

February 29, 2012

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

Via e-mail: comments@pcaobus.org

Re: Request for Public Comment: Proposed Auditing Standard Related to Communications with Audit Committees, and Related Amendments to PCAOB Standards and Transitional Amendments to AU Sec. 380, PCAOB Rulemaking Docket Matter No. 030

Dear Office of the Secretary:

We appreciate the opportunity to share our views on the Public Company Accounting Oversight Board's (PCAOB or the Board) Proposed Auditing Standard related to Communications with Audit Committees, and related amendments (the Proposal).

Moss Adams LLP is the 11th largest accounting, tax and consulting firm in the United States, and the largest headquartered in the West. Founded in 1913 and headquartered in Seattle, Washington, Moss Adams has 21 locations in Washington, Oregon, California, Arizona, and New Mexico. Our staff of over 1,700 includes more than 220 partners.

We are supportive of the stated objectives in the Proposal and believe the requirements will enhance the relevance and quality of communications between the auditor and the audit committee. We appreciate the Board's efforts to revise the Proposal based on the responses it received from its original proposal. We believe the changes from the original proposal generally represent significant improvements.

After reading the Proposal we believe additional clarification is needed. Our observations are organized as following:

- Non-issuer brokers and dealers
- Matters for which the auditor consulted
- Timing of communications
- AU 722, Interim Financial Information

Non-issuer brokers and dealers

For non-issuer brokers and dealers we believe the effective date of the Proposal should be the same as the eventual effective date of the Securities and Exchange Commission's ("SEC") proposed rule in

Release No. 34-64676 that would require audits of brokers and dealers to be performed in accordance with the standards of the PCAOB. We suggest the PCAOB align the effective date of the Proposal for non-issuer brokers and dealers with the eventual effective date of the SEC Release No. 34-64676.

However, if the Board's interim standard, AU Sec. 380, is made applicable to audits of non-issuer brokers and dealers through the SEC's finalization of the rule that would require audits of brokers and dealers to be performed in accordance with the standards of the PCAOB prior to the effective date of the Proposal, we believe the PCAOB should provide application guidance to clarify the scope in paragraph 1 of AU Sec. 380 in circumstances when an entity does not have a group that is formally designated to oversee the financial reporting process or when *all* persons charged with governance are involved with managing the entity.

Matters for which the auditor consulted

We appreciate the Board's revisions from the original proposal that focuses the communication of matters for which the auditor consulted to the most important matters. In doing so, paragraph 13.e. requires communication of "*Matters that are difficult or contentious for which the auditor consulted outside the engagement team and that the auditor reasonably determined are relevant to the audit committee's oversight of the financial reporting process.*"

However, the Board's extant standards do not describe "matters that are difficult or contentious." We suggest the Board provide guidance within the standard to describe what it intends by "matters that are difficult or contentious." We observe the Board has included discussion in Appendix 4 of the Proposal, which could be the basis for the guidance included in the standard. By including this guidance prominently in the standard, we believe it is more likely to be applied consistently. The following is the referenced discussion on page A4-28 of the Proposal:

[Portion omitted] Such matters can be complex or unusual, and the auditor believes it is necessary to consult with the firm's national office or industry specialist, or with external parties. Difficult or contentious issues might arise in various stages of the audit, including in the auditor's evaluation of management's judgments, estimates, accounting policies, or an assessment of identified control deficiencies. Difficult or contentious issues might be described as those critical matters that have concerned the auditor when he or she is making the final assessment of whether the financial statements are presented fairly.

A difficult issue might not always be synonymous with a contentious issue. Rather, a difficult issue might be a matter that requires significant consultation. A contentious issue might be a matter that not only requires significant consultation but also leads to significant points of disagreement, debate, or deliberation between the auditor and management. Audit committees might better appreciate the importance of difficult or contentious matters if they are aware that such consultations took place.

We also believe the Board should reinsert the note to paragraph 13 included in its original proposal or further clarify how when implemented the Proposal interacts with the Board's requirements in AS No. 7, *Engagement Quality Review*. The note in the original proposal stated, "[t]his

communication does not include discussions with the engagement quality reviewer in accordance with AS No. 7, *Engagement Quality Review*.” The Proposal’s release states the note was removed to focus auditors on communicating matters for which the auditor consulted, not the parties involved in the consultation. We support the requirement to communicate matters that are difficult or contentious and that are relevant to the audit committee’s oversight responsibilities. However, by including this communication requirement under “[m]atters for which the auditor consulted,” and removing the note that scoped out discussions with the engagement quality reviewer, it raises potential implementation questions that should be clarified. For example, in our firm we have consultation processes whereby engagement teams consult with subject matter experts or with our National Office. We do not assign consultations to the engagement quality reviewer because we interpret AS No. 7 to require that the engagement quality reviewer not significantly participate in determining the conclusions reached by the engagement team. Therefore, we would not consider discussions with the engagement quality reviewer to be consultations. Moreover, paragraph 10.h. of AS No. 7 requires the engagement quality reviewer to evaluate whether appropriate consultations have taken place on difficult or contentious matters. Without clarification, the engagement quality reviewer will be put in a position where they have to determine whether any discussion he or she had with the engagement team during an engagement period is a “consultation.” With this view, it will be difficult for the engagement quality reviewer to determine whether appropriate consultations have taken place or, as required by paragraph 10.i. of AS No. 7, if appropriate matters have been communicated to the audit committee. We also believe it will be difficult for an engagement team to determine when a discussion with the engagement quality reviewer would be deemed to be “[m]atters for which the auditor consulted.” As a result, we believe the Board should reinsert the note to paragraph 13 in its original proposal.

Timing of communications

We support the requirement for the auditor to communicate to the audit committee those matters initially communicated to the chair. However, all members of the audit committee are not required to be present in order to achieve a quorum when the auditor provides the required communications. Accordingly, we believe that the word “full” should be removed from the note to paragraph 25 of the Proposal.

AU 722. Interim Financial Information

We believe the proposed amendments to AU sec. 722 should become effective for interim periods following the annual period in which the Proposal becomes effective. As currently written the Proposal would appear to have the auditor providing communications that may be incremental to those required during the latest period audited.

We also recommend that the Board include as part of the amendments to AU Sec. 722 a clarification that the auditor is not required to repeat communications that were made as part of the annual audit as noted on page A4-46 of Appendix 4. We believe smaller firms would especially benefit by having this clarification prominently included in the amendments to AU Sec. 722.

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We appreciate the effort and time the Board and its staff have devoted to the Proposal. While we are supportive of the Proposal's objectives, we believe additional clarification should be provided in the areas outlined above.

Thank you for the opportunity to comment on the Proposal. If you have any questions on our response please contact Fred Frank in our Professional Practice Group at 206-302-6800.

Very truly yours,

Moss Adams LLP