



## CAPITOL FEDERAL FINANCIAL, INC.

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September 21, 2011

Office of the Secretary  
Public Company Accounting Oversight Board  
1666 K Street, N.W.  
Washington, D.C. 2006-2803  
Via e-mail: [comments@pcaobus.org](mailto:comments@pcaobus.org)

File Reference: PCAOB Rulemaking Docket Matter No. 37

Dear Secretary:

Capitol Federal Financial, Inc. appreciates the opportunity to provide comments on the Public Company Accounting Oversight Board's (PCAOB) Rulemaking Docket Matter No.37 (the "proposal").

Capitol Federal Financial, Inc. headquartered in Topeka, Kansas, is a \$9.6 billion bank holding company. Capitol Federal Financial, Inc. ("we") provides a full range of retail banking services through its wholly-owned subsidiary, Capitol Federal Savings Bank (the "Bank"). The Bank primarily serves eastern Kansas and a portion of the metropolitan area of greater Kansas City through 45 branch locations. The Bank is one of the largest residential lenders in the state of Kansas. Over 95% of the Bank's loan portfolio is composed of one- to four-family loans, the majority of which are originated to be held to maturity.

We understand the PCAOB's concerns about enhancing auditor independence, objectivity, and professional skepticism beyond the improvements made as a result of the Sarbanes-Oxley Act. However, we have significant concerns regarding the proposal which primarily focuses on mandatory audit firm rotation.

We note the following:

- Current regulatory rules have significant independence built into them:
  - The audit partner rotates every five years.
  - The review partner rotates.
  - The audit team is required to vary the timing, scope and nature of its audit procedures.
  - The PCAOB inspects audit firms.
- Audit continuity would be sacrificed:
  - The learning curve related to the knowledge base about the client would have to transfer between accounting firms. Audit quality would likely suffer in the early years of an engagement.

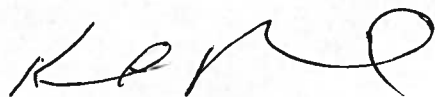
- Audit costs would rise significantly due to the new firm's additional time billed to gain knowledge about the client. Inefficiencies would increase markedly during the transition of one firm finishing up its work and the new firm beginning its work.
  - A company would be required to seek requests-for-proposal for audit firm rotation frequently which would be costly and time-consuming.
  - There are only approximately six large accounting firms that have the level of audit experience needed for most public companies; therefore the amount of additional independence gained from audit firm rotation is likely to be minimal compared to the time and cost required to implement the rotation.
  - Each year, we experience staff turnover within our current audit team which creates additional questions and interruption for our company personnel. If we were to have a complete turnover of our audit team due to audit firm rotation, it would be difficult for the new audit firm to have the appropriate level of sophistication and understanding of our company's operations. This lack of understanding would create additional risk until the new firm developed the appropriate level of understanding.
- Auditor independence and expertise is scrutinized by our audit committee.
    - Our audit committee meets quarterly with our audit firm to discuss, among other things:
      - The auditor's quarterly review and year-end audit
      - Engagement fees
      - The audit plan
      - Required communications regarding our public financial statements
      - Passed adjustments
      - Disagreements with management
      - Recommendations to management
      - Significant risks
      - The internal control assessment
      - Fraud.
- With the current practices in place, rotating audit firms every five years would do very little to improve auditor independence and would substantially increase the amount of time, effort and money companies spend to maintain audit quality and effectiveness.

It seems highly unlikely that gains in auditor independence would be realized due to the rotation of audit firms. A sound environment currently exists to promote auditor independence. Inefficiencies caused by the auditor rotation take away time from company management that could be better spent on company operations. Even if marginal gains were realized as a result of auditor rotation it is likely that audit quality would suffer during the transition period.

Due to the concerns mentioned above, Capitol Federal Financial, Inc. urges you to withdraw your proposal to require mandatory rotation of audit firms.

Thank you for considering our views. Please feel free to contact me if you would like to discuss our concerns regarding the proposal.

Sincerely,

A handwritten signature in black ink, appearing to read 'K. Townsend', with a stylized flourish at the end.

Kent G. Townsend  
Executive Vice President, CFO and Treasurer