



December 12, 2011

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

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

Dear Members of the Board:

We are the five leading publicly-traded managed care companies in the United States: Aetna Inc., Cigna Corporation, Humana Inc., UnitedHealth Group Incorporated, and WellPoint Inc. As a group, we provide health insurance products and related services to more than 100 million medical members. Our customers include employer groups, individuals, seniors, college students, part-time and hourly workers, governmental units, government-sponsored plans, labor groups, and expatriates. We also provide other insurance products, such as dental, vision, term life, short-term and long-term disability, and supplemental health insurance coverage as well as a variety of healthcare-related services that do not involve insurance products. Collectively, we reported annual revenues of approximately \$242 billion in 2010 (equivalent to 1.7 percent of the gross domestic product of the United States). We primarily report financial information under the generally accepted accounting principles in the United States ("U.S. GAAP"), and we file public financial statements in accordance with the regulations of the United States Securities and Exchange Commission (the "SEC").

We appreciate the opportunity to provide our comments in response to the Public Company Accounting Oversight Board's ("PCAOB" or the "Board") *Concept Release on Auditor Independence and Audit Firm Rotation* (the "Concept Release"). The views expressed in this letter and the attached appendix on behalf of our collective group do not necessarily represent the positions of any specific company or individual.

It is our understanding that the Board is seeking feedback on ways that auditor independence, objectivity, and professional skepticism could be enhanced. Specifically, we understand the Board is seeking comment on mandatory audit firm rotation. The detailed discussions and background comments in the Concept Release were useful in helping us understand exactly why the Board is exploring such a significant potential change.

We do not believe the mandatory firm rotation proposal is warranted. We strongly believe that the current professional, regulatory, and enforcement framework supports independence, objectivity, and professional skepticism.

We find it important to note that mandatory rotation has been examined and rejected in the past, at times when the U.S. regulatory framework (and the framework in other countries) was less developed than it is today. We believe that recent enhancements including audit committee interactions and oversight, the stricter five-year rotations required of lead and concurring partners, the more restrictive independence rules covering non-audit services, audit firm quality-control processes, internal quality reviews, and PCAOB inspections, as well as the deterrent effects of regulatory enforcement and private litigation, all serve to effectively promote auditor independence, objectivity, and professional skepticism. The theory that mandatory audit firm rotation would improve audit skepticism because an “auditor that knows its work will be scrutinized at some point by a competitor may have an increased incentive to ensure that the audit is done correctly” implies that the current rules offer less incentive, which we do not believe is the case.

While some believe mandatory firm rotation would produce an environment that does more to promote auditor independence, objectivity, and professional skepticism, and therefore result in increased audit quality and greater investor protection, we believe that it is important to carefully consider a number of disadvantages to mandatory rotation, including:

- **Lowers audit quality.** Mandatory audit firm rotation inherently results in the loss of an auditor’s cumulative knowledge which can lead to a higher risk of undetected material misstatements in the early years of an engagement. We believe that steep learning curve pressures caused by mixing a new audit team with a complex business operating in multiple industries and geographies increases audit risk. Today, we witness these learning curves on a smaller scale from normal audit team turnover and how it often takes a considerable period of time until new audit team members appear to fully understand the area they are auditing. To effectively deal with complex accounting and auditing issues, auditors need sufficient knowledge and understanding of the industry, the business, its processes and controls, and unique risks. Gaining this knowledge takes time and becomes more important when auditing specialized industries (like managed-care) with complex, global operations. Further, normal audit team attrition coupled with periodic turnover within our own finance teams and audit committees already serves to keep the relationship between the auditors and the company dynamic and fresh.
- **Restricts audit committee and shareholder authority.** Limiting the audit committee’s ability to determine when to change auditors undermines its oversight role. Audit committees have the direct responsibility for the appointment, compensation, retention, termination and oversight of the work of the audit firm. Requiring the audit committee to replace effective auditors in favor of firms with less expertise and experience works only to diminish the audit committee oversight role with respect to the integrity of financial statements and internal controls. While we believe audit committees will maintain the role and responsibility of selecting audit firms, mandatory rotation would serve to

undermine the audit committee's ability to select the most qualified audit firm and shareholders' subsequent ratification.

