

TO: Public Company Accounting Oversight Board
FROM: Helen Valentine & Quantae Hegwood
DATE: December 10, 2011
RE: Opinion on Auditor Independence and Audit Firm Rotation

Currently, we are students from the accounting department of Louisiana State University. The purpose of an audit is to add value and credibility to the financial statements of a business organization. Moreover, an audit enhances the degree of confidence of intended users in the financial statements. In our opinion, we feel that the Sarbanes-Oxley Act added sufficient regulatory provisions to the audit profession. Furthermore, we believe that any additional modifications to the PCAOB's existing professional standards would have a possible adverse effect on the quality of the audit such as:

1. Rotating auditors too frequently would increase the cost of audits because the preparation, knowledge, and learning time required gaining an adequate understanding of the company and its operations are necessary for an effective audit.
2. Constant rotation of auditors would lead to inferior auditor performance, as well as, increased risk for fraud. In addition, numerous studies conducted tend to support the idea that audits with shorter engagements are relatively riskier.
3. The Board has the view that "a periodic fresh look at a company's financial statements would enhance auditor independence and protect investors." In fact, it would have a negative effect on investors because of the increased risk of fraudulent financial reporting.

Also, the Board has received a significant amount of criticism about whether they should even focus on enhancing auditor independence, objectivity, and professional skepticism. An argument against this is that the problems in these areas are not significant, relative to other problems, which the board should focus on. According to many auditors, the negative effects of complying with the current standards have been felt not only by the companies that are forced to comply with them, but also by American investors and consumers. Adding any other standards carries the risks of further crippling the economy to a point where companies take no risks at all, such as the ones that are highly needed to add the jobs and growth that our economy needs.

Our modifications and recommendations to the PCAOB's existing professional standards are:

1. Additional standards are not what we currently need. The Sarbanes-Oxley Act has sufficiently regulated, and arguably overly regulated the professional standards of auditors.

2. While the good that the Sarbanes-Oxley Act has done is obvious, the negative effects have taken a toll on the auditors as well as corporate America, and this should be taken into consideration.

Thank you for considering the above comments on auditing.

Sincerely,

HelenValentine
Quantae Hegwood