



United States Steel Corporation  
600 Grant Street,  
Pittsburgh, PA 15219-2800

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**via email: [comments@pcaobus.org](mailto:comments@pcaobus.org)**

Office of the Secretary  
Public Company Accounting Oversight Board  
1666 K Street, N.W.  
Washington, D.C. 20006-2803

PCAOB Rulemaking Docket Matter No. 37: Concept Release on Auditor Independence and Audit Firm Rotation

Dear Sir/Madam:

United States Steel Corporation (U. S. Steel) appreciates the opportunity to provide comments on the above referenced Concept Release. We agree with the Public Company Accounting Oversight Board's (PCAOB's) view of the importance of auditor independence, objectivity and professional skepticism; however, we oppose the concept of mandatory audit firm rotation. We believe that existing requirements already effectively address many of the primary concerns relating to the independence and objectivity of the audit firms. We also believe that mandatory audit firm rotation will result in increased costs and inefficiencies and reduced audit quality with little, if any, added benefits. We acknowledge that proponents feel that an auditor may have increased incentive to ensure that the audit is done correctly, knowing that his work will be scrutinized at some point by a competitor. We feel that existing requirements already address the issues that proponents suggest may be solved by mandatory audit firm rotation. However, an expansion of the PCAOB review of audit firms may provide an alternative that is a more cost effective way of addressing concerns of the independence and objectivity of the audit firms than mandatory rotation.

The Sarbanes-Oxley Act of 2002 contained several reforms, including creation of the accounting oversight board, mandatory five-year rotation of the lead audit partner and concurring partner and seven-year rotation for certain other partners serving on the audit engagement team. Additionally, independent audit committees are now responsible for the appointment, compensation, and oversight of the company's audit firm and public accounting firms registered with the PCAOB are prohibited from providing certain nonaudit services to a public company if the firm is also providing audit services. While the complete impact of the Sarbanes-Oxley Act is not yet known, we believe that the five-year rotation of the audit partner, the key decision maker on the audit, contributes to a higher level of auditor independence. We recommend an appropriate assessment of the Sarbanes-Oxley Act's rotation requirements be performed before deeming them ineffective and replacing them with mandatory audit firm rotation.

There are only a few large international PCAOB accredited audit firms that have the staffing capability, technical breadth and specialized industry expertise required to audit large, complex, multinational public companies (“Large Companies”) and, therefore, rotation would create unique challenges for such companies in particular. According to the 2003 United States General Accounting Office (GAO) study, four firms audit 99 percent of public company sales. There are numerous Large Companies which properly utilize more than one of these firms for various non-audit services. Auditor rotation would clearly limit the choice of auditors for Large Companies, may cause disruption to important advisory services in order to comply with independence requirements and could ultimately lead to additional costs and inefficiencies. Furthermore, while some might argue for firms developing “audit-only” practices, we would be concerned that the number of firms capable of auditing Large Companies would actually diminish and that audit-only firms would have difficulty attracting and retaining the type of professionals with the requisite technical competence or experience necessary to perform an audit of the quality and with the level of independence, objectivity and professional skepticism that is desired. Finally, while the Board appeared to express concern that they continue to find instances in which it appears that auditors did not approach some aspect of the audit with the required independence, objectivity and professional skepticism, few of the largest firms have been immune from such findings and it is difficult to understand how mandatory rotation among firms will address this concern.

As highlighted in the Concept Release, the idea of mandatory audit firm rotation is not new and has been discussed in various forums since the 1970s. More recently, Congress considered including a rotation requirement in the Sarbanes-Oxley Act, but it was ultimately excluded. Instead, the Sarbanes-Oxley Act required the GAO to conduct a study regarding the issue. In 2003, the GAO issued the results of the study that concluded “GAO believes that mandatory audit firm rotation may not be the most efficient way to enhance auditor independence and audit quality considering the additional financial costs and the loss of institutional knowledge of a public company’s previous auditor of record.” We agree with the GAO’s conclusion that institutional knowledge that is gained over time provides continuous efficiencies to the audit process.

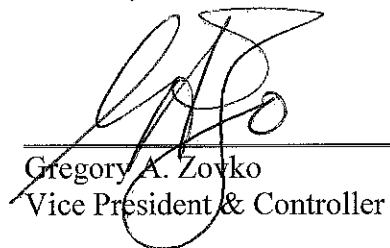
There is not a clear relationship between audit firm tenure and audit failures, and the causes of audit failures are complex and vary in nature, as the Concept Release acknowledges. Expansion of the PCAOB review process could more effectively provide additional insight into the causes of audit failures and into potential enhancements to the audit process without mandatory audit firm rotation.

We believe that mandatory rotation of audits firms and the loss of this institutional knowledge will result in increased audit costs due to the additional time, of both the company’s internal personnel and the new auditors, required for the new audit firm to gain knowledge about the client’s business. Furthermore, audit quality would suffer in the early years of an engagement as it would be difficult for the new audit firm to have a sufficient level of understanding of a company’s operations, especially when providing services to large public companies. This decreased understanding would create additional risk of audit failure in the early years of an engagement, as it is difficult to exercise professional skepticism and design an effective audit program without an appropriate level of understanding of the company’s operations.

We believe that existing rules on partner rotation, as well as the existing code of conduct to which all certified public accountants must adhere, sufficiently address the concerns of auditor independence, objectivity and professional skepticism. Additionally, we believe that company management, its independent audit committee and the Board of Directors, as representatives of the shareholders' interests, are most capable of selecting an audit firm that will abide by professional standards and best serve the shareholders. We believe that the costs associated with mandatory audit firm rotation outweigh any potential benefits. For these reasons, we are opposed to mandatory audit firm rotation. We do support continued assessment of the Sarbanes-Oxley rotation requirements and other reforms.

We appreciate the opportunity to express our views and concerns regarding the Concept Release. We would be pleased to discuss our comments with the PCAOB at your convenience.

Sincerely,



Gregory A. Zovko  
Vice President & Controller