



Office of the Secretary, PCAOB  
1666 K Street, NW  
Washington, D.C. 20006-2803  
[comments@pcaobus.org](mailto:comments@pcaobus.org)

Re: Rulemaking Docket Matter No. 37

Dear Public Company Accounting Oversight Board:

The Georgia Society of CPAs supports the Board's efforts in improving auditor independence, objectivity, and professional skepticism. As seen in the Board's own reviews of the work performed during the audits of public companies and widely recognized as an investor concern, we agree that a new approach is needed. However, we do not believe that mandatory audit firm rotation is an effective method.

Mandatory audit rotation could have unintended consequences, including increased audit costs. Additionally, the assumption that a new audit firm would bring a "fresh look" to the audited financial statements belies the opportunity that the management team could engage in opinion shopping in its selection of its new audit team.

The Board has requested comments regarding the question, "If mandatory rotation would not eliminate the distortion – the company under audit would still be paying the fee – could rotation dramatically reduce it?" Our thoughts are that the aforementioned distortion, recognized as the disconnect caused by clients' payments to audit firms, who may be thus pressured by management into accepting inappropriate accounting positions, would not be ameliorated through mandatory audit rotation, since the audit firm would simply change its financial models accordingly to maximize its fees while the relationship is ongoing and to identify issuers to replace the outgoing clients.

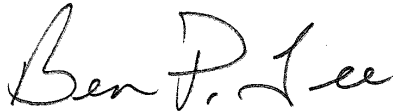
Regarding the Board's interest on views on whether a periodic "fresh look" by a competitor would encourage an audit team to improve its audit quality, competition amongst public accounting firms and, indeed, partners within the same firms, already creates this situation. There is no evidence that a pending "fresh look" improves audit quality or audit documentation, any more than the pending PCAOB inspections do.

There is no empirical evidence that mandatory audit firm rotation improves auditor objectivity, independence, and professional skepticism. These standards should be achieved by every member of the audit team on every engagement, regardless of tenure. We recommend that the Board consider stricter standards, audit documentation, stricter penalties on member firms, and education to achieve this goal. Our belief is that familiarity with clients, their business, controls, and contractual arrangements, is critical to preventing material misstatements in the financial statements.

As this issue evolves, we will continue to share our thoughts and concerns.

Thank you for your thoughtful consideration,

Sincerely,



Ben Lee, Chair  
GSCPA Assurance Services Section



Gregory Kordecki, Vice Chair  
GSCPA Assurance Services Section

cc: AICPA

cc: Boyd Search, CEO, GSCPA