- **Complicates the assurance of independence.** Mandatory audit firm rotation would create significant and complex difficulties for managing independence for both registrants and audit firms. We generally work with all the "Big Four" firms for non-audit related services, the same firms most qualified to serve as the succeeding auditors in a mandatory rotation environment. We believe ensuring compliance with complicated independence requirements from a forward-looking perspective in anticipation of the next rotation will be tremendously difficult.
- **Increases costs and operational disruption/inefficiency.** Mandatory audit rotation would considerably increase audit fees as noted in the Concept Release's citation of a GAO survey quoting increases of more than 20% for the initial year. Some industries may be faced with monopolistic pricing pressures, at least initially, where only a limited number of firms meet the criteria necessary to perform the audit. We are equally concerned about the incremental cost created by the disruption and distractions that auditor changes create for management and audit committees. Time and money spent selecting and on-boarding auditors detract from using these scarce resources in their current productive role with respect to financial reporting transparency. Significantly more time will need to be devoted by our financial personnel to help the new auditor learn and understand our respective companies' businesses, systems, and processes. Finally, we expect audit fees to increase as audit firms pass on the additional marketing costs, start-up costs required to understand the company, and travel costs required to shuffle personnel with adequate expertise geographically.
- **Limits audit firm selection pool.** A change in auditors may not be in the shareholders' best interest if the current firm has the industry expertise and experience necessary to perform a high-quality audit for that company. We are large, complex public companies operating in a highly regulated industry requiring a large number of separate legal entity audits. Suitable audit firms for our industry must have sufficient personnel with specialized skills, such as those required to review the adequacy of reserves. We believe only the Big Four audit firms have the capacity and resources with the appropriate specialized skills to take on engagements of this scale. Further, Sarbanes Oxley's prudent restrictions on the provision of non-audit services limits our use of our audit firm for these services and, as a result, we generally use one or more of the other audit firms for services. The use of separate audit firms for non-audit services, including outsourced or co-sourced internal audit functions, limits the field of qualified independent audit firms available at the time of rotation and may exacerbate the disruption if there is a simultaneous change in both internal and external auditors. Independence restrictions may further reduce the selection pool, such as when a partner of an accounting firm is a parent, sibling or spouse of a member of the registrant's management team.

We believe that the requirement for mandatory auditor rotation could lead to additional consolidation in the public accounting industry. Faced with the significant fluctuations in business activity from audit services, some smaller firms may choose to not offer audit

services going forward as they cannot compete with the broader human capital resources that larger audit firms can offer. Instead they may choose either to consolidate with other smaller audit firms, or they may choose to stop offering audit services for public companies altogether. We noticed a similar trend when the PCAOB's audit firm quality control inspection processes were implemented. Such a reduction of the audit firm selection pool could put further strain on the current system.

- **Limits supply of accounting and finance personnel.** Current rules restrict a registrant's ability to hire former members of its audit team for specified time periods following their service on the registrant's audit engagement, and some companies have implemented more conservative self-imposed hiring restrictions than those imposed by Sarbanes-Oxley. Often the most highly-qualified accounting and finance personnel are former public accountants. The imposition of mandatory audit firm rotation would serve to further limit the supply of qualified accounting and finance personnel available for registrants. We also believe that a likely consequence of mandatory audit firm rotation would be audit firm personnel changing firms to follow clients, thus undermining and negating a significant portion of the perceived benefit of rotation.

In summary, for a number of reasons, including those outlined above, we are not supportive of mandatory audit firm rotation as it has the potential to diminish audit quality and increase audit risk while increasing costs. We also wish to emphasize our concern that mandatory rotation would limit the discretion of our audit committees in choosing when to change auditors and choosing the audit firms they believe are best suited to meet our respective company needs. Further, the loss of cumulative auditor knowledge caused by the mandatory rotation of audit firms presents particular challenges for companies of our size and complexity.

