like to see the level of assurance actually achieved in the audit.[18] I believe the disclosure of the various levels of materiality used by and actually achieved by the auditor of an issuer will compromise the audit, and suspect that the Board does not consider that this level of transparency into an audit is needed or desirable. These requests do not give me confidence that those surveyed really understand the audit process.

Historically, those surveyed by the CFA and the IAG did not have the disclosures about other participants suggested in the reproposal; have never asked for it in the past and presently there appears to be no groundswell asking for it. Investors cannot demonstrate that the lack of the disclosures about other participants had weakened their prior technical or fundamental analysis of issuers.

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[15] 2013 Release, at 9.

[16] *Id*.

[17] *Id.*

[18] See *Independent Auditor's Report Survey Results* (March 2010), at 3, 14 and 20.

The auditing literature says that the auditor must use professional judgment "in deciding … whether he may serve as principal auditor and use the work and reports of other independent auditors who have audited the financial statements of one or more subsidiaries, divisions, branches, components, or investments included in the financial statements presented …."[19] Thus, in providing the reproposal's suggested disclosures about other participants, the Board is asking investors to question the professional judgments of audit firms. In my view, most investors are ill-equipped to question professional judgments.

In the words of Chairman Doty: "the PCAOB may not be able to inspect the [audit] firm, such as in China or a handful of countries in Europe, in which case investors may justifiability want to factor those risks into their conclusions about the reliability of the audit report"[20] (emphasis added).

This statement tells financial statement users that there is a risk regarding the reliability of audit reports when there are other participants in the audit and those other firms are in jurisdictions where the PCAOB is prevented from inspecting U.S. related audit work, or there are other participants – who prepare or issue an audit report, or play a substantial role in the preparation or issuing an audit report – that are not registered with the PCAOB.

I agree and suggest that the reproposal's disclosures be targeted to just these situations. This disclosure should be in a new and targeted PCAOB form (see Question 22) and not be embedded in the auditor's report. Consequently, as there is no concrete evidence to support the anticipated usefulness to investors of the reproposal's required audit report disclosures, disclosures about the participation of all other firms need not be disclosed (except when the principal auditor makes reference to the audit of another auditor in the audit report).

**2. Would the name of the engagement partner or the extent of participation of other participants be useful to shareholders in deciding whether to ratify the company's choice of registered firm as its auditor? If so, how?**

The reproposal explains that "[b]ecause of the engagement partner's key role in the audit, the Board believes it is appropriate when shareholders are asked to ratify the company's choice of the registered firm as its auditor to be as well informed as possible about the leader of the team that will conduct the audit. Public identification of the engagement partner would help serve that end."[21]

The reproposal argues that there is "value in learning the identity of the engagement partner" …. [and that] "the engagement partner's expertise would be relevant in ratifying the company's choice of a registered firm as its auditor."[22]

These arguments are not convincing. The reproposal implies that not only the audit firm be ratified, but the engagement partner and other participants should also be ratified as a "package." It suggests that shareholders will either ratify the package or not. In short, the disclosures will serve only to confuse investors as to whom they are voting for.

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[19] AU 543, *Part of Audit Performed by Other Independent Auditors*, pars. 1 and 13.

[20] Statement on the Reproposal on Improving Transparency Through Disclosure of Engagement Partner and Certain Other Participants in Audits by James R. Doty, Chairman; Dec. 4, 2013.

[21] 2013 Release, at 14.

[22] 2013 Release, at A3-3.

As mentioned in response to Question 1, the reproposal points to another limitation on the usefulness of disclosing the engagement partner's name stating that "[the auditor's report] does not provide information about the identity of the next period's engagement partner, which may be of most interest to shareholders, such as in ratifying the company's choice of registered firm as its auditor."[23] In addition to this limitation, the other participants in the audit may not be involved, or involved to a different degree, with both this and next year's audit, but shareholders will not know this.

The auditors are normally appointed by the board of directors on the recommendation of the audit committee, and the appointment may be subject to shareholder approval. Unless privy to all the information that the audit committee has, the requirement for an accounting firm to disclose in the audit report the name of the engagement partner and information about other participants in the audit would not provide any important and useful information to shareholders in their decision to affirm the board of directors recommendation.

Under the NYSE rules, among many other duties, the audit committee is required to review the auditor's work throughout the year and evaluate the auditor's qualifications, performance and independence, including a review and evaluation of the lead partner. [24] [25]

There are many considerations in selecting an audit firm that are just as or more important than knowing who the engagement partner is. For example: the audit strategy of the accounting firm; the timing of the audit; the rates charged by professional and total fee; the firm's industry experience, expertise and specialists; its international representation; the need for tax and other services; partner, manager and staff qualifications; independence matters and possible conflicts; and so forth.

Shareholders have shown no interest in knowing about the engagement partner or other participants when ratifying the accounting firm – they properly and historically relied on the oversight of the audit committee and the board of directors in considering the ratification of the independent registered public accounting firm.

**How will investors use (1) the name of the engagement partner, the (2) the name, location, and the extent of participation (measured in hours) of certain other independent public accounting firms, and (3) the location and extent of participation of certain persons not employed by the auditor who took part in the most recent period's audit?**

I could not find any study or know of any other information concerning exactly how investors or creditors can use these disclosures in their technical and fundamental analysis relating to buy, sell or hold, or lending decisions.

