



NATURAL ALTERNATIVES INTERNATIONAL  
WORLD LEADER IN NUTRITIONAL SCIENCE

December 9, 2013

Office of the Secretary, PCAOB  
1666 K Street, N.W.  
Washington, D.C. 2006-2803

Submitted via electronic mail: [comments@pcaobus.org](mailto:comments@pcaobus.org)

**Re: PCAOB Release No. 2013-005, PCAOB Rulemaking Docket Matter No. 034**

Natural Alternatives International, Inc (NAI) is a leading formulator, manufacturer and marketer of nutritional supplements. Our Company stock is traded under the symbol NAI on the NASDAQ Global Market Stock exchange.

Thank you for giving us the opportunity to share our thoughts and comments on *The Auditor's Report on an Audit of Financial Statements when the Auditor Expresses an Unqualified Opinion, the Auditor's Responsibilities regarding Other Information in Certain Documents containing Audited Financial Statements and the Related Auditor's Report, and Proposed Amendments to PCAOB Standards Related to the Proposed Auditor Reporting Standard.*

While we support the PCAOB's efforts to improve financial reporting for investors and other financial statements users, we cannot support these Board proposals as currently outlined. In our opinion, these Board proposals will potentially create investor confusion that may lead to false conclusions on the quality of a Company's financial statement information and the audit work performed.

**Critical Audit Matters (CAM's)**

We believe the Board's proposal to require the auditing firm to determine and disclose CAM's will create unnecessary disclosures and generate increased reporting costs for all registered companies. In our opinion, the key CAM's are already required disclosure in public filings and are included under Part I, Item 1A – "Risk Factors", Part II, Item 7 - "Management's Discussion and Analysis of Financial Condition and Results of Operation" and "Critical Accounting Policies and Estimates." We believe CAM's are inherent at some level for all companies and are the basis for the development of the independent

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auditor's auditing process. These auditing firms possess extensive industry experience and technical knowledge that allows them to identify CAM's surrounding financial reporting issues and design their audit plans and strategies to accommodate these risks. As such, the audit process and auditor's opinion on financial statements should remain a pass/fail model that is all inclusive rather than create a perception that the "taken as a whole perspective" does not apply to "X, Y and Z." We also believe that requiring the auditor to include CAM's in their audit opinions will result in increased and unnecessary disclosures and auditing fees as the auditing firms attempt to include any and all known audit risk items in their reports (after extensive negotiations with company management, audit committee board of directors and Regional/National Firm offices) in an effort to reduce their exposure to potential deficiencies identified during subsequent PCAOB audit reviews and increased premiums from their E&O insurance underwriters.

#### **Reporting on Other Information**

On the surface we agree with the Board's desire to create more clarity around the auditor's responsibilities for the "other information" included in financial statements filed with the Securities and Exchange Commission. However, we are concerned that this requirement will also unduly increase the costs associated with the auditing process and create confusion for the investing public related to the primary ownership and responsibility for this information. We believe the SEC rules and regulations surrounding the requirements for the content of "other information" included in public filings are well defined and properly fall under the responsibility of the company's management. Additionally, "other information" which is included in the MD&A discussion often includes forward looking statements and management's predictions of future events. These items will create difficulty for the auditing firm to reach definitive conclusions and may lead to investor confusion surrounding independence as the auditing firm purports to support or reach alternative conclusions on management's representations.

As an alternative to the Board's proposal, we would support a modification to the standard auditor's unqualified opinion to include a separate paragraph that clearly states that the auditor's opinion does not encompass the "other information" included in financial statements filed with the Securities and Exchange Commission.

Thank you for your consideration.

Respectfully,

A handwritten signature in blue ink, appearing to read 'K. Wolf', is positioned below the word 'Respectfully,'.

Kenneth Wolf  
Chief Operating and Chief Financial Officer  
Natural Alternatives International, Inc  
San Marcos, CA 92078