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Thank you for your attention to our concerns. Attached to this letter is an appendix that contains our responses to the detailed questions posed by the Board in the Concept Release. We hope that these perspectives are of value to you in your deliberation processes. If we can provide further information or clarification of our comments in the meantime, please call any of the signatories listed below.

Sincerely,



Rajan Parmeswar  
Aetna Inc.  
Vice President, Controller and Chief Accounting Officer  
(860) 273-7231



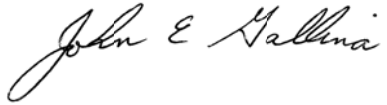
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A handwritten signature in cursive script that reads "John E. Gallina".

John E. Gallina

WellPoint, Inc.

Senior Vice President, Controller, Chief Accounting Officer and Chief Risk Officer

(317) 488-6109

## ***Appendix - Responses to the Board's Questions***

This appendix presents our responses to the questions interspersed throughout the Concept Release. In preparing this document we read the Concept Release along with the included background information, solicited feedback from various groups and individuals within our companies, and read available comment letters that have already been submitted to the Board and made public. Overall, these responses represent the current views of our five-company group and are not intended to align us with any particular commenter or subset of commenters.

1. *If the Board determined to move forward with development of a rotation proposal, what would be an appropriate term length?*

As previously stated, we are opposed to mandatory rotation in any form. In the event that the Board moved forward with a proposal, serious consideration would need to be given to sufficient lengths of service to manage the number of registrants that might change in a given year. Additional considerations include the number of firms with the competencies to audit specialized industries, the number of firms equipped to handle complex, global registrants, and compliance with the existing audit partner rotation and other independence requirements. Further, any proposed term length would need to consider current rules that require registrants to obtain consents and representation letters from predecessor audit firms for two to three years following rotation in order to file comparative financial statements with historical amounts presented. If the Board elects to move forward with this proposal, we believe a rotation cycle of at least 10 years is warranted given the complexities and issues described above.

2. *Should different term lengths for different kinds of engagements be considered? If so, what characteristics, such as client size or industry, should this differentiation be based on?*

As previously stated, we are opposed to mandatory rotation in any form. Any rotation proposal, if adopted, would clearly need to contemplate individual complexities and industry specialization since, in many of these cases, specific firms provide the expertise necessary to deliver quality audits. Qualified resources are often concentrated within a limited number of firms or geographies.

3. *Does audit effectiveness vary over an auditor's tenure on a particular engagement? For example, are auditors either more or less effective at the beginning of a new client relationship? If there is a "learning curve" before auditors can become effective, generally how long is it, and does it vary significantly by client type?*

While it is difficult to individualize learning curve and capacity, we believe that cumulative audit knowledge is a critical component of audit quality and can only be gained with direct client experience. Such cumulative audit knowledge also has an

industry-specific dimension given the nuances and complexities of certain industries, including our own.

In our experience, auditors are typically less effective at the beginning of their tenure. It often takes an auditor two to three years to fully understand all aspects of our business. It is significantly more expensive in relation to time, money and resources for both registrants and audit firms for new auditors to successfully understand our internal controls, achieve industry and company specific skills such as actuarial services necessary to review the adequacy of reserves, identify our key estimates, and create effective audit procedures to successfully perform a quality audit in their first year.

