



102 Mendoza College of Business
Notre Dame, Indiana
46556-5646 USA

MENDOZA COLLEGE OF BUSINESS
DEPARTMENT OF ACCOUNTANCY

Telephone (574) 631-7324
Facsimile (574) 631-5544
Web site www.nd.edu/~acctdep

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

**RE: Rulemaking Docket Matter No. 34
Concept Release on Possible Revisions to PCAOB Standards
Related to Reports on Audited Financial Statements**

Members of the Board,

I appreciate the opportunity to submit my comments to the Board with respect to the proposed auditing standard on engagement quality review. I retired from public accounting in 2007 after 27 years at Deloitte & Touche LLP and am currently a full-time faculty member at the University of Notre Dame teaching undergraduate and graduate courses in accounting and auditing.

My comments are as follows:

1. Many have suggested that the auditor's report, and in some cases, the auditor's role, should be expanded so that it is more relevant and useful to investors and other users of financial statements.

a. Should the Board undertake a standard-setting initiative to consider improvements to the auditor's reporting model? Why or why not?

No; the Board would better spend its time setting standards for the conduct of the audit rather than on reporting. I believe users, particularly those managing large investment portfolios, are intelligent business people who have the ability to fully understand what auditors do without an expanded auditors' report. PCAOB Standards are a matter of public record and available to any who want to understand the meaning of specific terminology or what auditors do in evaluating managements' assertions in the financial statements. The level of detail that should be added to the auditors' report would likely expand it to four or five pages, and yet the expanded report would be less comprehensive than the Center for Audit Quality's recently published "In-Depth Guide to Public Company Auditing: The Financial Statement Audit" (CAQ Guide). Any user who does not have the time or inclination to read the PCAOB standards but who reads the CAQ Guide once will have the information necessary to understand the

auditors' report. Those who participated in your outreach process would have invested much less time reading the introductory chapters to an undergraduate auditing textbook than they invested preparing to meet with the Board were they truly interested in understanding what auditors do. I do not believe this issue is about users' inability to understand the auditors' report.

b. In what ways, if any, could the standard auditor's report or other auditor reporting be improved to provide more relevant and useful information to investors and other users of financial statements?

Investors and other users must be expected to do some homework. Understanding what auditors do in sufficient detail to read an auditors' report does not take as much effort as understanding the workings of the market place or the Black-Scholes model. The auditors' report should not contain a detailed explanation of the audit; it would further reduce users' incentives to understand what auditors do and what the report means. Furthermore, the premise of this question is that the information in the financial statements is not sufficiently relevant and/or useful. If the Board agrees, it should not use the auditors' report as a vehicle to supplement GAAP but should pursue improvements to GAAP to address any perceived shortcomings.

In the more than three decades since I became a CPA, business has become increasingly complex and, accordingly, the accounting and disclosure model has become more complex (e.g., fair value, derivatives, hedging, variable interest entities, securitizations, impairments, etc.). Those who read financial statements have to be expected to do some homework and not expect the notes to the financial statements to be self-study materials explaining all they need to know to understand them.

c. Should the Board consider expanding the auditor's role to provide assurance on matters in addition to the financial statements? If so, in what other areas of financial reporting should auditors provide assurance? If not, why not?

Annual reports on Forms 10-K contain financial information well beyond what is required to be directly included in the notes to the financial statements. For example, in Citigroup's 2010 Form 10-K, the financial statements comprise about 50 pages of the filing. MD&A comprises about 45; Risk Factors another 10; global risk management, loan information, and other financial instrument information another 55; information about significant accounting policies and management estimates another 9 pages. Much of that information is detailed information that expands on that required to be reported in the notes to the financial statements. As the Board is aware, auditors are associated with all of that information and as part of the audit perform procedures to satisfy themselves that this additional detail is not inconsistent with the audited financial statements. Further, as the Board is aware, the vast majority of that information is "comforted" by the auditors in connection with any registration statements issued by Citigroup. I'm sure most of the sophisticated users who participated in the Board's outreach are also aware of that.

Requiring the auditors to give some form of assurance on that information would probably not result in much more work on the part of the auditors than they already do on Citigroup's Form 10-K. However, requiring the auditors to give explicit assurance on that information would neither improve its quality nor would it make it any more relevant or useful than it already is. Through the pressure of its review process over the past decades, the SEC has lifted MD&A from surface commentary to meaningful discussion in most instances. Assurance by independent auditors would not improve its quality, but would certainly give plaintiffs one more area to cite the auditors in any legal complaint.

