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September 30, 2011

Office of the Secretary  
Public Company Accounting Oversight Board  
1666 K Street, NW  
Washington, D.C. 20006

**Re:                   PCAOB Release No. 2011-003**  
**PCAOB Rulemaking Docket Matter No. 34**  
**Concept Release on Possible Revisions to PCAOB Standards Related to Reports**  
**on Audited Financial Statements**

Dear Board Members:

Federated Investors, Inc. (Federated) is a component of the S&P 500 and is one of the largest investment managers in the United States of America with \$349 billion in managed assets as of June 30, 2011. The majority of Federated's revenue is derived from advising and administering Federated's 129 registered domestic mutual funds as well as various offshore investment funds and numerous separate accounts in both domestic and international markets.

Federated appreciates the opportunity to comment on the proposed Public Company Accounting Oversight Board's (PCAOB) Concept Release on Possible Revisions to PCAOB Standards Related to Reports on Audited Financial Statements (Concept Release).

Federated acknowledges the efforts by the PCAOB to identify ways to enhance an investor's understanding of the auditor's reporting model including the level of assurance given by their report. We understand that your outreach efforts indicated that financial statement users are desirous of more information. We believe a financial statement user, if polled, will always be in favor of more information. However, the request for more information must be balanced with the cost of providing additional information, as well as the potential for redundancies and information overload. Management is responsible for communicating information about the financial condition of the company and does so primarily through financial statement disclosures including Management's Discussion and Analysis of Financial Condition and Results of Operations (MD&A). If the auditor disagrees with management, they should report the disagreement under existing standards. If there is a perceived shortfall in information regarding business risks and areas of management judgment, these issues should be addressed by standard setters through the requirement of more disclosure and vigilant review of adherence to current reporting standards.

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We strongly support retaining the current pass/fail model of auditor reporting and would support clarification of certain language in the auditor's report. With regard to the other proposals in this Concept Release, we have serious concerns which are outlined in the remainder of this letter.

#### Auditor's Discussion and Analysis

The Concept Release proposes an outline for an Auditor's Discussion and Analysis (AD&A) that would include the auditor's discussion on items such as Audit Risk, Audit Procedures and Results, Auditor Independence, Management's Judgment and Estimates, Accounting Policies and Practices and Difficult or Contentious Issues, including "Close Calls."

We believe that there is very little benefit with tremendous downside to the proposed AD&A. By introducing the auditor's perspective on the company in an AD&A, we are concerned that it could diminish the focus on the MD&A. We believe that management should be the source of information about a company. The discussion by the auditors of such sensitive topics could be taken out of context by readers. Discussion regarding "Close Calls" would be nothing more than a distraction to readers because such matters would be immaterial. If any matters of contention were material, they would have ultimately been reflected in the financial statements and/or footnotes or a qualified audit opinion would have been rendered.

When MD&A is properly written, areas such as business risk and management estimates in the AD&A would be repetitive disclosures. The other items suggested to be included in the AD&A that may not be included in the MD&A are items that are discussed with the Audit Committee through the required communications. In order to have an unqualified audit opinion, the parties involved would have reached a consensus or resolution on these items prior to finalizing the audit report.

An AD&A would exponentially increase time expended for both management and auditors and therefore further significantly increase costs associated with the audit. The increased time for both management and auditors will also increase the pressure in an already tight reporting timeline which could possibly delay SEC filings. In addition to Federated's corporate filing, it has 129 domestic mutual funds that require annual audits. In any given month, there could be as many as 27 mutual funds with audited financial statements due. The increased time to review the AD&A for each of these filings would create a significant burden to management. The increased time spent by the auditors to draft the AD&A would result in increases estimated to be 15 percent or more of current audit fees, which would be expensive to the company or mutual fund and ultimately to the underlying shareholder.

This lengthy, complex disclosure would also make comparability between companies difficult as each company's auditors would focus their attention on different matters. Alternatively, if a standard format was prescribed, we believe that the language would become boilerplate. We

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believe that the current audit opinion is appropriate and that a boilerplate AD&A would provide no incremental benefit to the reader.

Report on information outside the financial statements

The Concept Release proposes auditor assurance on other information outside the financial statements.

Under AU 550, Auditors are currently required to read information outside the financial statements to identify material inconsistencies. We would support a revision to the standard auditor's report to inform investors and other readers of the extent of the auditor's responsibility for the other information included in the filing. However, Federated does not support audit assurance on this information. We question the value this would provide given the increased costs and time expended for both management and the external auditors in an already tight reporting timeline.

We appreciate your consideration of this letter and we welcome the opportunity to talk through our comments and observations with the PCAOB Staff. Please contact Sally Lion at (412) 288-8342 to discuss any questions you may have regarding the comments in this letter.

Sincerely,

/s/ Thomas R. Donahue  
Thomas R. Donahue  
Chief Financial Officer

/s/ Denis McAuley III  
Denis McAuley III  
Principal Accounting Officer

/s/ Sally Lion  
Sally Lion  
Manager, External Reporting