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*Sent via regular mail
and electronically to: comments@pcaobus.org*

Office of the Secretary
PCAOB
1666 K Street, N.W.
Washington, D.C. 20006-2803

Reference: Request for Public Comment: *Concept Release on Possible Revisions to PCAOB Standards Related to Reports on Audited Financial Statements and Related Amendments to PCAOB Standards*, PCAOB Rulemaking Docket Matter No. 34

Dear Office of the Secretary:

The Accounting and Auditing Standards Interest Group of the New Jersey Society of Certified Public Accountants (NJSCPA) is pleased to offer its comments on the Public Company Accounting Oversight Board's (PCAOB or the Board) *Concept Release on Possible Revisions to PCAOB Standards Related to Reports on Audited Financial Statements and Related Amendments to PCAOB Standards*. The NJSCPA represents over 15,000 certified public accountants. The comments herein represent those of some of the individuals of our Accounting and Auditing Standards Interest Group only and do not necessarily reflect the views of all members of the NJSCPA.

We commend the PCAOB's effort to make improvements to reports on audited financial statements, and appreciate the opportunity to provide the following comments on the questions contained in the Concept Release (CR).

As a result of our review of the concept release we have summarized our overall views in addition to addressing the PCAOB's specific questions below.

Overarching Responses

If more relevant and useful information is needed by investors and other users of the financial statements, then improvements to disclosures required by Generally Accepted Accounting Principles (GAAP) or SEC Regulation S-K should be considered and not changes to the auditor's report.

- Additional disclosures about forward looking information, expectations, estimates, judgments, plans, assessments, etc. should come from management since they developed that information and have the most knowledge.
- Auditors should not be the original source of any disclosure about a company. Nor should auditors determine which information about a company will be most useful or important to the investor.

- Additional lengthy disclosures by the auditor about significant risks, management's judgments and estimates, accounting policies and practices, difficult and contentious issues etc. may have the effect of confusing investors and may cause them to conclude that there are varying degrees of an unqualified audit opinion.
- Any changes made to the auditor's report should not "blur the line" or cause confusion among investors and other users of the financial statements about auditor responsibilities versus the responsibilities of management and the audit committee.

Form of the Auditor's Report

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?

We believe the Board should undertake a standard-setting initiative to consider improvements to the auditor's reporting model on a limited basis, because it is important that users of financial statements have a better understanding of the auditor's report, as well as the different responsibilities of the auditor and management. For these reasons clarification of the standard auditor's report listed in the concept release would be beneficial.

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?

See our response to Question 2c below.

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?

We do not believe that the auditor's role should be expanded to provide assurance on matters outside the financial statements, because it may create investor confusion about the auditor's role versus the role of the company's management and/or audit committee.

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?

We believe the auditor's report should retain the current model, and do not consider the current model to be a "pass/fail model" as described in the concept release. The model does currently provides for an unqualified opinion ("pass"), or and adverse opinion ("fail"), but it also provides for unqualified opinions

with additional explanatory language (emphasis of a matter paragraphs, going concern issues, inconsistencies, etc.). Private companies also have the option of a qualified (GAAP departures and Scope limitations) or disclaimer of opinion. However, these options are not acceptable to the Securities and Exchange Commission (SEC). The current model provides auditors with sufficient ability to provide opinions which are not just "pass/fail".

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

We believe the current model should be retained.

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.

If the current model is maintained, we believe the following changes would be beneficial:

- i. Include language in the auditor's opinion stating that the footnotes are an integral part of the financial statements and have also been audited
- ii. Include language stating that management is responsible for all information outside of the financial statements (including management's discussion and analysis), and that the outside information has not been audited, but has instead been read by the auditor for consistency to audited amounts.
- iii. Define the terms "reasonable assurance" and "material misstatement" as used in the auditor's report
- iv. Consider the expanded use of the current "emphasis of a matter" paragraphs to potentially include such things as recent acquisitions, environmental matters, other significant matters, etc. assuming authoritative guidance is provided for use in determining which of these matters should be included. Information in the emphasis of a matter paragraphs should be objective and fact based with reference to expanded disclosures in the financial statement footnotes.
- v. Identify that the auditor is independent with respect to SEC and PCAOB standards

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.

