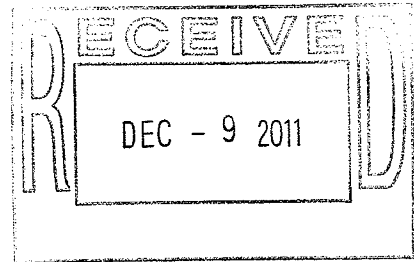

November 30, 2011

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

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

Dear Board Members:

TRX, Inc.("TRX"), appreciates having been given the opportunity to comment upon the Concept Release regarding Auditor Independence and Audit Firm Rotation (the "Concept Release") issued by the Public Company Accounting Oversight Board ("PCAOB") in August. We share the PCAOB's interest in ensuring the continuing high quality and reliability of audits conducted by independent certified public accountants.

As a small reporting company, we read with great interest the Concept Release noting the various arguments included therein both for and against mandatory periodic rotation of auditors. After giving consideration to all these points and others raised in discussions held among TRX directors, officers and employees, we find ourselves opposed to mandatory auditor rotation because we believe such a requirement would (a) significantly increase the cost of our audit and tax services, (b) unnecessarily disrupt business activities and distract senior management, and (c) increase the risk of failed audits, particularly in the early years of the auditors' relationship with the client.

In our view, mandatory auditor rotation is clearly not the most efficient or effective way to enhance auditor independence and audit quality. We are not aware of there being a pattern of evidence supported by reliable analysis indicating extended relationships between companies and their audit firms (and not issues relating to the competence of individual auditors, the design of audit procedures, or the execution of required tasks) consistently leading to audit failures. Further, history does not seem to suggest there has been a clear correlation between mandatory auditor rotations and a reduction in the number of failed audits in countries that have adopted, and in some cases eliminated, mandatory auditor rotation policies. Unless a clear line can be established between mandatory firm rotation and the prevention of audit failures we sincerely recommend you explore other alternatives.

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We are in complete agreement with the Cohen Commission's 1978 assertion that "many of the asserted advantages of rotation can be achieved if the public accounting firm systematically rotates the personnel assigned to the engagement," and believe the PCAOB ought to consider making existing audit team member rotation rules more stringent as an alternative to mandating periodic auditor changes. We believe audits are far more likely to be compromised because of a relationship between individuals involved in the audit and members of the company's management team than by the relationship between the firm as an entity and the corporation.

At TRX, we have experienced a clear increase in the independent stance of the audit firm versus management since creation of the PCAOB and its existing rules. For example, the audit firm clearly views their client as being the Audit Committee, not management. The audit firm has implemented multiple quality control review stages which are removed from the local audit team. These quality control procedures are highly effective at ensuring the audit firm remains independent. In our view, existing rules and practices that are either requirements of the PCAOB or are a result of the PCAOB, are functioning effectively.

The charter of the Audit Committee of the TRX Board of Directors indicates it is the responsibility of the Audit Committee to continually monitor the relationship between the company and its auditors and to take action as required to ensure the continuing independence of the auditors. If evidence suggests audit committees are not effectively addressing auditor independence, then perhaps the PCAOB should explore possible changes in that arena that would address identified shortcomings.

We believe that a mandatory rotation requirement would substantially increase the cost of audit services is a major factor in our deciding to oppose the concept. The 2003 GAO report said large firms estimated that first year audit costs would increase 20% as a result of orientation effort. However, incremental costs include not only higher audit fees but also the impact of the disruption and distractions auditor changes create for management and finance personnel. This is especially true for smaller reporting companies. We believe costs will increase for all of the following reasons:

- Audit personnel, both at corporate headquarters and in remote locations, would have to be oriented to the company's facilities both domestically and abroad, history, accounting systems and records, internal control systems and procedures, and accounting methodologies.
- In addition, the new auditors would have to develop (perhaps in part by reviewing and obtaining copies of the prior auditors' audit documentation) a complete understanding of historically significant events, including:
    - Strategic transactions and undertakings
    - Loss exposures
    - Debt arrangements
- First (and possibly second) year audit engagements are inherently less efficient than recurring engagements.

- The coordination of information exchanges between auditors and professionals that provide audit support (attorneys, tax consultants, lenders, etc.) would be less efficient for all involved.
- Firms would spend more of their resources competing for engagements and pursuing potential clients if the largest companies changed auditors more frequently than they now do. These costs would be passed along to all clients.
- Substantial senior management time (on both sides) would be devoted to revisiting significant accounting decisions made in prior years.
- Appropriate industry expertise may not be available locally, incur incremental travel expenses to complete the audit and therefore drive up audit fees.
- The additional cost burden would provide no benefit and have a greater direct negative impact on smaller reporting companies who would not be able pass this cost along to customers or reduce other costs to offset this increase.

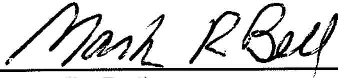
The company will incur additional internal administrative costs associated with the selection of a replacement auditor, and these costs are not insignificant. Senior Management and Audit Committee time must be spent preparing invitations for bids, providing background information to bidders, evaluating responses, interviewing candidates and ultimately selecting a successor auditor.

Many of the above listed cost considerations also give us reason to believe audit quality in the first year will likely suffer. We believe, as do many who have written on the topic, that there is a higher risk of audit error in a first year engagement due to the unfamiliarity of audit staff personnel with the balance sheet, the business and the critical audit issues, as well as a reduced likelihood of the audit uncovering intentional management fraud. The impact can be compounded when the company operates in a specialized industry where one firm is acknowledged to have greater industry expertise. Ironically, a mandatory firm rotation policy has the potential to create a situation where the firm best suited to serve the interests of the stakeholders may be precluded from doing so.

Furthermore, we believe firms will be less concerned with the quality of client service as they approach the end of their tenure as auditors, which could lead to inefficiencies, delays and missed deadlines, all of which translate into higher costs.

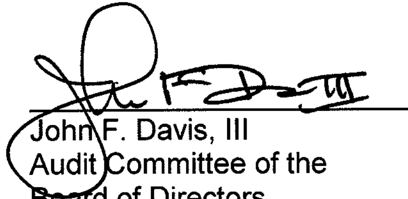
Finally, in the case of the largest engagements we might see a high volume of audit staff turnover (probably at higher compensation levels) as firms competing to be selected as the successor auditor try to enhance their chances of winning such engagements by hiring key members of the departing audit team. When this might reduce the risk of audit failure to some degree and reduce transition inefficiencies, it has the potential to negatively impact auditor independence and increase compensation costs for the audit firms (and therefore fee levels for clients).

We appreciate your having given us the opportunity to express our views.



Mark R. Bell
Chairman, Audit Committee of the
Board of Directors

William A. Clement, Jr.
Audit Committee of the
Board of Directors



John F. Davis, III
Audit Committee of the
Board of Directors