2. The standard auditor's report on the financial statements contains an opinion about whether the financial statements present fairly, in all material respects, the financial condition, results of operations, and cash flows in conformity with the applicable financial reporting framework. This type of approach to the opinion is sometimes referred to as a "pass/fail model."

a. *Should the auditor's report retain the pass/fail model? If so, why?*

As the Board recognizes, the auditors' report for registrants is not "pass/fail"; either the financials "pass" or the auditors do not issue a report and the registrant does not file its financials. In the absence of support from a strong, independent audit committee, this situation does put added pressure on auditors in areas that are marginally material as the auditor must choose between an unqualified opinion and refusing to allow filing. Qualified opinions are acceptable on private company financial statements as owners and lenders are often indifferent to technical departures from GAAP if those departures do not impact their primary areas of interest. Such cannot be the case with public markets due to the broad range of users. Accordingly, discussion of any departures from a pass/fail reporting model for registrants is moot; the financials are both fair and acceptable for filing with the SEC or they are not.

b. *If not, why not, and what changes are needed?*

N/A

c. *If the pass/fail model were retained, are there changes to the report or supplemental reporting that would be beneficial? If so, describe such changes or supplemental reporting.*

Many users have expressed a belief that a third option between an unmodified opinion and one that is modified for a going concern uncertainty would be useful to investors. This third reporting option exists internationally. Such reporting option has been resisted in the past due to the belief that it would allow auditors to avoid the going concern paragraph when it is necessary. However, having that option would allow the auditor to avoid the all-or-nothing situation currently in place. It would likely reduce the number of reports with the going concern language we see now, but would likely increase the overall number of reports with some level of uncertainty language; many that have unmodified reports now might receive a middle ground report of this nature.

3. *Some preparers and audit committee members have indicated that additional information about the company's financial statements should be provided by them, not the auditor. Who is most appropriate (e.g., management, the audit committee, or the auditor) to provide additional information regarding the company's financial statements to financial statement users? Provide an explanation as to why.*

I preface this with the observation that the size of annual reports now makes it hard to believe that more information will be useful to investors and other users. I question whether they do read all the information they receive currently. I believe the information desired is not information that is being audited and disclosed but information that would impact their assessments of future cash flows, e.g., managements' plans, budgets, expectations and so on; the sort of "forward looking information" the SEC encourages but that management does not disclose for competitive reasons.

That being said, additional information about estimates, judgments, plans and expectations should come from those who generate them – management – and those who are directly responsible for their oversight – the audit committee. Auditors have much knowledge based on their access to management and company information, however, their knowledge is not as broad as management's; it is knowledge in the context of financial reporting and is tied to what has already happened, not what management hopes or believes will happen in the future. Thus, management and to some extent the audit committee, are the only ones with sufficient overall information to judge what is not included in the financial statements that should be or the relative importance among those disclosures that are included.

4. *Some changes to the standard auditor's report could result in the need for amendments to the report on internal control over financial reporting, as required by Auditing Standard No. 5. If amendments were made to the auditor's report on internal control over financial reporting, what should they be, and why are they necessary?*

Prior to my retirement from public accounting in 2007, I observed first-hand the impact of the Board's inspection process on the conduct of audits. Based on that experience, I believe the Board has had a tremendous impact on the audit profession and on the overall quality of audits. I also believe the level of detail that is reported to audit committees by the auditors and management that is not reported publicly has been instrumental in improving the quality of systems of internal control. The "threat" that significant deficiencies that go un-remediated for an extended period of time could become material weaknesses forces some attention be paid to those deficiencies. Accordingly, the Board should consider working with the SEC to require that managements' reports included in Item 9A of Forms 10-K be expanded to include a discussion of any significant deficiencies that have been un-remediated for an extended period of time (e.g., three years) and managements' explanation for its decision not to undertake remediation efforts. However, the Board should resist the urge to amend AS No. 5 to simply require auditors to include such information in their reports. The improvements to internal control have come because management throughout the organization has taken ownership of the system. Expanding managements' reporting would keep that ownership with management.