Under the reproposal, the audit report would state:

> "The estimated portion of the total audit hours attributable to audit procedures (alternatively, "the audit") performed by ABC Audit Firm in our audit was X% to less-than-Y% [or alternatively X%]."

While disclosing the hours, etc. is a practical solution to the metric problem, investors reading the information may be perplexed since the disclosures have no connection to any other information

[23] 2013 Release, at 13.

[24] NYSE Rule 303A.07(b).

[25] See Regulation S-X Rule 2-01(f)(7)(ii)(A) for the definition of lead partner.

relating to the audit that is available to investors. Therefore, the above disclosure should be expanded to say that this information:

(a) is unaudited;

(b) does not address the differing economic, regulatory and legal environments in which the various other participants operate;

(c) is presented solely to give the reader an indication, presented in a percentage range, of the effort involved by those other participants to the aggregate effort; and

(d) has no bearing on or relationship to any other disclosures in the

(1) audit report (AU 543.07 disclosures concerning reliance on other auditors), and

(2) proxy statement (Item 9 of Schedule 14A) and/or Form 10-K (Item 14).

The reproposal deletes the last sentence in AU 543.04 and amends AU 508 to require the audit report make "[a] statement that the auditor is responsible for the audits (or audit procedures) performed by such firm(s) and persons and has supervised or performed procedures to assume responsibility for the work in accordance with PCAOB standards." I suggest changing "supervised or performed" to "supervised and performed."[26]

**3. Over time, would the reproposed requirement to disclose the engagement partner's name allow databases and other compilations to be developed in which investors and other financial statement users could track certain aspects of an individual engagement partner's history, including, for example, his or her industry expertise, restatement history, and involvement in disciplinary proceedings or other litigation?**

I do not believe that a database[27] will be assembled by a third party on the speculation that investors will find it valuable and subscribe to it. Further, in looking for support for the utility of the engagement partner's name (or other information about that partner), I could not locate any database containing the information suggested in the above question in those countries that currently require the engagement partner's name (e.g., Germany, France, Luxembourg and The Netherlands). This may be due to the fact that investors have built their own database, a third party's database is not advertised or is available on-line, my search strategy and foreign language skills were deficient, or there are no such databases (confirming the non-utility of this information).

Introducing a third party in collecting public data about the engagement partner adds complications and questions for investor and lender subscribers, for instance:

- Did the third party properly collate the data?
- Is the third party responsible for the data's integrity? Or has the third party insulated itself from litigation stemming incorrect or misleading information?
- Is the data up-to-date? Will the database capture in real time CPAs moving in and out of the engagement partner designation including promotion, demotion, rotation, marriage,

[26] See AU 543, pars. 4, 5 and 12.

[27] Presumably this database would contain, at a minimum, the public information mentioned in the reproposal about the audit firm, engagement partner, industry expertise, association with restatements and going concern modifications, disciplinary proceedings, litigation, and other public data.

movement to another firm, retirement, SEC suspensions and reinstatements, health, death, etc.?

- Is the collected information really meaningful since the data is immediately stale? For example, how will investors using public information determine if last year's engagement partner will be involved with this year's audit (and to what degree)?
- How much will it cost to access the data from the aggregator (surely no one will be assembling this other information without compensation)?

**a. Would such databases or compilations be useful to investors and other financial statement users? If so, how?**

Seven of the academic papers (aka studies) discussed in the reproposal reach various conclusions regarding the usefulness of the suggested disclosures. This letter will not attempt to discuss the many questionable conclusions reached in certain of these papers, but it is noted that five of the papers have not been blind peer reviewed[28] and that none of the conclusions in any of the papers have been confirmed by replication.

I trust that these academic papers will not contribute to the basis for conclusions of any final auditing standard, since I do not believe that auditors should be field testing their questionable and diverse findings.

**b. Would they provide investors and audit committees with relevant benchmarks against which the engagement partner could be compared? If so, how?**

Audit committees, when functioning in their oversight role, determine the appropriate "benchmarks" with which to measure their engagement partner's strengths and weaknesses. They already know the engagement team involved in the prior audit(s) and (for the most part) the team assigned to this year's audit as well as the team's expertise and experience. Further, with regard to other participants, the audit committee either has this information, or can easily ask for it before the audit engagement begins.

Under this reproposal, investors will not have timely access to the detailed information the audit committee has.

**4. Over time, would the reproposed requirement to disclose the other participants in the audit allow investors and other financial statement users to track information about the firms that participate in the audit, such as their public company accounts, size of the firms, disciplinary proceedings, and litigation in which they have been involved? Would this information be useful to investors and if so, how?**

Assuming it is public information, the data mentioned in the question and other information can be gathered by investors, creditors or aggregators, and then updated and refined over time.

But, as mentioned, this information is old news, since investors and lenders do not know if the other participants are involved in the current audit, or will be involved in later audits, and do not know the extent of their involvement. It is not evident just how this data, which is long past its sell-by date, will useful and of value to investors. Again, there is no reliable information concerning the

[28] The two articles appearing in the Accounting Review and Accounting Horizons had been peer reviewed.

usefulness of this information about other participants to investors or creditors making buy/sell/hold or lending decisions.

