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

RE: PCAOB Rulemaking Docket Matter No. 37

Dear Mr. Baumann:

I appreciate the opportunity to provide comments on the Public Company Accounting Oversight Board ("PCAOB") Concept Release on Audit Independence and Audit Firm Rotation. Further, I appreciate the PCAOB's ongoing commitment to enhancing audit quality. The PCAOB provides valuable and necessary oversight of the independent audit service.

I concur with the PCAOB's view of the imperative nature of auditor independence, objectivity, and professional skepticism. However, I oppose the PCAOB's proposal regarding mandatory audit firm rotation. I do not believe such mandate is necessary to appropriately reinforce the importance of independence, objectivity, and professional skepticism, and that the existing system of control over audit quality – effectively implemented – is sufficient. Further, I believe mandating the rotation of audit firms providing independent audit services to public companies in the United States would result in deteriorating audit and other service quality and increased audit fees, as well as increased internal costs resulting from lost efficiency.

Existing controls over audit quality

The existing system of controls over audit quality – effectively implemented – is sufficient to address the PCAOB's concerns related to an audit firm's exercise of independence, objectivity, and professional skepticism in the conduct of its engagements.

Not all audit failures, as the PCAOB acknowledges in its Release, are the result of a lack of objectivity or professional skepticism. Audit failure is perhaps equally likely to be the result of insufficient experience or a lack of technical competence of audit personnel. Requiring the periodic rotation of audit firms exacerbates issues of technical competence and experience, as "the learning curve is too steep for an auditor to perform a high-quality audit in the early stages of a new client engagement" (page 17 of the Release). Given the murky nature of determining the root cause of audit failure, and given the uncertainty of whether mandatory firm rotation would in fact contribute to increased objectivity or professional skepticism, I do not believe it is appropriate to sacrifice the merits technical competence and experience for increases in objectivity and professional skepticism which are questionable at best.

In addition, as a direct result of the requirements surrounding provision of non-audit services enacted with the Sarbanes-Oxley Act of 2002, companies must engage separate firms for audit and many advisory services. Mandatory audit firm rotation limits the choices available to companies; in addition, there are only four audit firms with sufficient capital to bear the risks of a very large company's audit. Any of these firms that are used in a consulting capacity by a company are ineligible for a period of time

to participate in that same company's audit under current independence requirements, further restricting the field of available candidates. This issue is complicated by the industry specialization of many audit firms.

Rather, the PCAOB should focus its efforts on increasing the effectiveness of the current system of controls, including increasing the transparency of communications about audit failures. I believe that the PCAOB might weigh the benefits resulting from reporting the results of engagement reviews to audit committees of the respective companies. By providing audit committees with meaningful information about actual audit quality, the committees' ability to effectively oversee the audit engagement increases.

Deteriorating service quality, increased fees, and higher internal costs

With a constant, mandatory rotation of audit firms, there will be constantly-evolving audit quality, rather than the delivery of a consistent level of quality service. As mentioned earlier, for new client engagements, there is a significant period of time which audit teams spend learning the new client's business and accounting policies. This "learning curve" is necessary and appropriate to the delivery of a quality audit. However, with each audit firm rotation, management will face the disruption, expense, and time involved in changing its audit firm. Management may devote hundreds, and sometimes thousands, of hours in helping the auditor understand the company (in addition to the time spent evaluating and selecting the auditor upfront). Although this activity occurs naturally through the rotation of audit staff and audit partners, such change is often planned much in advance and strategically timed based on company activities and budgets. Mandating audit firm change at specific times not chosen by the entity may cause even greater disruption.

Further, if rotation of services were mandated, companies forced to choose between limited firms with appropriate industry expertise might also face disruption to the delivery of quality advisory services, as advisory engagements are transferred to new firms to permit appropriate rotation of audit services in accordance with independence requirements.

It is my expectation that required rotation of audit firms will result in increased audit fees, as firms budget for the additional time required to learn a new client's business and accounting policies. On top of the increased fees, internal costs would also rise as a result of lost efficiency of internal personnel, as these personnel take the necessary time to explain accounting policies and orient the new auditors to the Company's operations and processes.

I again extend my thanks for the opportunity to comment on the PCAOB's Release, and urge that the PCAOB reconsider its proposal of mandatory audit firm rotation.

Sincerely yours,



Christy Burmeister-Smith
Vice President, Controller and Principal Accounting Officer
Avista Corporation