We believe that management and the audit committee are most appropriate to provide additional information about the company's financial statements. Management is in the best position to have this relevant information and the audit committee is in an ongoing role of monitoring management. Since management, with the oversight of the audit committee, is responsible for developing estimates, expectations and judgments, they should be the parties responsible for providing the additional information. We do not believe that auditors should be the source for any original disclosure about a Company. Additionally, providing original disclosure about a Company may be a threat to our independence. While the auditor may be privy to much of this information, the depth of that knowledge is not as broad or deep as management's and therefore could not provide any additional meaningful

information to the investor. It is our suggestion that management is the most appropriate party to provide additional information regarding their company's financial statements with the oversight of the audit committee.

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?

In regards to reporting on internal control over financial reporting we suggest adding language related to the audit committee's role vs. management's responsibility for internal controls over financial reporting. In addition, we suggest that the terms "reasonable assurance" and "effective" be defined.

Potential Alternatives for Changes to the Auditor's Report

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

We do not believe that the Board should consider an auditor's discussion and analysis.

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

We do not believe that an auditor's discussion and analysis should be pursued.

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?

We do not believe that an auditor's discussion and analysis should comment on the audit or the company's financial statements.

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?

We do not believe that this information would be relevant to investment decisions since it would provide users with confusing and potential conflicting information from that which is reported in management's financial statements.

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

We do not believe that an auditor's discussion and analysis should be pursued for several reasons, as follows:

- i. Investors needs for additional disclosures about a company's financial statements, should be addressed through changes to Generally Accepted Accounting Principles (GAAP) or SEC Regulation S-K and not through the auditor's reporting model.
- ii. The inclusion of this information changes the existing auditor and client relationship by placing the auditor in the place of management. This can create a potential impairment of independence

since the auditor will be expected to make decisions about what information should be disclosed, whether related to accounting policies, estimates, or operational matters. It could require that the auditor disclose information that management has not already disclosed which is inconsistent with the existing auditor/client relationship.

- iii. Audit reports are fact based opinions based on the financial statements taken as a whole. Auditor roles have previously not been based on providing commentary and opinion on specific elements, unless engaged to do so on specific engagements or for "comfort letters". Typically, these engagement types have lower materiality levels. It is foreseeable that providing such specific commentary at a level lower than "the financial statements taken as a whole" will lower materiality levels and add significant time to audit engagements. This appears contrary to the new risk based auditing standards recently issued by the PCAOB.
- iv. We do not believe that an auditor's discussion and analysis provides useful information to users of financial statements that are audited on the basis that the audit is performed on the financial statements taken as a whole. Most users of financial statements are not sufficiently familiar with auditing techniques to fully understand materiality, tolerable misstatement, audit procedures or the extent of audit procedures on specified areas, since those procedures are based on the financials taken as a whole and whether or not an informed user's judgment would be affected by items which are not material.
- v. We believe that an auditor's discussion and analysis that discloses materiality levels, audit procedures, and the extent of those procedures creates additional opportunity for fraud in subsequent periods by reducing the element of unpredictability in audits. Thereby creating a roadmap for management's manipulation of those procedures in future periods.
- vi. We also believe that detailed discussions regarding accounting estimates, alternative accounting policies considered, etc. could provide users with conflicting information that in the end would not be useful in their decision making. When auditors perform their audits there is an element of professional skepticism that innately causes auditors to consider various differing assumptions, estimates, and policies. These considerations are a normal part of auditing and were not developed with the contemplation that they would need to be disclosed to the public. Such disclosure could significantly impact how audits are performed in the future.
- vii. There is an increase risk of additional liability upon auditors disclosing their various methods and decisions made throughout the audit, which could later be questioned. The potential threat of an auditor's increased risk of additional liability from the disclosure of such information may compromise overall audit quality thereby decreasing the value of the auditor's report to the investor.
- viii. Initially, auditor's discussion and analysis would lack consistency and comparability to be useful for financial statement users. Over time these reports would become more standard as auditors begin to monitor how other auditors are preparing the discussion and analysis, which would also result in information that is not very useful to users of the financial statements.

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?

As mentioned in our response to Question #5d, we do not believe that auditors are in a position to provide any commentary on specified elements since auditors perform their engagements on the basis of the financial statements taken as a whole. Additionally, we believe that such commentary lacks comparability and consistency; and could damage client/auditor/audit committee relationships. We are also unclear as to how management would respond to the auditor's discussion and analysis and the manner in which disagreements with management would be handled regarding additional disclosures of information, or if it is the intent of the Board that disagreements in these additional disclosures are expected and permitted.