**5. Is the ability to research publicly available information about the engagement partner or other participants in the audit important? If so, why, and under what circumstances?**

Yes, public information may be useful and important to the audit committee, but not to investors or creditors making buy/sell/hold or lending decisions.

Publicly available information would include (among other sources): (a) an enforcement action by the SEC, (b) a PCAOB disciplinary sanction or other proceeding, (c) that an other participant is registered with the PCAOB or is located in a country that does not allow PCAOB inspections, (d) proceedings by State boards of accountancy directly related to the actions of the engagement partner or an other participant, and (e) private litigation. Though publicly available information contained in private litigation concerning the engagement partner or other participants must be used with extra caution since the allegations by the plaintiff in the complaint may be biased and not ultimately be true.

An aggregator of information could readily go to different sources, assemble the above-mentioned information, package it in a uniform understandable way, and sell it to investors or creditors. Alternatively, each investor can search for the information that is focused on issuers of interest. Obviously, having all this information in one searchable databank would be more convenient and efficient; however, searching for relevant information from each regulator or public document is not difficult and should not be an impediment to those investors or creditors who believe they absolutely need this information (not a likely scenario) in making buy/sell/hold or lending decisions.

**6. Would the reproposed requirement to disclose the engagement partner's name promote more effective capital allocation? If so, how?**

Two discussions in the reproposal related to capital allocation furnish no convincing evidence to support the theory that the engagement partner's name promotes more efficient capital allocation.

1. The reproposal points out, "[b]y adding granularity to the information about who performed the audit … the differentiated information clarifies distinctions between investment alternatives and can empower investors to pursue their investment strategies more effectively." The reproposal then suggests a possible hypothetical outcome, that "[o]ver time, this could promote competition in the audit industry and could lead to a more efficient allocation of capital" [29] (emphasis added).

   The reproposal cites the Lambert et. al. paper to support the possibility that disclosure of the engagement partner's name linked to a restatement promotes more effective capital allocation for less experienced investors. The reproposal notes that Lambert et. al. "found that prospective investors were less likely to invest in a company that has been linked via the disclosure of the name of the engagement partner to another company that had to restate its financials. While

[29] 2013 Release, at 28.

this could improve capital allocation, the findings were only statistically significant for less experienced investors"[30] (emphasis added).

2. In discussing audits of EGCs, the reproposal points out a future possible benefit saying "[t]he communication of the name of the engagement partner and information about other participants in the audit could assist the market in assessing some risks associated with the audit and valuing securities, which could make capital allocation more efficient" (emphasis added).[31]

Again, the presumed possible future benefit of the disclosures is not a compelling reason to adopt this reproposal.

**Can an engagement partner's history provide a signal about the reliability of the audit and, in turn, the company's financial statements? If so, under what circumstances?**

No, the signal is only noise since any history (both positive or negative) collected directly by investors and lenders, or from third party sources, concerning an engagement partner is not an indicator of the reliability of the financial statements, that is, whether or not "the financial statements, present fairly, in all material respects, the financial position, and the results of its operations and its cash flows in conformity with accounting principles generally accepted in the United States of America."

The accounting firm itself has the most reliable information about an engagement partner's performance ratings for audit quality and there is no logical reason why any accounting firm, no matter the size, would knowingly jeopardize its reputation and financial viability by assigning an unreliable or inexperienced engagement partner to lead the audit of a public company. Of course we know that such a state of perfect professionalism does not always happen, nonetheless an engagement partner's profile – using publicly available information – does not correlate with "reliable" financial statements.

**7. Would the reproposed requirements to disclose the engagement partner's name and information about other participants in the audit either promote or inhibit competition among audit firms or companies? If so, how?**

I am not aware of any empirical evidence that shows that these disclosures would impact competition among issuers.

There is no basis for making a determination that the disclosures would improve "audit quality" and consequently either promote or inhibit competition among audit firms. The Advisory Committee on the Auditing Profession supports this conclusion.[32]

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[30] 2013 Release, at 29. See Lambert et. al., at 3 and note 19.

[31] 2013 Release, at 39.

[32] U.S. Department of the Treasury's Advisory Committee on the Auditing Profession, Final Report of the Advisory Committee on the Auditing Profession to the U.S. Department of the Treasury, VIII:14-VIII:15 states:

> A key issue in the public company audit market is what drives competition for audit clients and whether audit quality is the most significant driver. Currently, there is minimal publicly available information regarding indicators of audit quality at individual auditing firms. Consequently, it is difficult to determine whether audit committees, who ultimately select the auditor, and management are focused and have the tools that are useful in assessing audit quality that would contribute to making the initial auditor selection and subsequent auditor retention evaluation processes more informed and meaningful. In addition, with the majority of public

With regard to competition among audit firms, there are too many factors going into the retention of an audit firm by the audit committee to outline in this letter (some examples are outlined in response to Question 2), but having the reproposal's disclosures in the audit report is not a factor. If the audit committee believes this information is important, the audit committee can ask the auditors for it before the start of their engagement.

