



December 9, 2011

Office of the Secretary  
PCAOB  
1666K Street, N.W.  
Washington, D.C. 20006-2803

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

To Whom It May Concern:

We are writing this letter in connection with the PCAOB request for comments on audit firm rotation. **Although we support continued efforts to enhance auditor independence and audit quality, we believe that mandatory audit firm rotation will detract from audit quality and we do not support it.**

Incumbent audit firms typically collect a vast amount of institutional knowledge regarding the complexities of a public company's judgments and estimates used in creating the company's financial statements. The audit firm must understand the company's business and the risks that can potentially impact it. This knowledge and understanding of the business, which the audit firm typically collects on an incremental basis over time, will enable the audit firm to properly communicate to the company and the audit committee which of the various complex accounting topics faced by public companies are relevant to the client company. While this information in within the confines of an audit firm, it can be effectively transferred from partner to partner based on the current audit partner rotation rules now in effect. All of these factors are critical components of a quality audit. **It will take time for a new audit firm to gain an appropriate level of understanding of the company's business, during which time the audit quality may well be below that obtained from the prior firm.**

Mandatory audit firm rotation will also increase audit fees. **There will be a drain on company resources aiding the new audit firm to gain the level of understanding required to opine on the new client's financial statements.** This will be costly to both the company and the audit firm which will increase audit fees. Additionally, if the audit firm knows that it will lose the client after a specified number of years, it may well be less motivated to invest in the client relationship and audit quality may also be negatively impacted. With a limited number of "Big 4" audit firms, a company's ability to negotiate its audit fees will very likely be further impaired as there are limited choices and as the timing of changing auditors will no longer be up to the company and its audit committee.

The current independence rules place significant limitations on auditors as well as companies. Retired audit partners frequently serve as board members which can create independence issues with the audit firm the board member previously worked at. Also many public company executives recently left public accounting firms which can create independence issues with that firm. Many public companies use major audit firms for non-audit services which can create independence issue with those audit firms. **With only four “Big Four” audit firms the ability to switch to another Big Four firm will be severely restricted due to the current independence rules.**

Mandatory auditor rotation will mean that audit partners will spend more time marketing and less time auditing. **It is not in the best interest of audit quality to have audit partners spend less time with their clients and more time marketing.** Nor is it in the best interest of audit quality to have audit partners focused on maintaining market share when they will be forced to lose a fixed percentage of their clients every year due to mandatory audit rotation.

We believe that audit quality and auditor skepticism have improved since the passage of the Sarbanes-Oxley Act of 2002. **The existing policy requiring rotation of the audit firm partner every five years sufficiently provides a fresh look without comprising the knowledge the audit firm has with its client. The creation of the PCAOB along with its audit firm reviews has resulted in increased diligence and professional skepticism by audit firms which has improved audit quality.** The Sarbanes-Oxley Act of 2002 also entrusts the monitoring of the auditor relationship to a company’s audit committee. We have populated our audit committee with highly qualified and independent financial members who insist on a quality audit. As such, we believe that our audit committee is in the best position to evaluate the qualifications of our auditor and to decide the appropriate auditor of our company.

Thank you for the opportunity to comment on the proposal.

Sincerely,



Michael Boxer  
Audit Committee Chairman