



PACKER · THOMAS

Certified Public Accountants & Business Consultants

November 11, 2011

Public Company Accounting Oversight Board
Attention: Office of the Secretary
1666 K Street, NW
Washington, DC 20006-2803

Dear Sir:

I wish to comment on the PCAOB's proposed release No 2011-006 on Auditor Independence. I have been in public practice for 39 years, most of which has been in the State of Ohio. The Auditor of State for Ohio (AOS) has the responsibility for all audits of state governmental units. The AOS out sources external audits to various CPA firms but stays actively involved in the auditor selection process.

Any audit firm that wants to perform audits for the AOS must submit an application to the AOS. The AOS qualifies the applicant and if approved the firm is placed on an approved audit firm list. The AOS provides an approved list of audit firms to the auditee for the auditee to select from. The auditee requests proposals from the various auditors and interviews selected firms. The auditee evaluates the firms and provides a recommendation to the AOS. The AOS has the final say on the selection of auditors and the auditee can not change auditors without the approval of the AOS.

This system provides for checks and balances in the selection of auditors. It helps prevent auditees from firing their auditor because of professional differences of opinion. I believe this allows the auditor to be more independent.

A system similar to this should be considered for public companies, whereby the PCAOB would function as the gatekeeper of the auditor selection process.

The AOS also requires mandatory rotation of auditors at least every ten years. The initial contract can not exceed five years however it can be renewed, subject to approval by the AOS, up to the ten year limit.

I believe this requirement has significant limitations, especially as it relates to specialized industries. It can take years for an audit firm to build the expertise needed to understand specific industries that they are to audit. However if the auditor is required to rotate off the engagement much of the specialized knowledge can be lost if the auditor is not able to replace it with another client in the same industry. This also assumes that the new auditor would have the expertise needed to properly do the audit. I could see the same thing happening with public companies if mandatory rotation is required.

I also believe this may lead to the movement of personnel from one firm to another in order for firms to acquire the expertise needed. Thus the same people may be doing the audit only they would be with a different firm.

I believe a good solution is to involve the PCAOB in the auditor selection process similar to what is done in Ohio and to not require mandatory rotation of audit firms. This would put the auditors in a much stronger position with their clients when the tough decisions need to be made.

Very truly yours,

PACKER THOMAS

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