**8. Would the reproposed disclosure requirements mislead investors and other financial statement users or lead them to make unwarranted inferences about the engagement partner or the other participant in the audit? If so, how?**

**Would there be other unintended consequences? If so, what are those consequences, and how could they be mitigated?**

No paper cited in the reproposal, or any study that I am aware of, examined investors' understanding of the audit process by directly asking them to define the duties and responsibilities of the engagement partner and the audit firm. It is surprising that in this third stage of this "transparency" initiative we do not know what most investors actually understand and believe about the audit process, the oversight role of the audit committee, the responsibilities of the auditor, and the responsibilities of management. [33] [34] While the engagement partner is responsible for the engagement and its performance; do investors understand the engagement partner "may seek assistance from appropriate engagement team members in fulfilling this responsibility"?[35] For a particular issuer, do investors know how many auditors comprise the engagement team and understand the roles of the various audit engagement team members including the engagement quality reviewer? Do investors believe the engagement partner is primarily and legally responsible for the opinion signed by the accounting firm?

In sum, I believe that the prominent disclosure of the engagement partner's name and the names, locations and percent of participation of other participants will only re-enforce any misunderstanding investors have about the audit process and the roles of the above mentioned parties.

As said elsewhere in this letter, we are uninformed as to exactly how investors will use (if at all) the reproposal's disclosures in their buy, sell or hold decisions. Questions that must be answered before adopting this reproposal are:

How does knowing the name of the engagement partner or other participants enter into the technical and fundamental analysis of an investment in equity or debt by an investor?

How much (if any) weight is given by investors or lenders to the engagement partner's name in the overall investment analysis or lending decision?

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companies currently putting shareholder ratification of auditor selection to an annual vote, shareholders may also lack audit quality information important in making such a ratification decision (footnotes omitted).

[33] For example, the responsibilities of the auditor and management as outlined in AS 16, Appendix C, *Matters Included in the Audit Engagement Letter*.

[34] See discussion of the Chartered Financial Analysts Institute survey under Question 1 where 82% of those surveyed believed that auditors should publicly disclose how materiality was determined and assessed for each issuer. I believe that this survey illustrates a lack of knowledge about the audit process since any disclosure of materiality (planning, tolerable, etc.) for a particular issuer would compromise the audit.

[35] Auditing Standard No. 9, *Audit Planning.*

Where does this information rank in the array of data ordinarily used by investors in buy, sell or hold decisions? That is, in actual use and on a scale of 1 to 10 (with 1 representing "not needed in analyzing investments" and 10 representing "must have this information") where does this data fall?

**9. What costs could be imposed on firms, issuers, or others by the reproposed requirement to disclose the name of the engagement partner in the auditor's report? Please provide any available empirical data.**

The article by Carcello et. al.[36] maintains that

> "[t]aken together, our evidence suggests that the partner signature requirement in the U.K. has benefited investors and other financial statement users, but that these benefits have come at the cost of significantly higher audit fees (emphasis added). Whether the benefits of the U.K. signature requirement exceed its costs is a policy decision for U.K. regulators and legislatures."[37]
>
> "Economically, after controlling for other determinants of audit fees, clients pay 13.2 percent higher audit fees after the implementation of the partner signature requirement (footnote omitted)."[38]

It is doubtful that just the name of the engagement partner (and not the signature) would have had any material impact on Carcello's conclusion, i.e., significantly higher audit fees. One of several limitations the article mentions is "[w]hether the PCAOB's plan to identify the partner, rather than having the partner sign his or her name to the version of the report that is delivered to the client, would obviate the audit-quality benefits observed in the U.K. is left to future research."

**Will there be greater or lesser effects on EGCs or auditors of EGCs than on other issuers or auditors of other issuers?**

There would be the same effects on EGCs and EGC auditors as on non-EGCs and non-EGC auditors, that is, conceivably significantly higher audit fees. If Carcello's finding is true, and if applicable to the U.S. economic, regulatory, accounting and legal environments, the higher fees discussed in the article would be an important consideration for the SEC in their determining whether the disclosures are "in the public interest, after considering the protection of investors and … will promote efficiency, competition, and capital formation." [39] See response to Question 24.

**10. What costs could be imposed by the application of the consent requirement to an engagement partner who is named in the auditor's report? Please discuss both administrative costs to obtain and file consents with the SEC, as well as any indirect costs that might result. How could insurance or other private contracts affect these costs?**

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[36] 2013 Release, at 29-30.

[37] Carcello and Li, *Costs and Benefits of Requiring an Engagement Partner Signature: Recent Experience in the United Kingdom*, The Accounting Review (September 2013), at 1515.

[38] See *supra*, at 1532.

[39] Section 103(a)(3)(C) of the Sarbanes-Oxley Act, as amended by Section 104 of the Jumpstart Our Business Startups Act ("JOBS Act").

I do not envision any material costs will be incurred when an engagement partner prepares and files a consent. I have no information as to how much (if at all) an accounting firms professional liability insurance premiums will increase due to the consent requirement.

**11. Would application of the consent requirement to an engagement partner named in the auditor's report result in benefits, such as improved compliance with existing auditing requirements?**

The concept release, the proposal and the reproposal contains no research, study or other evidence showing that filing a consent by the engagement partner would lead to any improvement in compliance with auditing standards. However, some accountants believe that having the engagement partner sign a consent would result in over-auditing and consequently higher audit fees (see the article by Carcello et. al. discussed under Question 9);[40] though there is no evidence that supports this presumption.