4. *Some have also suggested that, in addition to being less effective at the beginning of an engagement, an auditor may be less diligent toward the end of the allowable term. On the other hand, others have suggested that auditors would be more diligent towards the end of the allowable term out of concern about what the replacement auditor might find. Would auditors become more or less diligent towards the end of their term? Does the answer depend on the length of the term?*

Given stringent existing professional standards, including those issued by both the AICPA and the PCAOB, and the requirement for auditors to comply with these standards at all times, we believe that it is unlikely that auditors would simply become less diligent at any point in time during their term. We have not observed decreases in our auditors' diligence over time. In fact, our experience is that our auditors continue to increase their diligence and effectiveness each year. In reality, the audit of a registrant is performed by a number of professionals, with varying levels of experience and at varying intervals in the rotation cycle. Accordingly, there are quality measures that already are built in and that occur naturally given the nature and timing of service delivery from public accounting firms. Factors that may advance the perception of greater diligence might include the initial period when an engagement team member begins a period of service and tends to ask a number of questions to scale the learning curve. Similarly, the level of client understanding increases with time and may lead to more focused and knowledgeable involvement in the later years of a rotation.

5. *How much time should be required before a rotated firm could return to an engagement?*

As previously stated, we are opposed to mandatory rotation in any form. Further, a restriction limiting the time period in which a predecessor can return would only serve to further restrict the oversight of a registrant's audit committee and limit their ability to select the most efficient and effective firm. Any contemplated proposal would need to consider specialized industries and the number of firms equipped to handle global registrants. In some industries, where there are only a limited number of firms that have the expertise to conduct the audit, such a restriction on the timing of when a predecessor can return coupled with the limited choice of firms would severely diminish the audit committee's oversight authority.



6. *Should the Board consider requiring rotation for all issuer audits or just for some subset, such as audits of large issuers? Should the Board consider applying a rotation rule to some other subset of issuer audits? For example, are there reasons for applying a rotation requirement only to audits of companies in certain industries?*

It is our understanding that the objective of mandatory audit firm rotation is to enhance auditor independence, objectivity, and professional skepticism. We believe that these concepts are the cornerstone of the accounting profession and should be enforced regardless of company size or industry. However, we also believe that current rules and regulations including audit committee interactions and oversight, the stricter five-year rotations required of lead and concurring partners, the more restrictive independence rules covering non-audit services, audit firm quality-control processes, internal quality reviews, and PCAOB inspections, as well as the deterrent effects of regulatory enforcement and private litigation, all serve to effectively promote auditor independence, objectivity, and professional skepticism. Further, while we are opposed to mandatory rotation in any form, if such regulation were pursued, we believe it would be the most costly for larger companies in more complex industries given the steep learning curve for the new audit firm and the time that will need to be devoted by our financial personnel to help the new auditor learn and understand our respective companies' businesses, systems, processes and controls, and unique risks. We believe that these steep learning curve pressures caused by mixing a new audit team with a complex larger company operating in multiple industries and geographies increases audit risk, likely making audits of larger companies more susceptible to audit failures in the initial transition period.

7. *To what extent would a rotation requirement limit a company's choice of an auditor? Are there specific industries or regions in which a rotation requirement would present particular difficulties in identifying an auditor with the necessary skills and expertise? Is it likely that some smaller audit firms might decide to leave the public company audit market due to the level of uncertainty regarding their ongoing client portfolios?*

A registrant's choice of auditors is dictated by a number of factors, including, but not limited to, industry expertise, office size and makeup, geographic coverage, competitive factors, and partner rotations. These factors would impact individual registrants in specific ways, many of which have the effect of limiting realistic choices in external auditors. A change in auditors may not be in the shareholders' best interest if the current firm has the industry expertise and experience necessary to perform a high-quality audit for that company. We are large, complex public companies operating in a highly regulated industry requiring a large number of separate legal entity audits. Suitable audit firms for our industry must have sufficient personnel with specialized skills including, for example, people skilled in actuarial services necessary to review the adequacy of reserves. We believe only the "Big Four" audit firms have the capacity and resources with the appropriate specialized skills to take on engagements of this scale.