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)?

We do not believe that any information should be disclosed in an AD&A.

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, accounting policies and practices, and difficult or contentious issues, including "close calls")?

We do not believe that auditor commentary or views on management's judgments and estimates, accounting policies and practices, and difficult or contentious issues, including "close calls", would provide useful information to financial statement users, but would rather create investor confusion. Disclosure in Management's Discussion and Analysis already requires critical accounting policies and estimates, including the judgments and uncertainties that affect them. Auditors are currently required to read this information for material consistency with the audited financial statements. Investors may assume that these disclosures are sufficient or otherwise the auditor would have recommended changes. Therefore, we do not see the value of auditors commenting on the same information.

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

In the event that the PCAOB elects to require an auditor's discussion and analysis it should be in a standardized format. It would need to be objective and factual, rather than subjective and opinionated.

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?

We do not believe that expanding the auditor role provides a benefit to investors since the auditors are not in a position to provide relevant information. The auditing profession is not in a position to take on these additional responsibilities which would require significant training and or hiring from outside the auditor profession of non-certified public accountants with sufficient experience to provide commentary in these areas. Additionally, this information is already disclosed in the Risk Factors section of the 10-K and therefore no additional risk discussion by the auditors is necessary.

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

Boilerplate language should be developed for consistency. Without sample language it would be difficult to have any consistency or comparability. Regardless, whether provided or not, over time due to the legal and regulatory systems, auditors will develop their own language for all of their engagements, and eventually the auditing profession as a whole will adopt similar language.

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

See our response to Question 5d.

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?

An auditor discussion and analysis creates a high probability of inconsistent and competing information between the auditor and management. It is also unclear if this would be filed with the 10K and discussed with management, or whether or not management would provide a separate response within the 10K or if the AD&A would be a separate filing.

Required and Expanded Use of Emphasis Paragraphs

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?

We believe that the current emphasis paragraphs draw sufficient attention to significant matters critical to the decision making of a financial statement users, however we do believe that if a limited list of a few additional items that are fact based and not based on judgment was developed (e.g., the company completed an acquisition), such information may be useful in summary or bullet form.

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

Auditor procedures should not be disclosed since audits are performed on the basis of financial statements taken as a whole, and are planned and designed on that basis. These procedures are proprietary on an auditor by auditor basis, based on overall engagement risks which are not disclosed. Additionally, such disclosures provide increased risks for management manipulation in the future, and would be counter-productive to users of financial statements. Auditors are likely to increase their audit procedures and move further away from risk based auditing as they will be disclosing their procedures to the public. The likelihood of "over auditing" specific areas will increase. Overall the time it takes to perform an audit will be extended and an equivalent increase in auditor fees should be expected.

a. If you support required and expanded emphasis paragraphs as an alternative, provide an explanation as to why.

We would support required and expanded emphasis paragraphs if authoritative criteria were provided to assist in determining what information to include and if the disclosure was factual and did not include the key audit procedures that were performed related to the identified item.

b. If you do not support required and expanded emphasis paragraphs as an alternative, provide an explanation as to why.

Current standards allow the use of emphasis paragraphs but their use is usually reserved for matters of critical importance. They should not be used as a substitute for financial statement disclosures required by GAAP. If new standards require inclusion of an expanded emphasis paragraph in all audit reports and the decision is left up to the auditor to decide which items to disclose that they believe are important for the users to better understand the financial statements, there is a significant risk that other important disclosures may be overlooked. There is a risk of requiring auditors to select which items to emphasize since different disclosures may be important to different investors. There would be undue influence placed on the disclosures that are included in this required emphasis paragraph which would detract from the other disclosures in the financials. Expanded emphasis paragraphs would lack consistency and comparability and also put the auditor in the position of management in determining and commenting on what is "significant" in terms of what should be included in the report unless there was authoritative criteria for determining which items to emphasize. This results in possible independence issues as well as increased auditor liability.

We also do not support the requirement for auditors to comment on key audit procedures performed related to the identified matters.

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?

Primarily what is currently permitted.

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

The appropriate content and level of detail should be limited to objective and factual information referencing to the footnotes for more detailed disclosure.

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

Boilerplate language should be developed for consistency. Without sample language it would be difficult to have any consistency or comparability. Regardless, whether provided or not, over time auditors will have their own language for all of their engagements, and eventually the profession as a whole will adopt similar language.