I do not know whether an auditor signing a consent would be considered by the courts to be the actual maker of an allegedly misleading statement, nor what form the making a statement must take under the Janus Capital decision. Also, I do not know if Janus has any affect on, for example, New York State common law causes of action, or the New York State Martin Act.

**Will there be greater or lesser effects on EGCs or auditors of EGCs than on other issuers or auditors of other issuers?**

There will be the same effect on EGCs and EGC auditors as on non-EGCs and non-EGC auditors.

**12. Would the reproposed amendments increase the engagement partner's or the other participants' sense of accountability? If so, how?**

The view – that the disclosures would increase the engagement partner's sense of accountability – is at best an aspirational goal, but is wishful thinking. There is no evidence offered in the reproposal, or by other commenters, that the disclosures would <u>in fact</u> result in desirable behavior modification, a "sense of accountability" and a "better audit." Further, four papers cited in the reproposal[41] do not support the presumption that the disclosures will lead to accountability which will in turn result in "better audits." Under the current system (here in the U.S.) engagement partners are more than sufficiently accountable to their firms, investors, regulators, their client's audit committee and board of directors.

In addition, the reproposal does not explain how the disclosure of the engagement partner's or other participants names will result in a "better audit" by outlining the nature, timing and extent of the enhanced procedures auditors will undertake (without overauditing), knowing that their name will be included in a sentence or two in the audit report (or elsewhere).

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[40] 2013 Release, at 29-30.

[41] Lambert et. al., Carcello and Li, Blay et al., and King et. al. The reproposal quotes two of these papers:

(1) Blay et. al. stating "disclosure requirements could produce limited or no observable improvement in audit quality," and

(2) King et. al. argues that "disclosure could lead to over-auditing" [and higher audit fees].

**Would an increased sense of accountability for engagement partners or other participants have an impact on audit quality? If yes, please provide specifics.**

The question presumes that there would in fact be an "increased sense of accountability" if the reproposed disclosures were required. However, as just discussed above, the mere disclosure of the name of the engagement partner or information about the other participants would not improve "audit quality" since the disclosure cannot be directly linked to any audit procedure that would change.

**13. What costs could be imposed on firms, issuers, or others by the reproposed requirement to disclose the information about other participants in the auditor's report? Please provide any available empirical data.**

The disclosure is based on "hours as of the date of the auditor's report in the most recent period's audit of the financial statements and, when applicable, internal control over financial reporting."[42] Since issuers would not ordinarily have this information, it is likely that all of the costs involved in accumulating this data would fall to the principal auditor and other participants. I have no empirical data regarding the cost of accumulating these hours and furnishing the disclosures.

The proposal does not discuss the calculation of the hours that enter into the numerator and denominator relating to majority-owned subsidiaries, majority-owned variable interest entities and equity method investees audited by other accounting firms. For example, a 55 percent consolidated subsidiary and a 25 percent owned equity method investee – it is not logical to include 100% of the hours incurred by the other auditing firms in the [N/D] equation.

There will be additional costs imposed on issuers and the auditor when the estimated hours incurred by other participants versus their actual hours would change the percentage range in which they are disclosed in the auditor's report, for example from the less than the 5% range to the 5% to less-than-10% range. Such a change would be considered material and should result in a revised reissued dual dated report and updated consents – see response to Question 16.

**Will there be greater or lesser effects on EGCs or auditors of EGCs than on other issuers or auditors of other issuers?**

I do not believe the costs will be materially different for EGCs or EGC auditors versus non-EGCs or non-EGC auditors.

**14. What costs could be imposed by the application of the consent requirement to other firms that are named in the auditor's report?**

The following activities will determine some of the costs (in both time and money) relating to 1933 Act consents required to be filed by other firms named in the auditor's report:

1. The costs incurred by registrants in administering the requests for and receipt of consents from both domestic and foreign firms.
2. The very significant costs incurred by registrants when consents are not received from firms participating in the audit; the SEC filing is therefore deficient under the Securities laws and the

[42] 2013 Release, at A2-3.

effective date of the registration statement is delayed. No securities may be sold or offered for sale until the deficient registration statement is cured. Needless to say, a bad outcome and very costly.

3. The costs incurred by registrants following-up consents that were not received, or did not comply with the SEC's rules (correct wording, currently dated, manually signed, identifying the city and state where issued). Again, resulting in the delayed effective date of the registration statement.
4. The costs incurred by the registrant and the named auditor to defend any possible litigation under Section 11 of the 1933 Act.
5. The costs resulting from an other participant being named in the audit report resulting from a "true-up" of hours, and the possible need for a consent when none was previously filed – see the response to Question 16.

I note Board member Ferguson's statement[43] that "any potential increase in the liability of named engagement partners or firms is likely to be modest if there is any increase at all…." This statement may be true, but I suspect it is not. Auditors should never underestimate the resourcefulness and creativity of the plaintiff's bar especially when there will be more firms filing and signing consents; consequently, more defendants and more litigation. I believe the Board's anticipated benefits of the disclosures and the resulting consents that would be filed will not outweigh the costs (in time and money) of possible Section 11 litigation.

