Memorandum

To: PCAOB

From: Christopher J. Steffen

Date: 12/8/2011

Re: Docket 037: Concept Release on Auditor Independence and Audit Firm Rotation

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The positions outlined below represent my personal views and not necessary those of the companies identified in the Background section.

Summary: The question that needs to be answered in connection with the PCAOB's recent concept release relative to mandatory auditor independence and the other issues that relate to enhancing auditor independence, objectivity and professional skepticism is whether these proposals improve audit quality and therefore enhance shareholder value. My answer is that for the most part the palette of suggestions in the concept release do not improve the quality of an audit and to a large degree diminish shareholder value and increase the risk that the audit process will not deliver the best possible audit and review of the internal controls of the firm being audited. Obviously, if the audit firm or the audit committee are not executing their responsibilities correctly, and/or the company is not cooperating with the audit firm, the resulting audit and internal controls review will not benefit the shareholders. However, there are already remedies in place for these situations. Audit committees are in the best position to judge whether the audit firm is performing properly. They are also in the best position to judge whether the company is cooperating with the auditor and providing the environment and information to facilitate a satisfactory audit. Finally, the current legislative and legal environment, in conjunction with the SEC's regulations as to disclosure about the professional qualifications of audit committee members, make it improbable that unqualified or uninterested board members will be interested in and/or allowed to serve as shareholder representatives on audit committees of publicly held companies.

Background: I am the Chairman of Viasystems Group, Inc. and interim audit committee chairman. I am also an independent director of Accelrys, Inc. and chairman of the audit committee; an independent director of W R Grace & Co. and a member of the audit committee; and an independent director of Platinum Underwriters Holdings, Ltd. My background includes an MBA in accounting and finance, a CPA and senior management positions in finance with several Fortune 50 international companies.

<u>Mandatory Auditor Rotation:</u> For most companies the first year with a new audit firm is a learning experience for both the company and the audit firm. This is exacerbated if the company is international in scope, complex in structure and/or diverse in business lines/technological applications. A further challenge is when more than one audit firm is involved in the annual audit due to geographical or other considerations. As a result, the quality of the audit and the review of internal controls in the first year of a new auditor's tenure may be less than that of the prior auditor (provided that there was a satisfactory audit being performed before the change). Another consideration is that mandatory auditor rotation and the resulting learning curve, appears to be inconsistent with another one of the PCAOB's long term objectives – to improve the ability of auditors to detect material misstatements in financial statements. In addition, the increased cost of the learning experience for both the company and the audit firm will diminish shareholder value while increasing risk. This fails the cost/benefit test. Simply stated, there are valid reasons to change vendors, including auditors, but this decision should be subject to a cost/benefit analysis and only be pursued when such a change does not negatively impact the company's risk profile.

The recent emphasis on the board of directors' responsibility to identify and assess the risks facing public companies, makes the mandatory rotation of independent audit firms which are the key outside source for identifying internal control weaknesses, a very important consideration. The imposition of an arbitrary time frame for auditor service may well influence whether an individual will want to continue to serve as a director of a public company.

<u>Other considerations-mandatory retendering, selective audit firm rotation, enhancements to PCAOB inspection program, consideration of the audit firm payment model and further limitations on non-audit services:</u> Mandatory retendering, consideration of the audit firm payment model and further limitations on non-audit services all fail the cost/benefit test and do not improve audit quality or enhance shareholder value. I would encourage the PCAOB to continue to enhance its inspection program in line with improving the inspection process. In addition I would support the selective audit firm rotation proposal where an inspection concludes that an inappropriate audit was performed.