5. Should the Board consider an AD&A as an alternative for providing additional information in the auditor's report?

a. If you support an AD&A as an alternative, provide an explanation as to why.

No I do not.

b. Do you think an AD&A should comment on the audit, the company's financial statements or both? Provide an explanation as to why. Should the AD&A comment about any other information?

I do not support the concept of an AD&A.

c. Which types of information in an AD&A would be most relevant and useful in making investment decisions? How would such information be used?

N/A

d. If you do not support an AD&A as an alternative, explain why.

The objective of financial reporting is for the financial statements to provide information that is useful to investors and other users. If the GAAP financial reporting model does not do that, it should be changed so that it does. If additional information related or supportive of the financial statements needs to be reported that is not currently included in requirements under Regulation S-K, the SEC should be requested to consider changing those requirements. In either case, the auditors' report should not be the vehicle used to fix perceived shortcomings in GAAP or Regulation S-K.

That being said, over the years investors and other users have clamored for more and more information to the point that the amount of information provided appears to be overwhelming. Consequently, the call for AD&A or emphasis paragraphs in auditors' reports may be an attempt to have the auditors determine what information users should read and consequently what information they can ignore. Those determinations cannot be made by the auditors. Disclosures about complex financial investments may be important to some equity investors; disclosures about asset impairments may be important to a secured mortgage lender; alleged patent infringement litigation may be important to a purchaser of the subject components. If the auditors address the first two in their report, the user most interested in the third item may not read the financial statements, suffer a loss, and attempt to find fault with the auditors who did not address such matters in the AD&A.

e. Are there alternatives other than an AD&A where the auditor could comment on the audit, the company's financial statements, or both? What are they?

None. The auditors' job should be to assess whether or not the financial statements are fair and presented in accordance with GAAP. Users may wish to know whether the company's financial management is performing well or not; they should ask the Audit Committee. If they believe additional information should be included, they should comment on FASB/IASB exposure drafts of new reporting standards and express that belief or request the SEC consider expanding Regulation S-K requirements. Investors already have incentives not to read the financial statements in their entirety; the Board should not take actions that might increase those incentives.

6. What types of information should an AD&A include about the audit? What is the appropriate content and level of detail regarding these matters presented in an AD&A (i.e., audit risk, audit procedures and results, and auditor independence)?

None. Any reports of this type will be boilerplate in nature just as the annual written reports to audit committees. Audit risk is only partly related to the registrant's business risk and not all of those business risks are related to the conduct of an audit. Whether inventory was observed at year end or the end of the third quarter will not change how a strategic investor assesses the registrant's future cash flows. Auditors' internal independence policies are far more restrictive than minimum professional requirements; auditors are either independent or they're not. The level of non-audit service is a small fraction of what it was a decade ago and PCAOB oversight of partner performance assessment (i.e., cross-selling pressures) has effectively put a stop that. As stated previously, an AD&A will only serve to cause users to further limit their reading of the financial statements.

7. What types of information should an AD&A include about the auditor's views on the company's financial statements based on the audit? What is the appropriate content and level of detail regarding these matters presented in an AD&A (i.e., management's judgments and estimates, including "close calls")?

None. This sort of information is communicated to the audit committee and that body has responsibility for oversight of managements' financial reporting; users, auditors and others do not have, and should not attempt to exercise, that responsibility. If the message to the Board is that audit committees are not effective in that role, the Board should refer that to the SEC for action.

8. Should a standard format be required for an AD&A? Why or why not?

No, as discussed above.

9. Some investors suggested that, in addition to audit risk, an AD&A should include a discussion of other risks, such as business risks, strategic risks, or operational risks. Discussion of risks other than audit risk would require an expansion of the auditor's current responsibilities. What are the potential benefits and shortcomings of including such risks in an AD&A?

As noted above, I do not agree with the inclusion of an AD&A. The matters discussed in this question are included in the Risk Factors section of the registrant's 10K and comprise many pages of information. My expectation is that the Risk Factors section is not read by users, though some may have word recognition software that searches for key risk terms. Adding that to the auditors' report is unnecessary and may be taken as a negative comment on the SEC's monitoring of the quality of registrant reporting in the risk section of filings. Furthermore, asking auditors to select the most significant of those Risk Factors for inclusion in their reports is tantamount to asking the auditors to advise investors and other users which of the many reported risk factors they should care about. Users will not all place equal weighting on identified risks as they likely have different needs and corresponding sensitivities to various risks. Auditors identify areas of risk for the purpose of designing an audit not for the purpose of advising users as to which risks might be important to them.