**Please discuss both administrative costs to obtain and file consents with the SEC, as well as any indirect costs that might result. How could insurance or other private contracts affect these costs?**

Since the other firm may or may not know that they will be named in the audit report (depending their level of participation in the audit), these other firms should assume that they will be named. Accordingly, their engagement letter should document restricting the use of the firm's name only to the audit report, the consent and the "experts" paragraph in the registration statement. The following costs (in both time and money) may be incurred by the other firm:

1. Review of all the various drafts of the SEC filing before submission of the consent.
2. Requesting the registrant to update any management representations previously received.
3. Requesting updated legal letters.
4. Auditing subsequent events from the date of performing their audit (or certain audit procedures) up to the effective date of the registration statement.

**15. Would application of the consent requirement to other firms named in the auditor's report result in benefits, such as improved compliance with existing requirements?**

The reproposal contains no supporting evidence showing that other firms signing a consent would improve "compliance with existing requirements," or result in a "better" audit. While I believe that compliance would not be changed by the filing of a consent by other firms, I recognize there is no anecdotal or empirical evidence that supports my belief or, for that matter, any contrary claim that a consent would result in improved compliance or other benefits.

[43] Statement on the Reproposal on Improving Transparency Through Disclosure of Engagement Partner and Certain Other Participants in Audits, Dec. 4, 2013.

**Will there be greater or lesser effects on EGCs or auditors of EGCs than on other issuers or auditors of other issuers?**

I believe the consent requirement will not have any substantial effect on EGCs or EGC auditors versus non-EGCs or non-EGC auditors.

**16. Would disclosure of the extent of other participants' participation, within a range rather than as a specific number, provide sufficiently useful information to investors and other financial statement users? Why or why not?**

A single number implies an accuracy that is not obtainable since at the audit report date not all the hours may have been accumulated; therefore, these hours would have to be estimated. Using ranges allows the percentage of participation to be disclosed without undue delay.

Using the ranges suggested in the reproposal[44] as brightline tests in the audit report, raises the question of what should the firm signing the audit report do when there is a change in a disclosure range due to a "true-up" to actual? For example, shortly after issuing the audit report the audit firm finds that the actual hours subsequently places the other firm's participation into either a higher range or lower range (e.g., from (20% – <30%) to (30 – <40%) or vice versa). I believe that since the reproposal prescribes the ranges, and thus defines materiality, this change in the range would be considered material, and the audit report would need to be revised, reissued and dual dated. [45]

Further, if the estimate of participation is changed from under 5% to over 5% due to the actual hours being higher, then the other participant would need to be named in a revised reissued dual dated audit report and a consent filed.

**Would the reproposed requirement to disclose the extent of other participant participation within ranges impose fewer costs than a specifically identified percentage?**

Yes, in general fewer administrative costs since the auditor will not be waiting for each other participant to submit their final time reports internally and then submit their accumulated hours to the signing firm. However, in light of the above discussion regarding the "true-up" to actual there may be instances where a reissued audit report and concomitant consents will impose unexpected higher audit costs to the issuer.

**17. Would increasing the threshold for individual disclosure of other participants to 5% from the originally proposed threshold of 3% improve the relevance of the disclosure? Would it reduce potential costs? Would another threshold, such as 10%, be more appropriate? If so, why?**

The 5 percent threshold is too low. A 20 percent threshold would be more appropriate since, as PCAOB Release 2003-007 points out, it "is consistent with accounting literature on 'significance' tests" (the footnote citing Releases Nos. 33-8183 and 33-8183A regarding auditor independence).[46]

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[44] 2013 Release, at A2-4, Paragraph 14C added to AU 508.

[45] The theory underlying the accounting for estimates resulting from new information (ASC 250, *Accounting Changes and Error Corrections*) does not apply to estimates used in the auditor's report.

[46] Also see Regulation S-X, Items 2-01, 3-05, 3-09, 3-10, 3-16, 8-03, 8-04, and 10-01 regarding materiality using a 20 percent test.

As explained in the reproposal, PCAOB Rule 1001 defines the phrase "play a substantial role in the preparation or furnishing of an audit report" using a threshold of 20 percent or more. If the Board believes a lower threshold, say 10 percent, will capture more names of accounting firms that investors would find valuable in their appetite for an investment edge, the Board should consider revisiting Rule 1001 and lower the 20 percent materiality test. Consequently, more accounting firms would be registered and subject to inspection.

The paper referred to in the reproposal, i.e., Dee et. al., (in support of disclosure of other participants in the audit) uses data from the PCAOB Form 2 filings which captures auditors performing a "substantial role" (20 percent test) in the audit. Other than sweeping in more names of other participants in the audit, there is no evidence that proves or even suggests that using 3% or 5% or 10% is a material percentage that will endow investors with any superior knowledge about the issuers audited financial statements, about the nature and significance of the audit work performed by the other participants, and about "audit quality."

It is understood that certain firms may not be registered with the PCAOB, or subject to PCAOB oversight; however, an accounting firm that is not subject to PCAOB oversight does not automatically translate into their performing an inadequate audit, or that the financial statements audited by that firm are not in accordance with GAAP.

