



December 13, 2011

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

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

To Whom It May Concern:

We appreciate the opportunity to provide feedback on the Public Company Accounting Oversight Board (PCAOB) Rulemaking Docket Matter No. 37, *Concept Release on Auditor Independence and Audit Firm Rotation* (Proposal). We believe that the Proposal's direct and indirect costs to companies and investors in terms of audit quality, cost, and service provider availability outweigh any potential benefits.

In our view, the PCAOB's goal of enhancing audit quality would be compromised by mandatory rotation. Fully understanding a company's business environment and related risks, complex systems and controls, and unique accounting estimates takes years. In-depth understanding that develops over time promotes awareness of what questions need to be addressed to mitigate audit risk and promote effective audit procedures and appropriate conclusions. As a new firm takes over auditing a company, the learning curve is steep at all levels of the client engagement team, increasing the risks of performing inadequate testing, reaching inappropriate conclusions, and ultimately potentially increasing the risk of audit failure.

We believe that mandatory rotation would result in increased costs. This includes the time and money incurred by companies associated with identifying, evaluating, selecting and training entirely new audit engagement teams on a rotating basis, as well as the risks to audit quality described above. Additionally, audit firms would incur additional time preparing proposals and understanding the business, processes, controls, and risks of new clients on a rotating basis thereby potentially increasing audit fees to cover these additional costs.

Large accounting and auditing firms are not always interchangeable, due to geographic, non-audit service, and industry specialization constraints. Companies such as Costco Wholesale that operate internationally must select an audit firm that is able to serve in the United States as well as in other countries. This need must be balanced with other consulting needs that are often performed by an accounting firm other than the firm performing the independent audit. Different audit and accounting firms specialize in certain accounting, tax, or other industry specific matters. Requiring mandatory rotation when a company uses a variety of firms to meet these specialized needs for both audit and prohibited non-audit services significantly limits a company's available options for qualified, independent audit firms. Additionally, it imposes significant logistical challenges for global companies in coordinating mandated audit firm rotation with the need for these other services.

Office of the Secretary  
PCAOB  
December 13, 2011

One could not credibly maintain that auditor rotation would in no case produce benefits and enhanced quality. Audit committees always have the option of rotation, however, as part of the many tools at their disposal for ensuring that investors' interests are served. The remedy of rotation, however, should not be mandated across the board but left to the judgment of individual committees. They are in the best position to balance the competing considerations.

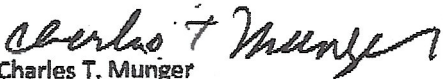
Ultimately, investors can express their own preferences on this subject, either through direct communication to audit committees, or simply choosing not to invest in companies that they feel are insufficiently attentive to audit quality. We have not in recent memory received a request from our shareholders for auditor rotation. In addition, shareholders have the right every year to ratify our Audit Committee's decision on the selection of auditors – they do so virtually unanimously year after year.

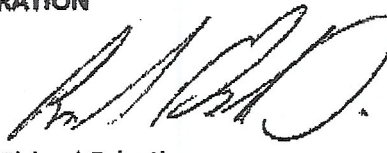
In summary, we do not believe that the Proposal serves to protect the public interest.

Please feel free to contact us to discuss our comments.

Respectfully,

**COSTCO WHOLESALE CORPORATION**

  
Charles T. Munger  
Chair of the Audit Committee  
Costco Wholesale Corporation

  
Richard Galanti  
Executive Vice President and  
Chief Financial Officer