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December 14, 2011

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

Re: Public Company Accounting Oversight Board (PCAOB) Release No. 2011-006,
Docket Matter No. 37 – Concept Release on Auditor Independence and Audit Firm
Rotation

Dear Board Members:

I am responding to your request to comment on the concept release related to auditor independence and the proposal for mandatory audit firm rotation on behalf of Patriot Coal Corporation, as Chief Accounting Officer. We appreciate the opportunity to provide comments.

We appreciate the importance and relevance of the role of the auditor in safeguarding the interests of the shareholders of each publicly traded company and the investing public. Audit firms are governed by rules and standards that are designed to ensure independence, objectivity and professional skepticism.

We believe the additional audit process controls required by the Sarbanes-Oxley Act (SOX) have improved the independence of audit firms by putting the audit committee in charge of hiring the auditor and overseeing the audit engagement, the formation of the PCAOB and mandatory audit partner rotation. We agree with the Cohen Commission findings that the audit committee is in the best position to determine whether audit firm rotation is appropriate based on the specific circumstances of each company.

In the concept release, the PCAOB requested comment on certain general questions regarding mandatory audit firm rotation; the advantages and disadvantages of mandatory audit firm rotation; the effect of mandatory audit firm rotation on audit costs; and any alternatives. We believe that the costs of mandatory audit firm rotation would significantly outweigh any benefits.

Benefit of Industry Expertise and Company-Specific Knowledge

Although certain audit deficiencies identified by the PCAOB inspections could stem from shortcomings in auditor independence, objectivity and skepticism, it appears that many audit failures also stem from the need for greater depth of experience and knowledge in the areas of applying accounting guidance, auditing and the actual operations of the company being audited. Public companies and auditors are dealing with highly complex transactions and global operations that require in-depth understanding of industry-

specific challenges, detailed operational issues and complex accounting topics. Mandatory audit firm rotation would exacerbate these issues as opposed to providing improvements or a solution.

In our opinion, audit independence and professional skepticism are enhanced through industry expertise and company-specific knowledge gained over time. Audit firms train their staff on technical expertise and general industry knowledge, but an in-depth understanding of a company is also required to perform an effective, independent audit. Due to our specialized industry, the lack of specific industry knowledge would be a significant obstacle to auditors new to our engagement.

We agree that a periodic “fresh look” at a company’s financial statements can provide benefits to investors. However, we believe this is addressed with the current requirements for mandatory audit partner rotation. Additionally, audit firms have quality control and peer review processes in place that should also provide a “fresh look” at financial statements from audit firm personnel that are not in regular contact with the company. We feel it is unnecessary to require full turnover of audit firm personnel to achieve this goal. Additionally, a fair amount of personnel turnover is inherent in audit firms due to promotions, changes to assignments and career moves.

Negative Effect on Audit Firm Resources

We believe requiring audit firm rotation would have a negative effect on audit firm resources. If rotation were required, audit firms would have significant challenges in staffing, training and retaining personnel due to the constant changes to client lists. Mandatory rotation could also result in increases to required amounts of travel and the need for additional audit staff relocation. These challenges could result in higher costs for the audit firms, which would be passed along in higher audit fees. In order to address the training and relocation issues, the logical solution for the new audit firm would be to hire staff from the prior audit firm, which would defeat the purpose of mandatory audit firm rotation.

Negative Effect on Audit Costs

Mandatory audit firm rotation would cause significant additional cost and disruption. Higher costs would result from increased audit fees due to lack of incentive to be competitive, audit inefficiencies due to lack of company and industry knowledge, and higher internal costs related to the time spent by company management and staff to educate the new engagement teams.

Possible Alternatives

We respectfully request that the PCAOB consider other alternatives to address issues of audit deficiencies or failures. These alternatives may include additional auditor training, enhancements to audit firm quality control procedures or setting a maximum number of years audit firm staff could serve on an audit.

Dissemination of audit failure information and focused additional auditor training may provide a higher benefit with a lower cost than mandatory audit firm rotation. Examples

of PCAOB inspection audit failures could be the basis for additional training sponsored by an independent third party. This training could include specific examples of the complex issues that resulted in the audit failures in order to provide context and learning from past mistakes.

Additionally, enhancements could be made to the quality control procedures within firms or second partner reviews could potentially be performed periodically by a peer firm. If natural turnover does not occur within the staff of the engagement, the PCAOB could consider setting a maximum number of years for audit firm staff below partner to serve on an audit.

Conclusion

We do not believe that mandatory audit firm rotation is in the best interest of the investing public. We believe the rules and standards that govern audit firms and audit committees were enhanced by SOX and adequately address the need for auditors to safeguard the interests of the shareholders of publicly traded companies and the investing public.

We believe SOX has empowered the audit committee in many ways, including the ability to hire the auditor and oversee the audit engagement. The audit committee is in the best position to determine whether rotation is appropriate based on the specific circumstances of each company. Mandatory audit firm rotation would be contradictory to the enhancements achieved by SOX.

Thank you for your consideration.

Sincerely,



Christopher K. Knibb
Vice President, Controller &
Chief Accounting Officer
Patriot Coal Corporation