Further, mandatory audit firm rotation would create significant and complex difficulties for managing independence for both registrants and audit firms. Sarbanes Oxley's prudent restrictions on the provision of non-audit services limits our use of our audit firm

for these services and, as a result, we generally use one or more of the other audit firms for such services. The use of separate audit firms for non-audit services, including outsourced or co-sourced internal audit functions, limits the field of qualified independent audit firms available at the time of rotation and may exacerbate the disruption if there is a simultaneous change in both internal and external auditors. As an example, each of us is currently being audited by one of the Big Four audit firms. In addition, for each of us, the other Big Four audit firms currently provide significant non-audit services that could potentially impair their independence and would prohibit them from becoming our successor audit firm. We understand that the firms that are providing non-audit services are satisfied with not being selected as our audit firm given that the non-audit services they perform for us are generally higher margin services. Accordingly, it is conceivable that even under mandatory auditor rotation requirements, at least one, if not two, Big Four firms may elect not to submit proposals for the audit engagement. In such an instance, our selection pool would be limited to only one or two qualified audit firms.

Independence restrictions may further limit a registrant's choice of auditor, such as when a partner of an accounting firm is a parent, sibling or spouse of a member of the registrant's management team.

We also believe that the requirement for mandatory auditor rotation could lead to additional consolidation in the public accounting industry. Faced with the significant fluctuations in business activity from audit services, some smaller firms may choose to not offer audit services going forward as they cannot compete with the broader human capital resources that larger audit firms can offer. Instead they may choose to either consolidate with other smaller audit firms, or they may choose to stop offering audit services for public companies altogether. We noticed a similar trend when the PCAOB's audit firm quality control inspection processes were implemented. Such reduction of the audit firm selection pool could put further strain on the current system if mandatory rotation were required.

8. *If rotation would limit the choice of auditors, are there steps that could be taken to allow a company sufficient time to transition out of non-audit service arrangements with firms that could be engaged to perform the audit? Are there other steps that could be taken to address any limitation on auditor choice?*

By definition, rotation would limit the choice of auditors. Non-audit services represent only one of the drivers. Other important considerations include industry expertise, capabilities, capacity, geographic coverage, and the timing of rotation coupled with that of significant transactions (e.g. mergers and acquisitions). Independence issues will be key if mandatory firm rotation is implemented, but they are not limited to audit versus non-audit service arrangement conflicts. Relationship issues could also represent obstacles such as when a partner at an audit firm is related to a member of management at the registrant. Further, future hiring decisions will be impacted, particularly for executive level positions including those of Controller and Chief Financial Officer. Current rules restrict a registrant's ability to hire former members of its audit team for specified time periods following their service on the registrant's audit engagement, and some companies

have implemented more conservative self-imposed hiring restrictions than those imposed by Sarbanes-Oxley. Often the most highly-qualified accounting and finance personnel are former public accountants. The imposition of a mandatory audit firm rotation would serve to further limit the supply of qualified accounting and finance personnel available for registrants.

9. *If rotation were required, would audit firms have the capacity to assign appropriately qualified personnel to new engagements? If they do not currently have that capacity, could firms develop it in order to be able to compete for new clients, and would they do so?*

As previously stated, we are opposed to mandatory rotation in any form. If required, it is unlikely that all firms would have the capacity to assign qualified personnel to all new engagements. Given the prominence industry expertise plays in audit quality, it is important to recognize that not all firms are equally equipped to handle the audit challenges many registrants present. While it is reasonable to expect that the firms would attempt to attract the appropriate personnel, a scarcity may exist in specific industries and geographies. We do not believe it is reasonable to expect one audit firm to hire enough people to become experts in all industries. Thus, we believe each firm may gravitate towards a handful of specialties (specialized industries) further limiting the available pool of qualified audit firms. In addition, this could encourage employees to switch firms to “sell” their expertise to the second firm, which in turn would likely raise our costs. Further, if the employees that switch firms are staffed on the same engagements as they had been at their previous firms it will undermine and negate the effects of mandatory firm rotation.

