

*Gary D. Eppen
3107 N. Snead Dr.
Goodyear, AZ 85395
623/536-1829
gary.eppen@ChicagoBooth.edu*

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Public Company Accounting Oversight Board

I have been chairman of the audit committee at the Hub Group for more than ten years and have experience selecting an audit firm, selecting lead partners from the chosen firm, and interacting with those partners and their associates.

For the following reasons, I strongly believe that requiring a mandatory rotation of audit firms is unwise.

- I know of no data that demonstrates that firm tenure and lack of independence are correlated. Indeed, I know of no research that addresses this issue. Natural questions are: (1) How widespread and serious is the lack of independence? (2) How do we know? (3) If it is widespread and serious is it correlated with the length of tenure of the audit firm? With answers to these questions we would have a better idea if it was advisable to change the current system.
- At Hub the audit committee selects the audit firm and the lead partner. We represent the stockholders and understand that it is our best interest and theirs to select the most knowledgeable and most independent auditors. If we had any notion that either our firm or our current partner was not first class on these two dimensions we would be the first to initiate a change. I see no reason to believe that forcing a change of the firm at predetermined intervals would yield better results.
- Selecting an audit firm is a time consuming and demanding task. Discussions with potential firm upper management, interviewing potential audit partners, checking references. It all takes time and energy. We went through this when Anderson imploded and I would not be interested in it again unless I saw real returns to the stockholders.
- Auditing a complex modern firm involves a ton of detailed work and institutional knowledge. All of that institutional knowledge is lost when you change audit firms.
- It is worth noting that the larger public firms are forced to use the larger public accounting firms. The choice these days are very limited
- Forcing this change is likely drive up fees and the cost to shareholders on a direct and indirect cost basis.
- This is another example of over regulation that will make American companies less competitive.

- Good public policy considers the costs and benefits of any regulation. Based on my experience the costs of the proposed legislation far outweigh the benefits.

You may be surprised to learn that I support changing audit partners every five years. But that opinion has nothing to do with independence. It has everything to do with gaining from the training and experience of the new partner. In five years we have learned most of what that partner has to offer. With a new partner there are new things to learn.

Thank you for the opportunity to comment.

Sincerely yours

Gary. D. Eppen