



December 1, 2011

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

Dear PCAOB,

As the Audit Committee of Nelnet, Inc., a NYSE, publically-traded company, we wanted to share our thoughts concerning PCAOB Release No. 2011-006 on auditor independence and audit firm rotation.

We believe the arguments in support of requiring mandatory audit firm rotation are fundamentally flawed. Proponents argue that setting limits on the continuous stream of audit fees will “free” the auditor from management pressure. This argument is flawed at its fundamental core as, since Sarbanes-Oxley’s enactment, it is the Audit Committee (not management) that has the fiduciary responsibility to hire, fire, and evaluate the performance of the audit firm. Furthermore, it should be obvious that it is never in an Audit Committee’s best interests to allow management and the auditing firm to become too closely aligned. Should an Audit Committee suspect this is happening, the Audit Committee would replace the audit firm to protect its own interests and reduce its potential liability.

The other point we wish to make concerns the additional costs of requiring mandatory audit firm rotation. We recently issued a RFP for audit services for audit years beginning with 2012. The RFP responses reinforced that our existing audit firm was more efficient in delivering these services than a comparable, new audit firm would be. The incremental external audit fees resulting from mandatory audit firm rotation, coupled with the hidden internal costs of transitioning firms, would make this proposal a very expensive proposition. In addition, there is no empirical evidence to suggest that mandatory audit firm rotation would result in increased independence, objectiveness, or demonstrated level of professional skepticism.

We believe the Cohen Commission got it right when it concluded that “the cost of mandatory rotation would be high and the benefits financial statement users might gain would be offset by the loss of benefits that result from a continuing relationship”. The Cohen Commission further concluded that the Audit Committee is in the best position to determine whether audit firm rotation is appropriate.

We agree with the Cohen Commission and believe that the Audit Committee should be allowed to fulfill its fiduciary responsibilities without additional regulatory burden.

Respectfully,

  
Thomas E. Henning  
Nelnet Audit Committee Chair