We would also like to point out the strain on the audit firms’ operations with an example specific to our situation. WellPoint, which is located in Indianapolis, Indiana, is audited by Ernst & Young. All three of Indianapolis’ three largest public companies, WellPoint, Eli Lilly, and Simon are audited by Ernst & Young and are in very different industries (managed care, pharmaceutical development and manufacturing, and real estate, respectively), each requiring a specialized set of expertise. As a result, Ernst & Young is by far the largest of the Big Four audit firms in Indianapolis. If all three of Ernst & Young’s largest public companies were forced to transition away from Ernst & Young, its operations, in terms of relocating entire audit teams to other cities where Ernst & Young might have gained new audit engagements, would be greatly impacted. Similarly, the Indianapolis audit firm(s) that received the WellPoint, Eli Lilly, and Simon audit engagements would have to increase their local staffing significantly to service these new engagements properly.

10. *Would rotation create unique challenges for audits of multinational companies? For voluntary rotations that have taken place, what have been the implementation and cost issues and how have they been managed?*

Mandatory audit firm rotation would create significant practical problems for companies that operate in many countries if one or more of those countries require rotation. Such a company would either have to change audit firms globally every time rotation is required in a given jurisdiction or use different audit firms in jurisdictions that require rotation. Such changes would represent costly and inefficient approaches. Both approaches can increase audit risk and would represent a barrier to audit quality.

11. *Would increased frequency of auditor changes disrupt audit firms' operations or interfere with their ability to focus on performing high-quality audits? How would any such disruption vary by firm size? For example, would a rotation requirement pose fewer or more implementation issues for small firms than for large ones?*

Acknowledging that our view-point is from that of a registrant, it would seem that frequent and mandatory audit rotation would have the effect of focusing audit firm attention on an ever changing client base and business model and potentially away from securing the detailed and specific client knowledge that is critical to ensuring audit quality and reducing audit risk. Additionally, the staffing changes that would follow such changes would represent significant costs to the audit firms, which would in turn be passed on to registrants. As stated in our response to question #9 above, staffing changes may include employees from the predecessor auditor switching to the new audit firm, which would undermine and negate the effects of mandatory firm rotation.

We believe that the impact may be magnified for smaller firms that would not have the same depth of personnel to draw from to adapt to mandatory rotation, which would require expertise across multiple industries. As stated previously in our response to question #7, as a result we also believe that the requirement for mandatory auditor rotation could lead to additional consolidation in the public accounting industry. Faced with significant fluctuations in business activity from audit services, some smaller firms may choose to not offer audit services going forward as they cannot compete with the broader human capital resources that larger audit firms can offer. Instead they may choose to either consolidate with other smaller audit firms, or they may choose to stop offering audit services for public companies altogether. We noticed a similar trend when the PCAOB's audit firm quality control inspection processes were implemented. Such reduction of the audit firm selection pool could put further strain on the current system if mandatory rotation were required.

12. *Would audit firms respond to a rotation requirement by devoting fewer resources to improving the quality of their audits? Would firms focus more on non-audit services than on audit services?*

Our audit firms are devoting significant time and attention to audit quality and it is reasonable to expect that the litigation and regulatory environment will continue to demand a commitment to this imperative. It is conceivable that the audit firms would focus attention on non-audit services as a product offering with less risk and volatility than that offered in a mandatory rotation environment. As noted in our response to question #7, this focus in turn may result in some firms electing not to submit proposals for certain audit engagements, opting instead to continue to provide non-audit services that are often at higher margins, thus further limiting our auditor selection pool. A similar development occurred when the PCAOB's new audit firm quality control inspection processes were implemented. Some of the smaller to medium sized audit firms decided to no longer offer audit services to public companies any more given the additional costs involved with the regulatory oversight. This phenomenon has further reduced the audit firm selection pool.

13. *Would rotation have any effect on the market for non-audit services? Would any such effect be harmful or beneficial to investors?*

From the viewpoint of a registrant, the market for non-audit services would be clearly impacted by the overhang of constant changes to the independence environment.

