

Mark S. Wehrle, CPA  
905 Kendall St.  
Lakewood, CO 80214

November 18, 2011

Office of the Secretary  
PCAOB  
1666 K Street, N.W.  
Washington, D.C. 20006-2803.

Re: PCAOB Rulemaking Docket Matter No. 37

To the PCAOB:

I retired at the end of 2010 as an audit partner with one of the Big 4 accounting firms. During my 20-plus years as an audit partner, I continuously served SEC registrants. I welcome the opportunity to comment on the *Concept Release on Auditor Independence and Audit Firm Rotation*. My views are strictly my own and should not be attributed to the firm I formerly worked for.

In my opinion, audit firm rotation is not necessary. My opinion is based on my actual experiences, and is formed from two perspectives:

1. Periodic rotation of the lead audit partner – and other firm personnel – is a very effective means of ensuring the objectivity and professional skepticism by the audit firm.
2. Audit committees take their responsibility for evaluating audit firm objectivity, skepticism and independence seriously and discharge this responsibility in a thoughtful, well-informed manner.

#### **Rotation of the lead audit partner and other personnel**

Whenever I succeeded another audit partner, I took very seriously the idea that I should challenge the issuer's accounting policies and their application, the disclosures made in their financial statements, and their internal controls – and the nature and extent of the audit procedures. I recognized that I had one opportunity to find any issues before I "owned" them by signing the audit reports on the financial statements and on the issuer's internal controls. It was certainly in my best interest personally to rigorously scrutinize all key conclusions made by my predecessor. (This is not to say that I did not reconsider conclusions in the subsequent audits of an issuer – the need to revisit past conclusions was deeply ingrained in me through the training and culture of my firm.)

When I was succeeded by another audit partner, I definitely experienced that they took the same approach. My successors rigorously challenged my previous conclusions. During the initial audit led by my successor, I could count on plenty of phone calls and face-to-face discussions about key issues – accounting, disclosure, internal controls and auditing – where I had to explain and defend my past work.

And, I believe it is important that the PCAOB keep in mind that there are many rotations of audit firm personnel in addition to the rotation of the lead audit partner. The quality assurance partner assigned

to the audit engagement usually rotated on a different cycle than my tenure as lead audit partner, leading to a fresh set of eyes on key issues and audit conclusions at some point in middle of my time as lead audit partner. Managers and other audit personnel frequently changed. Specialists (tax, valuation, IT controls and others) rotated, sometimes due to mandatory rotation but also due to the natural turnover and redeployment of personnel that is inherent in the auditing profession. Finally, there were frequent (often annual) reviews of issuer's financial statements by national office personnel prior to the filing of the Form 10-K – and these national office reviewers changed frequently. In my experience all of these audit personnel rotations resulted in substantive challenges to prior audit conclusions, and I saw no attitude by my colleagues or any cultural tolerance of my firm for anything short of a full and rigorous vetting of such challenges.

It is my belief, based on many years of experience, that the people who progress through the ranks in a large audit firm are not shy about asking questions and challenging prior decisions. As such, I believe that the mandatory and the natural rotation of personnel provides a very effective way of keeping a high level of skepticism and objectivity in the audit from year to year.

#### **Audit committee oversight**

The Sarbanes Oxley Act (SOX) made clear the audit committee's responsibility for evaluating the audit firm's objectivity, independence and performance. I observed firsthand a dramatic increase in audit committee rigor over the latter years of my career. I saw audit committees work very hard and very seriously to challenge me and the engagement team about the key issues and key conclusions in the audit. The quality of personnel on the audit committee has improved markedly since SOX was enacted, and this has led to much more rigorous and informed oversight of the audit firm's performance. I experienced audit committees wanting interaction with key firm personnel in addition to the lead audit partner, including the quality assurance reviewer, tax and other specialists, and national office personnel, which has contributed to the committee's ability to meaningfully evaluate the audit firm and the quality of the personnel assigned to the audit.

I believe that mandating audit firm rotation would be an unwarranted indictment of audit committee performance in the discharge of their responsibilities to evaluate the audit firm.

Thank you for considering my views.

Yours truly,