10. How can boilerplate language be avoided in an AD&A while providing consistency among such reports?

It can't be avoided. Our legal and regulatory systems will drive such reporting to a lowest common denominator.

11. What are the potential benefits and shortcomings of implementing an AD&A?

As discussed above. This concept undermines management's reporting in MD&A as well as the risk section of registrant filings. Comments as to the level of quality in those areas should be made to the SEC; attempting to cure perceived inadequate reporting under Regulation S-K by means of the auditors' report is both illogical and inappropriate. If users believe managements' reporting of under Regulation S-K is inadequate, they should report that to the SEC not the Board.

12. What are your views regarding the potential for an AD&A to present inconsistent or competing information between the auditor and management? What effect will this have on management's financial statement presentation?

It will result in the transference of portions of MD&A and certain Risk Factors from the legal part of the filing to the auditors' report. The language in the auditors' reports will conform to the language in registrants' Risk Factors and/or MD&A. Our legal and regulatory environments will drive them to agree on common language and thus drive such reporting to a lowest common denominator.

13. Would the types of matters described in the illustrative emphasis paragraphs be relevant and useful in making investment decisions? If so, how would they be used?

They would neither be relevant nor useful. The descriptions of procedures would be necessarily brief. Users who want to understand how auditors assess managements' estimates and judgments should read PCAOB standards or the CAQ Guide. They should also read the notes to the financial statements, not rely on the auditors to tell them which notes to read, which notes they can consequently ignore, and which estimates are important. For example, the note describing Level 3 fair value estimates and changes therein is subject to significant uncertainty as is explained in the note and in the significant accounting policies section of MD&A. If the disclosures are inadequate, they should be expanded. If they're in accordance with GAAP there should be nothing else the auditor could add that would make that information more useful. Any comment by the auditors' on these fair value disclosures would likely result in investors reducing the extent to which they read this note and increasing the extent to which they ignore other notes to the financial statements that are not highlighted in the auditors' report.

14. Should the Board consider a requirement to include areas of emphasis in each audit report, together with related key audit procedures?

No. As discussed above this will cause investors and other users to rely on the auditors' report as a source to limit the extent to which they read financial statements and notes. This would also facilitate the development of software that would read the auditors' report, extract the related notes to the financial statements, and effectively eliminate the user's incentive to read the financial statements in their entirety. This implicitly places the auditor in the position of having to guess which areas are important to which users. The auditors' determination of what matters to emphasize would likely differ from those areas that would be emphasized by users and likely different from those areas the Board's inspectors would emphasize subjecting the auditors to additional litigation exposure from the former and criticism from the latter.

15. What specific information should required and expanded emphasis paragraphs include regarding the audit or the company's financial statements? What other matters should be required to be included in emphasis paragraphs?

None as discussed above.

16. What is the appropriate content and level of detail regarding the matters presented in required emphasis paragraphs?

None as discussed above.

17. How can boilerplate language be avoided in required emphasis paragraphs while providing consistency among such audit reports?

Boilerplate language cannot be avoided. Language would develop in response to legal challenges and to challenges from the Board's inspection teams; it would seek to limit the inevitable exposure the auditors would face from users who did not read those notes to the financials that would have been relevant to them because such notes and disclosures were not highlighted by the auditors.

18. What are the potential benefits and shortcomings of implementing required and expanded emphasis paragraphs?

I see no benefits. The inevitable second guessing related to that which was not emphasized is a serious shortcoming.

19. Should the Board consider auditor assurance on other information outside the financial statements as an alternative for enhancing the auditor's reporting model?

No. As noted above, the volume of information outside the financial statements exceeds the amount of information inside the financial statements and that volume is such that I question whether users actually use all the information they receive. That being said, if certain information outside the financial statements is deemed to be useful and relevant, and should be the subject of auditor assurance, that suggests that GAAP is currently not adequate to address the needs of investors and other users.