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

On a very limited basis financial statement users can benefit from a summary of major items that are predefined to be reported by the auditors (e.g., going concern). The shortcomings relate to inconsistency and lack of comparability, which will render this information useless by financial statement users unless it is limited, objective, and factual with reference to management's footnotes to the financial statements.

Auditor Assurance on Other Information Outside the Financial Statements

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

The Board should not consider auditor assurance on the other information outside of the financial statements. Information outside the financial statements such as MD&A contains forward looking statements, subjective information, and non-financial data. It is unclear how auditors would be able to perform assurance procedures on such forward looking or projected information while maintaining independence under existing rules.

Also, as mentioned in the concept release, companies currently have the ability to retain the auditor to provide some level assurance on other information outside of the financial statements however; very few companies have engaged auditors to perform this service. We can assume that is because the cost of this assurance outweighs the benefits perceived by the investors.

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

We do not support auditor assurance on other information.

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.

None.

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

Auditors currently read this information to determine that there are no material inconsistencies included in the MD&A as compared to amounts reported in the audited financial statements and we believe that level of assurance is most appropriate. We believe that adding clarifying language to the auditor's report disclosing the substance of the current PCAOB AU Section 550, *Other Information in Documents Containing Audited Financial Statements*, and auditor's responsibility related to information in documents containing audited financial statements would be useful to investors to understand the extent of auditor's responsibility on that information. This would be consistent with current practice and would not expand upon audit procedures, or the time required to complete the audit.

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?

We do not believe that the auditor is in a position to provide assurance on the MD&A, other than to compare specific dollar amounts that are already audited in the financial statements, as well as reading the MD&A for consistency.

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

Yes, in many cases these disclosures include opinions, subjective information, sensitivity analysis, early warnings and forward looking statements. In order for the auditors to provide any level of assurance these disclosures would need to be changed to be more fact based, historical and objective, with less subjectivity, opinions, or forward looking statements.

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?

Due to the fact that historical data, forward looking statements, factual and subjective opinions are commingled within the MD&A additional guidance would be required.

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

As previously mentioned (in Questions 19d), the MD&A contains information that auditors are not in a position to provide assurance on. Auditor's currently read this information to determine if there is materially inconsistent information as compared to the financial statements. The requirement to provide assurance on the MD&A would require significant additional procedures and possibly the use of additional specialists in order to provide such assurance. The degree of work required would be comparable to, or exceed auditor comfort letters.

Additionally, the SEC would need to consider restructuring the format of the MD&A so that the portions in which auditors are required to provide assurance upon are separate and distinct from the portions that assurance is not provided on. Due to this commingling of information it would be very difficult for users of the MD&A to ascertain which portions were subjected to auditor assurance and which were not.

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

We do not see any benefit since the financial data in the MD&A is already audited in the financial statements and the auditors currently read the MD&A for material inconsistencies. Providing assurance on this information in a format that is commingled with opinion, forward looking-statements, and non-financial information will be too confusing for users of the MD&A, to determine what has assurance and what does not. The result would be users assuming that all of this information has been "audited", when it has not been. The additional time required in order to complete annual and quarterly filings would be substantial and it is unclear if the cost/benefit would be beneficial to investors.

Clarification of the Standard Auditor's Report

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?

Yes, we believe that the auditor's report should be clarified to better define all of the suggestions listed in the concept release. It is critical that financial statement users understand the role of the auditor, management, and the audit committee, as well as concepts such as reasonable assurance, materiality, fraud, etc.

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.

Yes, currently many users of financial statement do not have a sufficient understanding of the responsibility of the auditor and the true nature of an audit.

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?

- Management's responsibility related to internal control over financial reporting and fraud controls
- Role and responsibilities of audit committees
- Firm network structure including the responsibilities of the firm signing the report and the role of other member firms in the audit

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

Improving the description of management's existing role, the role of the audit committee and the role of the auditor, as well as providing more accurate definitions of existing audit terminology would not have a material impact on the scope of audits or auditor's responsibilities.

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

We believe that all clarifications provide users of financial statements with a better understanding of the audit report. We do not believe that such clarifications would have any negative impact.

Questions Related to all Alternatives

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?

We believe that *"Clarification of the Standard Auditor's Report"* is the most appropriate because it can efficiently and effectively be implemented and provide the users of financial statements with the greatest benefit with limited additional cost.