The basic question is whether the reproposal's disclosures about those other accounting firms provide usable and important buy, sell or hold information to investors? Notwithstanding the Dee et. al. paper purporting to support the disclosures, there is no factual basis to conclude that the disclosures provide useable and valuable information to investors.

**18. Under the reproposed amendments disclosure would not be required when audit work is offshored to an office of the firm that issues the auditor's report (even though that office may be located in a country different from where the firm is headquartered), but disclosure would be required when audit work is performed by a foreign affiliate or other entities that are distinct from the accounting firm issuing the auditor's report.**

**a. Should all arrangements whether performed by an office of the firm issuing the auditor's report in a country different from where the firm is headquartered, a foreign affiliate or another entity that is distinct from the accounting firm issuing the auditor's report be disclosed as other participants in the audit? Why or why not?**

To determine the "quality" of (1) an office of the firm issuing the auditor's report, (2) an office of the firm in a country different from where the firm is headquartered (which is not disclosed under the reproposal), (3) a foreign affiliate (which is disclosed), or (4) another entity that is distinct from the accounting firm issuing the auditor's report (which is disclosed), an investor would have to match up the names of these entities with PCAOB inspection and other reports (assuming the entity is registered with the PCAOB), SEC enforcement actions, actions by other U.S., state or foreign government agencies or regulators, private litigation both in the U.S. and in other countries, and other public data.

Depending on the circumstances, this could be a complex task and it is highly questionable whether investors can actually use the names of the various entities required to be disclosed (plus information about the headquarters office of the firm and the range of participation) when analyzing the technical and fundamental merits of investing in, selling or holding shares or debt of an issuer. The reproposal does not demonstrate, nor is there any anecdotal evidence, that investors

can in fact use the disclosures relating to the above-mentioned other participants in making investment decisions that would produce investment returns superior to those investors who simply ignore this information.

**b. Is it sufficiently clear how the disclosure requirement would apply in the context of offshoring? If not, how could this be made clearer?**

Any final auditing statement should clarify the various distinctions made in reproposal; for instance, a separate firm or entity,[47] vs. separate legal entity, vs. entities under the control of the firm signing the audit report vs. network affiliation of the firm signing the audit report.

**19. Are there special considerations for alternative practice structures or other nontraditional practice structures that the Board should take into account regarding the reproposed requirement to disclose other participants in the audit?**

The reproposal addresses an alternative practice structure where professionals are leased from an affiliated but legally separate entity. Since those leased employees are considered "persons not employed by the firm," such practice structure does not present any impediment to making the required disclosures regarding the extent of participation and location; however, as mentioned in response to Question 18(b), it is not clear why the form of the alternative structure, as opposed to its substance, governs the disclosure.

I am unaware of any other alternative practice structure the Board should consider.

**20. Under the reproposed amendments, the auditor would be required to include the extent of participation of persons engaged by the auditor with specialized skill or knowledge in a particular field other than accounting and auditing ("engaged specialists") in the total audit hours and to disclose the location and extent of participation of such persons. The engaged specialists would not be identified by name, but would be disclosed as "other persons not employed by the auditor."**

**a. Is it appropriate to require disclosure of the location and extent of participation of engaged specialists? If not, why?**

There is no evidence that investors have any need for the location and extent of participation of specialists. For decades, investors have never asked for (nor had they independently sought) this information. Investors have not persuasively made the argument for why they need this disclosure and how important it is (to the exclusion of other data) in making buy, sell or hold investment decisions.

**b. Would there be any challenges in or costs associated with implementing this requirement for engaged specialists? If so, what are the challenges or costs?**

I do not envision any challenges in implementing this requirement. However, for consultants, specialists or other participants that charge a fixed fee, and do not charge by the hour, it is not clear how their participation will be measured under new paragraph .14A to AU section 508.

Any costs involved should be de minimis.

[47] 2013 Release, at A3-13.

**21. In the case of other participants that are not public accounting firms (such as individuals, consulting firms, or specialists), is the participant's name a relevant or useful piece of information that should be disclosed?**

Auditors should not disclose the consultants or specialists name since this information would be more than auditors are required to disclose to the audit committee. AS 16, *Communications with Audit Committees*, states:

> "10. As part of communicating the overall audit strategy, the auditor should communicate the following matters to the audit committee, if applicable:
>
> a. The nature and extent of specialized skill or knowledge needed to perform the planned audit procedures or evaluate the audit results related to significant risks (footnote omitted)…."

Further, disclosure of the names of consultants and specialists will not provide investors with any usable investment information. There is no observed evidence that this information has been or is currently vital to investors. Such information will likely allow investors to "second guess" the professional judgment of the auditor's decisions about who participated in the audit,[48] and the oversight role of the audit committee.

If named, most investors will likely not devote the time and money to research such consultants and specialists: for instance information about their education, degrees held, training, codes of practice, independence, skills, knowledge, years of experience, professional competence, speeches given, articles written, whether they are licensed and/or regulated and so forth.

**Does disclosure of the participant's location and the extent of the participant's participation provide sufficient information?**

Assuming the disclosures required under the reproposal are adopted as drafted, there is no need for more information regarding the individuals, consulting firms, or specialists since the reproposal's disclosure of the participant's location and the extent of the participant's involvement provides much more information than investors presently (or foreseeably) need.