The Board should therefore discuss with the SEC the relocation of such information from Regulation S-K to Regulation S-X. The SEC has the authority to determine what GAAP is for annual reporting by registrants and can therefore require that some or even all MD&A be included as a disclosure in the financial statements. If the Board and the SEC believe that the quality of managements' reporting could be improved by having auditors render a report on MD&A, then relocating MD&A to the first note to the financial statements and having it covered directly by the auditors' report is the best way to accomplish that. This would also help encourage users to read MD&A in conjunction with the financial statements and related notes.

a. If you support auditor assurance on other information outside the financial statements as an alternative, provide an explanation as to why.

See the comment above.

b. On what information should the auditor provide assurance (e.g., MD&A, earnings releases, non-GAAP information, or other matters)? Provide an explanation as to why.

Providing meaningful assurance on non-GAAP information is problematic as there are often no standards that govern its form or composition; one need only read six different loan agreements to see six different definitions of EBITDA to understand that problem. MD&A is addressed above. The continuing evolution of sustainability reporting will likely result in some of this information being included in annual reports to shareholders and any meaningful assurance on such information by auditors is still dependant on real standards as to its nature and composition. In my experience, auditors do read earnings releases prior to their issuance however earnings releases are issued prior to the

completion of the audit. Accordingly, the auditor is not in a position to provide assurance to the public on an earnings release. However, the Board should consider explicitly including preparation and issuance of earnings releases as an activity subject to the system of internal control over financial reporting. Material errors or omissions in such releases would be reported by management in Item 9A and the auditors in their report as resulting from material weaknesses in internal control.

c. What level of assurance would be most appropriate for the auditor to provide on information outside the financial statements?

None. If information is relevant and useful, it should be included in the financial statements and related disclosures either as a requirement under GAAP as defined by the FASB or a requirement under Regulation S-X (or GAAP as defined by the SEC).

d. If the auditor were to provide assurance on a portion or portions of the MD&A, what portion or portions would be most appropriate and why?

As noted above, any assurance on MD&A should be done only if MD&A is included in the financial statements and directly covered by the auditors' report as are the notes to the financials. Information on which auditors routinely provide "comfort" in letters to underwriters is most appropriate for consideration as such information is derived from the registrant's records and subject to the system of internal control over financial reporting.

e. Would auditor reporting on a portion or portions of the MD&A affect the nature of MD&A disclosures? If so, how?

I do not believe reporting on MD&A would change either the form or content of those disclosures. Since it is included in the 10-K and auditors are therefore "associated" with that information, they already test those disclosures for consistency with the financial statements and underlying records; for 10-Ks incorporated by reference into registration statements, they are "comforted" in letters to underwriters. I have no expectation that the quality of MD&A would improve as a result of its inclusion in the financial statements and direct coverage by the auditors' report. The SEC has spent decades working to increase the quality of MD&A and the SEC certainly has all the leverage it needs in this area.

f. Are the requirements in the Board's attestation standard, AT sec. 701, sufficient to provide the appropriate level of auditor assurance on other information outside the financial statements? If not, what other requirements should be considered?

Just as the Board did not look to Attestation Standards for reporting on internal control, it should not look to them in reporting on MD&A. As noted above, if the Board and the SEC conclude that auditor assurance on certain financial information outside the statements is really necessary, then such information should be included in the notes to the statements and covered by the auditors' report.

g. If you do not support auditor assurance on other information outside the financial statements, provide an explanation as to why.

See comments above.

20. What are the potential benefits and shortcomings of implementing auditor assurance on other information outside the financial statements?

I see no real benefits. If financial information that is currently outside of the financial statements is deemed to be relevant and useful to investors and other users such that auditor assurance is necessary, then by implication

GAAP has not met its objective of providing relevant and useful information in the financial statements. If that is the case, then GAAP should be changed, the information should be included in the notes to the financial statements, and thus covered directly by the auditors' report. As stated previously, auditors are already associated with such information and perform procedures to assess whether any of it is inconsistent with information in the financial statements or obtained in the course of the audit. Providing assurance on it will not change its quality, relevance or usefulness.

The Board might consider the quality of quarterly reports on Forms 10-Q for comparison. The auditors generally issue no review reports on those statements, but users know that a filing cannot occur if the auditors object to any inclusions or exclusions from those documents. The same situation exists with respect to the information outside the financials but included in the Form 10-K. Just as including a review report in the 10-Q filing would not improve the quality of the quarterly report, including some form of assurance on the other information in a 10-K would not improve its quality.

