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Office of the Secretary
Public Company Accounting Oversight Board
1666 K Street, NW
Washington, DC 20006

**File Reference: PCAOB Rule Making Docket Matter No. 37 -
 Concept Release on Auditor Independence and
 Audit Firm Release**

Your interest in learning first hand reactions from Directors to your auditor rotation proposal is appreciated.

By way of background, I serve on three public boards and as audit chair on two. My background also includes having served on two private company boards.

Simply stated, I do not believe required rotation is a constructive method to enhance transparency or audit quality. There are many reasons for my conclusion. Here are two.

First, I've had direct experience in three auditor changes. In each instance there were specific performance issues which drove the decision to consider the change and actually making it. Issues driving the changes were poor communication, personnel (both number and quality), limited industry experience, performance deficiencies, cost, etc. My experience incidentally corresponds to the PCAOB's citing of audit quality emanating from your reviews.

Mandatory rotation removes director initiatives to make these performance decisions in a timely fashion.

Secondly, a huge issue in your rotation plan gets to the practicality of execution. Organizing and running "beauty contests" takes a considerable amount of time of management, boards, and accounting firms. It's an intense process. Once a decision is made, lame duck performance ensues. The replacement auditor cannot even take over until the current auditor's final audit has been completed.

By definition the new firm can only commence well into the new audit fiscal year. By practical experience the new team takes 18 to 24 months to be fully functional.

The mandatory rotation would actually serve to reduce transparency and audit quality. Think of the five-year process. Two years for the new team to fully function. A year of well functioning processes. Beginning in year four, firms start working on targeting new audit candidates and planning for the rotation. In year five the beauty contest involving partners, industry specialists, and field team members as well is unleashed in full force by all firms.

Clients are won; clients are lost. Firms will hire, and fire to meet their new assignments. Yes, auditing employees will rotate. Experience will actually decline – accounting employees who just served a client may reappear working for the winner of the new assignment.

This does not seem like a formula for transparency or enhanced audit quality. Efficiency will decline, costs will increase, and audit quality will not.

If you have any questions, I would be delighted to meet with you.

Sincerely,

A handwritten signature in cursive script that reads "Milton J. Walters". The signature is written in dark ink and is positioned above the printed name.

Milton J. Walters