**22. If the Board adopts the reproposed amendments for auditors to disclose the name of the engagement partner and certain information about other participants in the audit in the auditor's report, should the Board also require firms to disclose the same information on Form 2 or another PCAOB reporting form? Why or why not?**

Assuming the disclosures required under the reproposal are adopted as drafted, then the disclosures should be incorporated into a new and targeted PCAOB form[49] that would capture on a timely basis the name of the engagement partner and the names of other participants. This new form should be filed by the auditors within four business days after the audit report is issued, and should be directly and immediately accessible by the public on the PCAOB's website. This new form could also be used to include updated and current information on "Individuals with Certain Disciplinary or Other Histories"[50] and other data deemed material to investors.

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[48] See AU 336, *Using the Work of a Specialist.*

[49] 2013 Release, at 34.

[50] Item 7.1 of Form 2.

Investors will neither be inconvenienced nor have any difficulty in accessing the disclosures in this new form using a friendly on-line interface that is continually updated. Also, audit firms should readily overcome the objections raised in the reproposal regarding "new reporting structures."[51] Further, the objection by the PCAOB regarding the administration and policing of the "filing of thousands of individual forms annually" and the creation of a system to make the forms easily available, while initially costly (and less so in subsequent periods) should be overcome by the presumed benefits of this new and targeted form. For example:

1. As discussed in the reproposal this new filing "likely would obviate any requirement for a consent by the named parties under Section 7 of the Securities Act and might further lessen any potential risk of liability under Section 10(b) by not including the names in the auditor's report itself."[52]
2. Investors would only need to go to one source for information concerning engagement partners and other participants instead of having to secure annual reports, extracting the information and compiling their own database from public sources, or alternatively subscribe to this information from a third party aggregator.
3. Research would be facilitated if disciplinary histories and other pertinent material data are also included in the new form.

Board member Franzel asks[53] "is the audit report the proper place for disclosures of the audit engagement partner name and other participants? Would the information be more useful to investors if placed in the audit committee report in the proxy statement along with additional context about the audit committee's oversight of the audit?"

I agree that the audit committee's oversight role with regard to the audit firm's engagement would be more prominent if the disclosures were made in the Audit Committee's Report or elsewhere in the proxy (e.g., Item 9. *Independent Public Accountants*); however, if timeliness of information is important, then a new and targeted PCAOB form should be used for this disclosure.

**23. Are the reproposed amendments to disclose the engagement partner's name and information about other participants in the audit appropriate for audits of brokers and dealers? If yes, are there any considerations that the Board should take into account with respect to audits of brokers and dealers?**

Assuming the disclosures required under the reproposal are adopted as drafted, then the disclosures should apply only to broker-dealers who either are issuers (as defined in the 1934 Act), or are a subsidiary of an issuer. Logically, there is no reason to believe that investors in such broker-dealers need less information than other investors.

The reproposal explains that "[d]isclosure of the engagement partner or other participants may be of limited use to individual owners, but it may be useful to other financial statement users."[54] It is

[51] 2013 Release, at 34.

[52] 2013 Release, at 33.

[53] Statement on the Reproposal on Improving Transparency Through Disclosure of Engagement Partner and Certain Other Participants in Audits, Jeanette M. Franzel, Board Member; Dec. 4, 2013.

[54] 2013 Release, at 27.

not clear just how the reproposed disclosures would be useful to "other financial statement users," i.e., non-investors in broker-dealers. If the reproposal is adopted as drafted, this perceived use by "other financial statement users" should be explained.

**24. Should the reproposed disclosure requirements be applicable for the audits of EGCs?**

Assuming the disclosures required under the reproposal are adopted as drafted, the disclosures should also apply to EGCs.

However, for the reasons discussed in this letter, the reproposed disclosures will not provide investors in EGCs with important, immediate and sufficient information needed to make informed investment or voting decisions.

Also, there is a question as to whether the disclosures are "in the public interest, after considering the protection of investors and … will promote efficiency, competition, and capital formation," see response to Question 9.

**Are there other considerations relating to efficiency, competition, and capital formation that the Board should take into account when determining whether to recommend that the Commission approve the reproposed amendments to disclose the engagement partner's name and information about other participants in the audit for application to audits of EGCs?**

I do not know of any empirical data concerning whether the reproposed disclosures, when applied to audits of EGCs, will would protect investors and "promote efficiency, competition, and capital formation."

Further, I am not aware of the economic effects on EGCs (other than possible higher audit costs) that would result from the requirements of the reproposal that the Board should consider relating to the protection of investors and whether the disclosures will promote "efficiency, competition, and capital formation."

**25. Are the disclosures that would be required under the reproposed amendments either more or less important in audits of EGCs than in audits of other public companies?**

As mentioned, in theory the disclosures should be of equal importance in the audits of EGCs versus non-EGCs; however, there is no evidence that the reproposed disclosures are in the public interest, and would protect investors as required under the JOBS Act (see response to Question 9).

**Are there benefits of the reproposed amendments that are specific to the EGC context?**

I know of no benefits that are specific to EGCs versus non-EGCs.

* * * * *

I appreciate your consideration of my comments, suggestions and responses to the Questions for Commenters in Section VII of the reproposal and would be pleased to answer any questions the Board or the Staff may have concerning this letter.

Sincerely,

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