14. *Some have expressed concern that rotation would lead to "opinion shopping," or that in competing for new engagements firms would offer favourable treatment. Others have suggested that rotation could be an antidote to opinion shopping because companies would know that they could not stick with a firm promising favorable treatment forever. Would opinion shopping be more or less likely if rotation were required? If rotation limits auditor choice, could it at the same time increase opinion shopping?*

We believe that high-quality audit firms are able to detect "opinion shopping" during the proposal process and remove themselves from consideration. However, with the increased volatility from mandatory auditor rotation, certain firms and audit partners may feel greater pressures to replace the lost revenue with clients for which they may not have historically submitted proposals.

15. *What effect would a rotation requirement have on competition for audit engagements? If competition would be increased, how might that affect audit quality?*

As previously stated, we believe that the current regulatory environment is conducive to high-quality audits. Further, we believe that the audit firms currently operate in an environment that is highly competitive.

16. *Are there any requirements the Board should consider to mitigate any risks posed by rotation? For example, are there enhancements to firms' quality control systems that might address such risks?*

Recognizing that a lack of client-specific experience can present audit quality challenges, and thus increase audit risk, it might be useful to further enhance the quality control procedures currently employed by audit firms at or near the time of transition.

17. *If the early years of an auditor-client relationship pose higher audit risks than later years, should the Board require firms to provide additional audit supervision and oversight in the first year or two of a new engagement? Should the Board impose such a requirement for auditor changes even if it does not further consider requiring audit firm rotation? If firms are accepting new clients but are unable to perform quality audits for them until several years have passed, should the Board require enhanced client acceptance procedures? What impact would additional requirements of this type have on audit costs?*

Recognizing that a lack of client-specific experience can present audit quality challenges, and thus increase audit risk, it might be useful to further enhance the quality control procedures currently employed by audit firms at or near the time of transition.

Regulatory changes that dictate specific staffing and procedures would clearly result in higher audit costs, the benefits of which would need to be measured and understood.

18. *If mandatory rotation were required, are existing standards relating to communications between predecessor and successor auditors sufficient? Should additional communications be required? For example, should the outgoing auditor provide the incoming auditor with a written report outlining audit risks and other important information about the company?*

Our understanding is that the information shared between successor and predecessor firms is focused in appropriate areas. Additionally, required communications are already provided to the audit committees of our respective organizations. These communications provide a robust understanding of audit risks and timing as well as any other adjustments and/or control weaknesses, all of which would clearly be of use to any successor auditor. However, if such additional communications would occur between a predecessor auditor and a successor auditor, the question arises whether the new audit actually provides a new perspective and a “fresh look.”

19. *Are there other audit procedures that should be required to mitigate any risks posed by rotation?*

The key risks posed by rotation would be best addressed through the appropriate deployment of human capital rather than through the performance of specific procedures.

20. *If the Board moved forward with development of a rotation proposal, should consideration be given to the recommendation for a cause restriction on the company's ability to remove an auditor before the end of a fixed term? Would such a provision be useful? Would there be unintended consequences of such a requirement? Should the Board work with the SEC on implementation of this recommendation? Are there other matters on which the Board should coordinate with the SEC?*

As previously noted, we believe that the responsibility for auditor selection and retention, including changes, rests appropriately with the audit committee. A “cause” restriction would likely limit in some measure the audit committee's ability to exercise oversight over the independent auditor. With respect to coordination with the SEC, any proposal would need to consider current rules that require registrants to obtain consents and representation letters from predecessor audit firms for two to three years following rotation in order to file comparative financial statements with historical amounts presented.

21. *What other transition issues might arise in the first year of a rotation requirement? How should the Board address those issues?*

As outlined above, the first year of a rotation would generate a number of barriers to audit quality stemming from a lack of fully developed cumulative audit knowledge and thus increase audit risk. Particular challenges would clearly exist with respect to large and/or multinational organizations as they relate to the deployment of resources in appropriate geographies.

Traditionally, companies within the same industry prefer to use different auditors than others in their industry. With mandatory auditor rotation, this preference would be largely unachievable.