That being said, it may be that auditors are more than willing to provide written assurance on information outside the financial statements as a means of expanding the scope of the services they sell to their audit clients. This would likely not significantly impact larger registrants who are regularly in the market and pay fees for comfort letters as a matter of course. However, smaller registrants would likely see increases in their audit fees to essentially capture the equivalent of comfort letter procedures.

21. The concept release presents suggestions on how to clarify the auditor's report in the following areas:

- *Reasonable assurance*
- *Auditor's responsibility for fraud*
- *Auditor's responsibility for financial statement disclosures*
- *Management's responsibility for the preparation of the financial statements*
- *Auditor's responsibility for information outside the financial statements*
- *Auditor independence*

a. Do you believe some or all of these clarifications are appropriate? If so, explain which of these clarifications is appropriate? How should the auditor's report be clarified?

I do not. The auditors' report could not be expanded sufficiently to adequately explain these topics. All of these concepts and responsibilities are fully described in PCAOB standards, which are a matter of public record and available at no cost to users. For those who do not choose to invest the time to read those standards in their entirety, there is adequate information available in publications such as the CAQ Guide. The CAQ Guide contains 15 pages of text. Reading that guide one time would not require much effort on the part of investors or other users who are really interested in understanding what auditors' do. My personal belief is that users do not currently read the auditors' 3-paragraph report and none would therefore read a 5-page report.

b. Would these potential clarifications serve to enhance the auditor's report and help readers understand the auditor's report and the auditor's responsibilities? Provide an explanation as to why or why not.

No. For a user who reads the CAQ Guide or who actually reads the PCAOB standards all the auditors' report would need to say is "We've audited these financial statements in accordance with PCAOB standards and they are fairly presented in accordance with GAAP." All the rest is just boilerplate.

c. What other clarifications or improvements to the auditor's reporting model can be made to better communicate the nature of an audit and the auditor's responsibilities?

None.

d. What are the implications to the scope of the audit, or the auditor's responsibilities, resulting from the foregoing clarifications?

None. All of this discussion is about the content of the report, not what auditors actually do.

22. What are the potential benefits and shortcomings of providing clarifications of the language in the standard auditor's report?

I only see shortcomings. I believe those who take the time to understand what an audit is and what the auditors' report means do not need additional clarifying language in the report. Those who have not taken the time will not read an expanded auditors' report, at least not more than once. Therefore I do not believe the matter of auditors' reports is a substantive issue and I do not believe it has been worthy of the Board's time and effort. The longer the report, the less likely users are to invest any time in understanding what the underlying audit process entails.

23. This concept release presents several alternatives intended to improve auditor communication to the users of financial statements through the auditor's reporting model. Which alternative is most appropriate and why?

Inclusion of some portion of MD&A in the financial statements appears to be the most appropriate. The SEC has already determined that the information included in MD&A is both useful and relevant to investors and other users. Therefore, that information should be included in the financial statements and covered directly by the auditors' report.

24. Would a combination of the alternatives, or certain elements of the alternatives, be more effective in improving auditor communication than any one of the alternatives alone? What are those combinations of alternatives or elements?

No.

25. What alternatives not mentioned in this concept release should the Board consider?

The Board should consider dropping this project in its entirety. To some extent I believe the Board is being used by those who have come forward on this topic. Specifically, I believe some are trying to use the auditors' reporting process as a shortcut to reduce the amount of time they should spend reading financial statements and related disclosures. As noted above, those who are intelligent enough to invest in public companies, especially those who manage large funds, are intelligent enough to read a summary document such as the CAQ Guide and understand what an auditors' report means. Those individuals would not need an expanded auditors' report after spending an hour reading such a document.

I believe the Board's inspection program has had tremendous impact on the profession and has substantially improved the quality of audits. The Board should spend its time and attention not only on the inspection program but on the education and training of auditors by means of implementing "best practices" identified by the Board's inspection teams. The Board should consider using the SEC's model of "standard setting", i.e., directly influencing the private sector standard setters (e.g., IASB and IAASB) and "interpreting" standards set by them. I note that the ASB and IAASB are in the midst of a reporting project. The Board could leverage its resources greatly by using that process as a base on which to make any really meaningful changes to the auditors' report.

