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November 29, 2011

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

RE: PCAOB Rulemaking Docket Matter No. 37

Board Members:

The Audit Committee of Healthcare Realty Trust Incorporated (NYSE:HR) appreciates the opportunity to provide comments on the August 16, 2011 PCAOB Concept Release on Auditor Independence and Audit Firm Rotation, PCAOB Release No. 2011-006, PCAOB Rulemaking Docket Matter No. 37. We appreciate the PCAOB's effort to learn how or if auditor independence, objectivity and professional skepticism could be enhanced.

We do not believe that a problem exists that would best be cured by a required auditor rotation.

On page 17 and 18 of your Concept Release you state:

> "Commentators are also urged to consider whether the current state of the audit profession, in light of engagement partner rotation and audit committee practices following the passage of the Act, as well as recently promulgated and pending changes to the Board's auditing standards, may have rendered some of the historical perspectives on rotation, summarized above, no longer relevant."

In our opinion, as further discussed below, most of the historical perspectives on rotation that you have summarized, are in fact no longer relevant because of the current requirement to rotate both engagement and independent partners, as well as enhanced audit committee practices following the passage of the Sarbanes-Oxley Act of 2002.

We encourage you to continue to address your concerns about auditor independence, objectivity, and professional skepticism through your current inspection program. We also encourage you to be more transparent with your findings, and use audit committees as an ally to enhance auditor independence, objectivity, and professional skepticism.

<u>Audit Committees</u>

It is an audit committee's responsibility to focus on auditor independence, objectivity and professional skepticism. Audit committees have become much more effective since rule changes that resulted from the adoption of the Sarbanes-Oxley Act of 2002. Some of these requirements are that:

- each member of the audit committee be independent and financially literate;

- companies must disclose whether they have at least one audit committee member that is considered a financial expert, and if not, explain why;

- the audit committee be responsible for the oversight of the auditor's qualifications, independence, and performance;

- the audit committee be directly responsible for the appointment, compensation, retention and oversight of the company's independent auditor; and

- the audit committee pre approve any non audit services provided by the auditors.

We, as an audit committee, are quite troubled by your comments on page 5 of your Concept Release:

> "The Board has now conducted annual inspections of the largest audit firms for eight years. The Board's inspectors have reviewed portions of more than 2,800 engagements of such firms and discovered and analyzed several hundred cases involving what they determined to be audit failures. In this context, an audit failure is a failure to obtain reasonable assurance about whether the financial statements are free of material misstatement. That does not mean that the financial statements are, in fact, materially misstated. Rather, it means that the inspection staff has determined that, because of an identified error or omission, the firm failed to fulfill its fundamental responsibility in the audit – to obtain reasonable assurance about whether the financial statements are free of material misstatement. In other words, investors were relying on an opinion on the financial statements that, when issued, was not supported by sufficient appropriate evidence."

We are also quite troubled by Chairman James Doty's November 13, 2011 comment, reported by Reuters:

> "Internal controls on books and records – a requirement imposed on corporations by 2002's post-Enron Sarbanes-Oxley laws to combat fraud – are not being properly tested by outside auditors…" Reuters continues, "Auditors are supposed to gain an understanding of the controls put in place by companies and test them, but 'some auditors are just taking the business process that the company has put in place as a control,' Doty said."

Your concerns are also concerns of those of us that serve on audit committees. What kinds of audit failures or improper testing of internal controls were noted? You state in your Concept Release that of the hundreds of audits that the PCAOB has reviewed, several hundred were considered audit failures. How many of those failures occurred due to a lack of independence, objectivity or professional skepticism? Are these audit failures a pervasive problem that needs to be addressed only by the Board and the respective audit firms?

Instead of requiring auditor rotation, we recommend that you proactively publish your findings, on a no name basis. Audit committees could then be aware of what has, and what can, go wrong with the audits for which they have oversight. Audit committees are hiring these audit firms, and approving their fees while the audit firms are performing failed audits and improperly testing internal controls. The audit committee's responsibilities combined with your assertions certainly raises our concern over auditor independence, objectivity and professional skepticism. Audit committees are serious about their responsibilities. If you would proactively share your findings, audit committees could become a significant ally in your efforts to enhance auditor independence, objectivity and professional skepticism.

Independence, Objectivity and Professional Skepticism

Existing independence rules would make required auditor rotation extremely difficult if not impossible. Audit committees hire the most qualified audit firm to perform the company's audit (industry expertise is not equal among audit firms), and the audit committee makes sure that the engaged auditor does not perform any prohibited consulting services. In turn, management engages the next most qualified firm(s) to perform consulting services. As a result, the most qualified audit firms may not be able to be considered in an auditor rotation because they would not be independent under the current rules. In many instances, only less qualified audit firms would be available for consideration as the successor audit firm.

With respect to the issue of auditor independence, objectivity and professional skepticism, an audit committee is not only responsible for the oversight of the company's auditor's qualifications, independence and performance, and for the appointment, compensation, retention and oversight of the company's auditor, it is also responsible for oversight of the company's financial reporting process. If an audit committee is appropriately carrying out its responsibilities with respect to oversight of the company's financial reporting process and oversight of the company's auditors, it will understand any issues well enough to assess the independence, objectivity and professional skepticism of the auditors.

In addition, the current requirement for engagement and independent partner rotation already gives us, as an audit committee, comfort with respect to a fresh look, independence, objectivity and professional skepticism.

Cost, Inefficiencies and Disruptions

We, as an audit committee, have not implemented a policy of audit firm rotation because of the related cost, inefficiencies and disruptions that would be caused by such a rotation. However, each year we do go through a thorough evaluation of our auditors, and consider whether a change is necessary.

Those of us who have experienced a change in auditors understand the cost, inefficiency and disruption caused by such a change. An auditor rotation requirement would have an overall cost of hundreds of millions of dollars attributable to inefficiencies and disruptions related to problems that have not been clearly defined, and which could be addressed in a much less costly manner. The magnitude of the effects of auditor rotation would be extensive, some of which cannot be known until well after implementation. The costs in both dollar terms to shareholders and time spent by management do not appear to justify any perceived benefit.

Conclusion

Because of the complications related to auditor rotation (e.g., independence and qualifications) and the additional costs related to increased audit fees, inefficiencies and disruptions, mandatory auditor rotation will not serve the Board's goals of protecting investors and enhancing audit quality. Mandatory rotation would negatively impact investors, audit quality, and audit committee effectiveness.

As an alternative to auditor rotation, we encourage you to consider being more open with your findings, on a proactive basis, and enable audit committees help you carry out your mission to improve auditor independence, objectivity, and professional skepticism.

If you would like to discuss our comments further, please call our audit committee chairman Bruce Sullivan at 615-479-8706.

Respectfully,

Members of the Audit Committee:

/s/ Bruce D. Sullivan
Bruce D. Sullivan, CPA, Chairman

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