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December 9, 2011

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Opportunity for Public Comment: Concept Release on Auditor Independence and Audit Firm Rotation

Docket Matter No. 37

BOK Financial Corporation (BOKF) appreciates the opportunity to comment on the PCAOB's concept release on whether mandatory auditor rotation would enhance auditors' objectivity and performance. BOKF is a \$25 billion regional financial services company based in Tulsa, Oklahoma. The company's stock is publicly traded on NASDAQ under the symbol: BOKF. BOKF's primary subsidiary, BOKF, NA, operates in seven markets under the following brand names: Bank of Oklahoma, Bank of Texas, Bank of Albuquerque, Bank of Arkansas, Bank of Arizona, Colorado State Bank and Trust and Bank of Kansas City.

While BOKF supports the PCAOB's effort to improve audit quality, we believe that mandatory auditor rotation could have a negative impact on this effort and would unnecessarily increase audit cost. Therefore, we object to this concept and urge the PCAOB to not require mandatory rotation of auditors.

The concept release attempts to make a causal relationship between perceived audit failures and auditor continuity by attributing the failures to a lack of independence, objectivity and professional skepticism. No evidence supporting this perception is provided. More importantly, other causes of perceived audit failures are not considered, though a lack of experience and knowledge is briefly mentioned. We propose that other causes, including a flawed definition of an audit failure may be more important than auditor tenure. We also believe that full discretion to select an auditor is the responsibility of the audit committee of the board of directors and should not be limited by regulation.

A company's audit committee has an obligation to select the audit firm under existing laws and regulations, including the Sarbanes-Oxley Act of 2002. To obviate the audit committee's legal obligation would be harmful to investors and companies. There is no conclusive link between auditor continuity and audit failures. To the contrary, we believe auditor performance is enhanced with continuity and experience. Furthermore, auditor independence, objectivity and professional skepticism are adequately controlled by existing standards, or could be enhanced without mandatory rotation.

While we believe the audit committee legal matter is most important and must be dealt with, our objection to mandatory rotation is based on two other important factors:

1. Auditor objectivity and professional skepticism can be enhanced with continuity and experience, and suffers from lack of knowledge and experience.

The PCAOB acknowledges there is not a conclusive link between auditor deficiencies and objectivity. However, the PCAOB points to audit deficiencies identified through inspection of areas subject to a high degree of judgment, including fair value estimates. Financial statements are required to reflect

management, not auditor, estimates. The most subjective of these estimates are required to be disclosed in financial statements and discussed with the audit committee. Management and auditors are therefore required to discuss such matters, no matter the continuity of auditors. Assuming that management representations and internal controls do not change with the selection of an auditor, then auditors with sufficient knowledge and experience have a clear advantage over auditors without experience in auditing management's estimates or assessing internal controls:

- Knowledge of the business provides the auditor with the information necessary to identify emerging risks, link those risks to the company's processes, and determine what weaknesses may exist.
- Auditors with experience of the business can more readily identify accounting practices or internal controls that have changed from year to year, therefore contributing to consistency.
- The communication between the auditor and management, and the audit committee, as with any other relationship, can be enhanced with experience.

This is the very reason that companies do not change auditors frequently. In fact, we believe companies are more likely to change auditors because of a *lack of experience*, than to change for any other reason. The quality of the audits could be negatively impacted by mandatory rotation of auditors and could increase the likelihood of auditor deficiencies. Incoming audit firms naturally do not possess the same level of experience and knowledge as incumbent auditors. This not only affects audit efficiency, but also increases the likelihood that errors or risks will not be identified timely.

Auditors are required to assess the reasonableness of management estimates and accounting methods and opine on the effectiveness of internal controls. Since Sarbanes-Oxley was enacted, auditors have increased their independent work, which may be a positive. However, in response to the increase in accounting based on professional judgment and estimates, such as impairments and fair value of non-traded instruments, auditors now appear to be re-performing management work or seeking a "national office" opinion of certain management estimates. Yet this sometimes goes beyond "professional skepticism" and rarely results in a change to a management estimate. This is more indicative of circumstances where multiple estimates fall within the definition of fairly stated rather than an audit failure.

As the PCAOB attempts to identify the "root cause" of "audit failures", we suggest that differences in judgment among accounting and audit professionals regarding acceptable accounting methods are normal and expected. These differences do not require a restatement, do not usually reflect an audit deficiency, and would not be affected by mandatory rotation of auditors. Where legitimate audit failures have been identified, particularly those requiring restatement, the PCAOB should look to management representations and internal controls, as well as auditor compliance with existing professional standards. We believe you would find that auditor *lack of experience* with either the client or the industry contributes more to audit failures, than lack of objectivity.

2. Auditor independence, objectivity and professional skepticism are adequately controlled by existing audit standards, laws and regulations.

These standards are enforced by various state and Federal agencies, the PCAOB and the profession itself. These standards apply to both the individual and the Firm. If these standards cannot be relied upon without mandatory rotation of auditors, then the audit profession stands to lose credibility. This would have a negative impact on investors and companies.

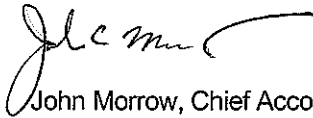
The current audit partner rotation requirements, Firm requirements for concurring (or 2<sup>nd</sup> partner) reviews, internal and external peer reviews, as well as supervision by the PCAOB promotes independence and objectivity while allowing companies to maintain auditors with the specific business knowledge required to produce quality audits.

December 9, 2011

Finally, attempts to identify the root cause of audit failures seem to ignore the obvious possibility that the definition of an audit failure is flawed. The concept release notes that audit failures continue to be identified after more than eight years of inspections. Although not stated in the concept release, audit firms have collectively spent millions to address these perceived failures. Based on information provided, it appears that the definition of an audit failure is driven largely by form over substance. The measure is not whether the auditor reached the correct conclusion, but whether the conclusion was documented correctly. Perhaps a better filter for identifying audit failures would start with substance, did the auditor reach the correct conclusion, before focusing on form.

Again, we appreciate the opportunity to comment. Should you have any questions regarding our comments or need further detail, please contact me at 918-588-8673.

Sincerely,

A handwritten signature in cursive script, appearing to read "John Morrow", with a long horizontal flourish extending to the right.

John Morrow, Chief Accounting Officer  
BOK Financial Corporation

Cc: Steven Nell, Chief Financial Officer  
Carey E. Joulilian, Chairman, Risk Oversight and Audit Committee