

7915 Xavier Court
Dallas, Texas 75218-4513

December 10, 2013

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

VIA Email: comments@pcaobus.org

Re: PCAOB Rulemaking Docket # 034

I am writing to express my opinions regarding the above referenced Proposed Auditing Standard (Proposal) - *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*. While I would be supportive of the Board's efforts to enhance investors understanding of the current audit process and the auditor's responsibilities as it relates to providing an attestation on management's assertions regarding its Company's financial statements and internal control over financial reporting, I do not support some of the requirements contained in the Proposal.

Critical Audit Matters

The Proposal would require the auditor to determine each critical audit matter (CAM), describe the considerations that led the auditor to make such determination and refer to the relevant financial statement accounts and disclosures to which each CAM relates. The Proposal includes a list of certain factors to be considered by the auditor in determining each CAM for an audit. The Proposal states that disclosure of the CAMs is not intended to change the auditor's traditional role of attesting to management's assertion regarding the conformity of its Company's financial statements being in accordance with GAAP, and will not require the auditor to provide an analysis of the matters in the financial statements when communicating CAMs. These assertions of the Board are not correct. The determination and description of CAMs has the auditor going beyond an attestation on management's financial statements, as a CAM ultimately provides disclosure regarding the nature and extent of the procedures performed by the auditor, and in many cases may result in the auditor's disclosure of information regarding the Company that is otherwise not required to be included in the Company's financial statements (including the footnotes) or in other areas of periodic SEC filings. The auditor should not be the source of any disclosure regarding a Company; if the auditor believes additional disclosures are required in the financial statements or other parts of a Company's periodic filings, existing auditing standards address the auditor's responsibilities in such an event, including communicating such concerns with the audit committee.

The disclosure and discussion of CAMs would also result in confusion on the part of investors as to the subject matter of the CAMs, and is inconsistent with the "pass/fail" model which the Board appropriately determined should be retained. The illustrative examples of hypothetical disclosures of CAMs in the Proposal essentially say "here is a CAM, here is why we determined it was a

CAM, we consulted with our national office on the nature, timing and extent of our audit procedures concerning the financial statement elements related to the CAM, and here is where such financial statement element is disclosed in the financial statements.” The auditor’s disclosure and discussion of each CAM would likely be viewed as a qualification to their overall opinion, despite the required disclosure that “the CAMs communicated do not alter in any way our opinion on the financial statements, taken as a whole.”

It appears that the Board’s objective in disclosing CAMs is to essentially highlight areas where a Company’s management, in preparing its financial statements, has to apply significant judgment and/or make significant accounting estimates. Current SEC rules already require disclosure of such financial statement areas – the Critical Accounting Policies section of MD&A. This is the appropriate place for such financial statement areas to be disclosed, by MANAGEMENT.

The proposal for disclosure and discussion of CAMs should not be included in any final Standard.

Reporting on Other Information

I agree that there may be some benefit from a clearer articulation in the auditor’s report of the auditor’s responsibility for information outside of audited financial statements that are contained in SEC filings. However, the Proposal would enhance the auditor’s responsibilities in this regard by changing the current requirement of “read and consider” to a new requirement of “read and evaluate” whether other information is materially consistent with the audited financial statements. The Board acknowledges that the enhanced requirement to “read and evaluate” is likely to increase the nature and extent of the auditor’s procedures as it relates to such information, and therefore increase audit costs. I do not think the Board had adequately documented the cost/benefit analysis of the proposed “read and evaluate” responsibility.

I also do not believe the Board has adequately documented the need for such enhanced auditor responsibility in this regard. Management is already required to provide CEO and CFO certifications for a Company’s periodic filings, as well as the establishment of disclosure controls and procedures. SEC registrants are also subject to audit committee oversight. In addition, certain disclosures outside the financial statements, such as forward looking information in MD&A, would be very difficult, if not impossible, for the auditor to objectively “evaluate.” For the auditor to provide any level of attestation/assurance on such information, which a “read and evaluate” requirement would essentially encompass, would be totally inappropriate and call into question the independence of the auditor.

Other than having a disclosure of the auditor’s CURRENT responsibility and requirement to “read and consider” information outside of the audited financial statements that are contained in SEC filings, the proposal in this regard should be dropped.

Audit Tenure

The Proposal would require disclosure of the auditor's tenure. The Board acknowledges that there is no agreement as to any correlation between the length of an auditor's tenure and audit quality. The Board admits that the Board itself has not reached a conclusion in this regard. This is a more than sufficient reason for this aspect of the Proposal to be abandoned.

Statutorily, the decision on which audit firm to engage is the sole responsibility of the audit committee. The audit committee is in the best position to make that decision, taking into consideration all factors the audit committee deems relevant. Some factors may generally be consistent from Company to Company, while other factors may be unique to a specific Company. Regardless, the audit committee ultimately makes the decision. Disclosure of audit tenure by the auditor in a vacuum without any additional disclosure regarding what factors went into the committee's determination on what firm to engage (and for whatever period of time the committee has determined to engage such firm) would be an incomplete disclosure, at a minimum, and potentially misleading. For these reasons, it is inappropriate for the auditor to disclose in its audit report the audit tenure as contained in the Proposal.

"Assess" Versus "Evaluate" Accounting Principles Used and Significant Estimates Made

The Proposal would change the current audit report from indicating that the auditor has "assessed" the accounting principles used and significant estimates made by management to "evaluated" the accounting principles used and significant estimates made by management. The Proposal contains no discussion of the reasons for or what the Board intended by such change. If the Board intends that the change from "assessed" to "evaluated" is solely to more effectively communicate the auditor's current requirements, then the Board should explicitly state such intention and expectation in any final Standard. However, if the Board intends that the change from "assessed" to "evaluated" is intended to impose additional requirements on the auditor, then the Board should explain its reasons behind such change, and justify the enhanced requirements with a cost/benefit analysis.

Explanatory Paragraphs

The Proposal notes that existing auditing standards provides examples of matters the auditor may decide to emphasize in an explanatory paragraph to their audit report. But rather than just incorporate the existing examples of such matters, the Proposal adds new examples of matters that may be called out in an explanatory paragraph. However, the Proposal contains no discussion of the Boards reasoning behind the inclusion of the new examples, and why such new examples would be appropriate. Any final Standard should just retain the existing examples of explanatory paragraph matters from the current auditing standards.

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Thank you for your consideration of these comments and suggestions.

Sincerely,

A handwritten signature in blue ink that reads "Greg Swalwell". The signature is written in a cursive style with a large, looping "G" and "S".

Greg Swalwell