26. *Each of the alternatives presented might require the development of an auditor reporting framework and criteria. What recommendations should the Board consider in developing such auditor reporting framework and related criteria for each of the alternatives?*

No further comments.

27. *Would financial statement users perceive any of these alternatives as providing a qualified or piecemeal opinion? If so, what steps could the Board take to mitigate the risk of this perception?*

As noted above, I don't believe they will actually read an expanded report any more than they read the current report. However, also as noted above, I believe any addition of "emphasis" paragraphs or "risk discussion" paragraphs would be used as a means to shortcut their responsibilities to read the financial statements and related notes. So yes, we would end up with the equivalent of piecemeal opinions.

28. *Do any of the alternatives better convey to the users of the financial statements the auditor's role in the performance of an audit? Why or why not? Are there other recommendations that could better convey this role?*

I suggest the Board tell investors and other users to read its standards or read a document such as the CAQ Guide. They would only have to do this once and it would take them less time than they spent telling the Board that they did not understand the auditors' role or the auditors' report.

29. *What effect would the various alternatives have on audit quality? What is the basis for your view?*

Reporting changes will not impact audit quality. Based on my personal experience prior to my retirement from public practice in 2007, the Board's inspection program has been the single biggest factor improving audit quality since I became a CPA over 30 years ago. The Board should spend its time and resources on that program.

30. *Should changes to the auditor's reporting model considered by the Board apply equally to all audit reports filed with the SEC, including those filed in connection with the financial statements of public companies, investment companies, investment advisers, brokers and dealers, and others? What would be the effects of applying the alternatives discussed in the concept release to the audit reports for such entities? If audit reports related to certain entities should be excluded from one or more of the alternatives, please explain the basis for such exclusion.*

Any changes made should apply to all registrants regardless of size or industry.

31. *This concept release describes certain considerations related to changing the auditor's report, such as effects on audit effort, effects on the auditor's relationships, effects on audit committee governance, liability considerations, and confidentiality.*

a. *Are any of these considerations more important than others? If so, which ones and why?*

I agree with those who have commented to the Board already that some of the suggested changes would undermine the credibility of audit committees and would hamper relationships among auditors, audit committees and management. My comments here are meant to augment those observations by others. However, I would note that any changes that would cause users to take less responsibility for understanding the audit process and, more importantly, spend less time reading and understanding the financial statements in their entirety, will result in more instances of poor decisions by those users and increased litigation against auditors, directors and management consistent with our cultural tendency to seek others to blame for our own shortcomings.

b. If changes to the auditor's reporting model increased cost, do you believe the benefits of such changes justify the potential cost? Why or why not?

Since I see no benefits, I see no advantages. However, I agree with the Board's observations that many of these proposals would increase time and expense due to increased consultation and quality control procedures not to mention the increase in litigation cost in the future. In addition, the Board should consider the increased time commitments for its own inspectors who will likely spend considerable time evaluating documentation of decisions related to any enhancements or, more likely, lack of enhancements to auditors' reports.

c. Are there any other considerations related to changing the auditor's report that this concept release has not addressed? If so, what are these considerations?

None beyond that previously noted.

d. What requirements and other measures could the PCAOB or others put into place to address the potential effects of these considerations?

N/A

32. The concept release discusses the potential effects that providing additional information in the auditor's report could have on relationships among the auditor, management, and the audit committee. If the auditor were to include in the auditor's report information regarding the company's financial statements, what potential effects could that have on the interaction among the auditor, management, and the audit committee?

I find it difficult to assess this. For some registrants, it could increase tensions among the three constituencies. However, for some others it could lead to a process whereby they seek to reach a common understanding of what to include and not include. That would likely result in reporting that strives for the lowest common denominator rather than the highest quality reporting possible. As stated previously, I believe that if financial information needs to be improved it should be improved, not circumvented by inclusion in the auditors' report. The financial statements are managements' responsibility and nothing should be done to undermine that. Oversight of management is the audit committee's responsibility and nothing should be done to undermine that. Most of the proposals in the Concept Release would undermine both.

I appreciate the opportunity to offer my comments.

Sincerely,

s/ James L. Fuehrmeyer, Jr.

James L. Fuehrmeyer, Jr. MBA, CPA
Associate Teaching Professor