



December 14, 2011

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

The Accounting and Auditing Public Company Subcommittee of The Ohio Society of CPAs reviewed the PCAOB's "Concept Release on Auditor Independence and Audit Firm Rotation," and submits the following comments for your consideration.

The Subcommittee concurred with the Board's overall objective of continuing to improve audit quality through enhancing independence, objectivity and professional skepticism.

We have highlighted existing actions already in process that are enhancing the audit process. We also have noted several areas of concern on the potential effect of mandatory audit firm rotation as an effective way to enhance independence, objectivity and professional skepticism.

Improvements Yet To Be Fully Realized

Subcommittee members noted that much has already changed in the profession to increase independence, objectivity and professional skepticism in the audit, and that it may require a few years to fully realize the benefits of changes already made:

1. Sarbanes-Oxley expanded the role of the audit committee.

The expanded emphasis on the role of the audit committee, the requirement to have audit committees approve all services provided by the auditor, and the identification of prohibited services have served to increase independence, objectivity and professional skepticism.

2. Partner rotation requirements and staff turnover keep perspectives fresh.

With partner rotation and personnel turnover within firms, public company clients are stating that they are finding that they do effectively need to revisit all of the important accounting issues. But that revisiting is accomplished in a much more structured and slower pace than the hard cutoff of a firm rotation.

3. *Requirements for the engagement quality reviewer have strengthened*

The role of the engagement quality reviewer has increased and become much more prescriptive than in the past, contributing to increased audit quality.

4. *The PCAOB inspection process is in place to monitor audit quality, including any issues with auditor independence, objectivity, and professional skepticism.*

Potential Impact of Mandatory Audit Firm Rotation

Theoretically, audit firm rotation is one potential solution that could increase independence, objectivity and professional skepticism, but subcommittee members do not believe that audit firm rotation would effectively accomplish this objective for the following reasons:

1. *No direct correlation has been made between audit tenure and the number of audit failures.*

The PCAOB inspection process has not demonstrated that increased audit findings have been caused by a reduction in independence, objectivity and professional skepticism related to years on the job. If such a pattern is suspected, the PCAOB should begin measuring the correlation of audit failures and findings to tenure.

2. *Audit firm rotation could significantly increase audit cost.*

Subcommittee members noted that it is not uncommon for first-year audits to require double the hours of subsequent years' engagements, particularly for a complex listed company. If auditor rotation were forced, this would reduce the time over which these fees could be recovered and potentially lead to increased cost of the audit.

3. *Mandatory audit firm rotation would create supply issues.*

Not all audit firms are equally skilled in equal industries in equal countries to meet the specific needs of a company. In this circumstance, companies may have too few choices of firms capable of providing a quality audit.

4. *Audit firm rotation does not effectively address audit firm concentration.*

Subcommittee members cited the experience of other countries that have implemented audit firm rotation, particularly for banks and insurance companies, noting that an adequate supply of qualified firms became a competitive issue for those industries.

While the Subcommittee is in favor of taking steps that can effectively improve audit quality, we believe these concerns above are significant and weigh against the proposal for mandatory audit firm rotation.

With improving audit quality as the goal, the Subcommittee recommends that the PCAOB work to put a process in place such that when audit failures are identified, work is also done to identify and capture root causes of those failures. Then future solutions can be designed to focus on the specific root causes.

The Subcommittee appreciates the opportunity to comment on the Concept Release, and the PCAOB's transparency in the process of exposing ideas under consideration.

Respectfully,

The Accounting and Auditing Public Company Subcommittee of The Ohio Society of CPAs

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