



December 7, 2011

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

VIA EMAIL

Re: PCAOB Rulemaking Docket Matter No. 37

Dear Chairman Doty:


I am writing this letter as Chairman of the Audit Committee and on behalf of the Board of Directors of Viad Corp, a New York Stock Exchange listed company. We are responding to the request for comment on the PCAOB concept release regarding mandatory audit firm rotation.

We believe that a rule imposing mandatory audit firm rotation every 5 years would be harmful to both companies and their shareholders because, as more fully explained below, it would: (1) impose additional costs on companies; (2) constrain and limit the judgment of a company's audit committee, which is comprised of independent directors of the company; and (3) fail to achieve the PCAOB's goals of reducing audit failures, enhancing auditor objectivity, and promoting professional skepticism. In addition, neither the PCAOB concept release nor other sources provide empirical data to support the notion that audit firm rotation would improve audit quality or enhance auditor independence.

As the PCAOB correctly observed in the release, mandatory audit firm rotation creates a significant risk of increasing a company's audit costs. The incoming auditor's lack of "institutional knowledge" will likely result in higher audit fees as the firm struggles to understand the new client's operations. The added costs, however, will not be limited to increased auditor fees. In addition to paying for the auditor's time, the company will have to divert management personnel from their normal day-to-day business responsibilities in order to educate the new auditor. Thus, the company suffers two financial burdens from mandatory audit firm rotation: the out-of-pocket costs paid in the form of increased audit fees and the "inefficiency costs" resulting from the additional expenditure of time and resources required to facilitate the auditor transition.

A mandatory audit firm rotation rule would also diminish the responsibility of selecting an independent auditor from the entity most aptly suited to make the decision: the audit committee. Audit committees, which are comprised of independent directors, offer both objectivity and sound business judgment. As such, they are in the best position to make decisions regarding the selection and removal of auditors. Congress recognized this inherent capability when it passed Section 301 of the Sarbanes-Oxley Act of 2002, which charges the

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audit committee with the responsibilities of appointing, compensating, and overseeing the company's external auditor. Since that time, no empirical evidence has been offered which suggests audit committees have failed to monitor and enforce auditor independence. Indeed, it is generally believed that since implementation of the Act, audit committees have become more engaged and better understand the need to closely monitor the independence and quality of the audit engagement. Without strong evidence that audit committees are not discharging their duties in this regard, there is no case for additional rules from the PCAOB. Audit committees should retain the authority to determine if and when a change in auditing firms is necessary.

Finally, a mandatory audit firm rotation rule would hinder, rather than promote, the PCAOB's stated goals. The release raises two aims that mandatory auditor rotation might achieve: (1) enhanced auditor independence and objectivity; and (2) reduced audit failures. Proponents of mandatory firm rotation argue that an incoming auditor would be more objective and would exercise greater professional skepticism than the outgoing auditor with whom management has a long-standing relationship. While entrenchment might lead to reduced skepticism and objectivity, a company and its shareholders can also benefit from the efficiencies that develop between an auditor and an issuer over time. Auditors who are less concerned with trying to market to a new client have less of an incentive to cater to the whims of management. In such cases, familiarity is more likely to result in candid and productive discussions between management and the auditor, or the audit committee and the auditor. The current regulatory scheme strikes the appropriate balance between these competing concerns by mandating a change of the lead audit partner rather than the firm.

The idea that companies would benefit from the "fresh look" of an incoming auditor is similarly misguided. The release suggests that mandatory firm rotation would reduce audit failures by forcing retiring auditors to fix their mistakes before the end of their terms in order to mitigate the risk of litigation exposure. Common sense, however, dictates that a service provider has less of an incentive to work diligently for a client it will not keep, and an auditor who is wholly unfamiliar with a company is more likely to make mistakes than one intimately acquainted with the finer intricacies of its operations. More importantly, there is no evidence to suggest that audit quality is failing under the current mandatory lead partner rotation scheme. In fact, as the PCAOB stated in the release, audit quality has actually *improved* since 2003. Required audit firm changes have the strong potential to reverse those improvements, to the detriment of companies and their shareholders.

Ultimately, while the concept of requiring companies to switch audit firms is appealing on the surface, it creates more problems than it intends to solve, including adding uncertainty of outcomes where none now exists. The result of a mandatory audit rotation would unwisely and unnecessarily increase costs to companies and their shareholders, reduce the effectiveness of audit committees, potentially reduce auditor independence, and heighten the risk of audit failures. We applaud the PCAOB's continuing effort to improve oversight and accountability in the accounting practices of public companies, as well as the PCAOB's role in creating a lead audit partner rotation scheme – each of these actions, we believe, already support the goals articulated in the concept release.

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Thank you for the opportunity to comment on the proposal.

Sincerely,

A handwritten signature in blue ink, appearing to read 'A. Teplin', with a long horizontal flourish extending to the right.

Albert M. Teplin
Chairman
Audit Committee of Viad Corp