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?*

A combination of considerations related to *"Clarification of the Standard Auditor's Report"* and *"Form of the Auditor's Report"* should be considered by incorporating the items suggested in our response to questions # 21c and #2c.

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

Refer to our response to Questions #2c and #21c.

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?*

There would need to be an auditor reporting framework that provides clear, comparable and consistent information to users of financial statements that is relevant, standardized, and understandable. The Board should also consider the relationship of cost and benefit to investors as well as potential implications on auditor independence, client confidentiality, and the additional time that would be required under certain initiatives as it would relate to existing SEC filing dates.

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?*

"Clarification of the Standard Auditor's Report" would not be perceived as providing a qualified or piecemeal opinion. The use of *"Required and Expanded Use of Emphasis Paragraphs"* on a limited basis would also not likely impact user perception.

However, significant changes to the *"Form of the Auditor's Report"* from the current "pass/fail" model may be viewed as a piecemeal type opinion. Additionally, *"Potential Alternatives for Changes to the Auditor's Report"* would undoubtedly change the users perception of the financial statements as well as the reliance that can be placed on audits in general, if numerous items are discussed related to various scenarios that were contemplated during the process of an audit, which inevitably did not affect the opinion. The detailing of audit risks and procedures performed also is likely to harm the users in the long run and expose future audits to additional fraud risks. Lastly, *"Auditor Assurance on Other Information Outside the Financial Statement"*, as contemplated related to MD&A, would create significant confusion amongst users since the information that assurance can be provide upon would be comingled with information in which assurance could not be provide on, unless the intention exists to rearrange and reformat the existing MD&A by the Securities and Exchange Commission.

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?*

"Clarification of the Standard Auditor's Report" is the best alternative to convey the auditor's role. Refer to our responses to previous questions in that section.

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

We believe that sufficient audit quality exists related to the responsibilities of auditors. Audit quality will not be improved by the suggestions mentioned in *"Potential Alternatives for Changes to the Auditor's Report"* or *"Auditor Assurance on Other Information Outside the Financial Statement"* in regard to the financial statements since these suggestions do not add to existing auditing procedures related to the financial statements. The suggestions in these two areas will however, greatly increase the time required to complete audits, potentially require the extension of deadlines, increase the costs of audits, and provide users of financial information with information that will likely be confusing and not useful in their decision making process.

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 an exclusion.*

In theory, all audit reporting models should be the same for consistency and comparability. However, given the SEC's willingness to exempt companies from audits of internal control over financial reporting based on market capitalization; we would suggest similar consideration be given to companies below a certain limit due to the significant additional cost associated with some of these proposals. Consideration should also be given to exempting broker-dealers.

Considerations Related to Changing the Auditor's Report

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?*

All effects listed above are important. Some of the suggested changes would significantly increase audit effort (and cost) with questionable additional benefit to investors. The changes could undermine the auditor's relationship with management and the audit committee and would increase auditor's liability.

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?*

No. We do not believe that the substantial additional cost related to many of these proposals provide significant benefit and in certain instances will lessen users ability to make informed decisions related to audited financial statements as described above.

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?

The concept release does not address forward-looking statements, and opinion verse fact based items in the MD&A. It also does not address any potential impact on independence. The proposals related to an AD&A do not consider how it will impact the user's perception of an unqualified opinion, when the AD&A highlights numerous significant "issues" and "close calls" to an investor. This will likely impact an investor negatively in cases where the opinion is truly an unqualified opinion without any reservations.

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

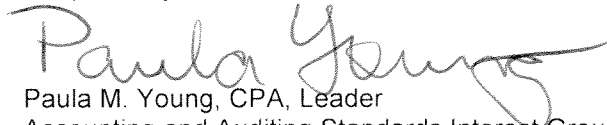
The PCAOB would need to heavily educate the investing public with regard to many of these proposals to avoid the likelihood that much of this additional information will be confusing and is not adding to audit quality or procedures.

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?

For various reasons as described throughout our response, the auditor, management, and the audit committee relationship could be harmed in situations where the auditor is required to be the original source of disclosure about the Company. This could undermine the principle that the financial statements are the responsibility of management with the oversight of the audit committee. The relationship can also be harmed as a result of the substantial increase in time needed to complete the audit which will delay timely filings of annual and quarterly reports without commiserate benefit to the users.

Thank you for the opportunity to comment. We are available to discuss our comments at your convenience.

Respectively submitted,



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