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December 7, 2011

Mr. J. Gordon Seymour
Secretary
Public Company Accounting Oversight Board
1666 K Street, NW
Washington, DC 20006-2803

Re: PCAOB Rulemaking Document Matter No. 37--Request for Public Comment on Concept Release on Auditor Independence and Audit Rotation

Dear Mr. Seymour,

By way of brief background---I practiced as a CPA for 32 years, 22 years as an audit partner with a then Big 5 Firm (the last 7 years as an office managing partner). My audit clients included a variety of industries, sizes, complexity (including Fortune 500). Since retiring, I have served on 5 different public boards and have chaired 3 audit committees.

The PCAOB has and will receive many quality responses (eg, the US Chamber of Commerce's Center for Capital Markets Competitiveness, the Big 4 Accounting Firms, etc.) and those insightful comments will not be repeated.

However, there are a few comments for consideration.

Overall the Release was disappointing. Beyond the false premise that there is a problem with independence, it was poorly written, disjointed and difficult to read. It appears to be the result of the PCAOB having too much time on their hands coupled with some underlying need to further expand it's power base. In today's global and capital markets, we need less, not more disruptions. It almost seems that the PCAOB is isolated from the real world.

While not coming out and specifically stating it, the Board obviously feels there is a relationship between auditor independence and auditor tenure (without presenting any specific facts to support that conclusion).

Simply stated, there is no relationship between auditor independence and auditor tenure! An auditor is either independent or not independent. To infer that the length of service with a particular company will somehow result in "looking the other way" is an insult to the practicing profession. The practice of public accounting is difficult enough in today's world, made even more difficult by regulations like Sarbanes-Oxley (which I might add has had absolutely no positive impact on the corporate world or the public accounting profession, while costing billions of dollars that could have been allocated by Corporate America to expand our economy) and the annual review of each Public Accounting firm conducted by the PCAOB. This annual review is very time consuming and disruptive to the Public Account firms and has little if any value. The Firms will all speak the party line publicly about the value of the review process. However, if you were to survey the individual partners of the firms, you would no doubt get a very different answer.

The PCAOB seems to validate that there is no relationship between independence and tenure. On page 16 of the Release, the Board states that their "preliminary analysis of that data appears to show no correlation between auditor tenure and number of comments in PCAOB inspection reports". Further, the Board indicates that the sample of engagements is not random, but skewed toward those that the Board believes present the highest risks. Then within those engagements the Board reviews the areas within each audit that are the most complex and challenging. If there were going to be "issues", it would be on the engagements the PCAOB selects because of the bias toward high risk and complexity and that has not been the case.

While there is a listing of examples on pages 7-8 of the Release, the commentary is laced with "may have', "appears", "may have been", "may not be", "may have resulted", etc. This "on the fence" wording leads one to conclude there really aren't significant issues--if there were, the comments would be positive. I have had the opportunity to read several of the PCAOB's reports on the Firms and found nothing to be alarmed about. In almost every case where the Firm had a specific engagement listed, the issues were differences in professional opinion. When one considers that the PCAOB review is after the fact and hindsight is always 20/20, I suspect the conclusions would be more aligned with those of the Public Accounting firms if the PCOAB had been on the line making the call in the field on a real time basis. Add to the mix that most, if not all, of the PCAOB reviewers are no longer practicing and it is easy to see where there would be differences in opinion. It is always easy to be "smarter" when everything is known after the fact.

On page 6 of the Release, there is the statement that the "Board is troubled by the volume of significant deficiencies, especially in the areas identified in prior inspections". Again, the Board might be "troubled", but if the question were put to the Public Accounting firm, the Corporate Management or the Corporate Board of Directors of the respective Company, I suspect they would not be troubled. It is important to remember that this group has the ultimate responsibility and, not to mention, the liability.

It was surprising to see the references to the possibility of increased costs to the Corporations if auditor rotation were ever implemented. From my perspective as a Corporate Board member, any cost would be borne by the Public Accounting firm, not the Corporation. The fee would be set by the Audit Committee based on what was fair to the shareholders (probably the prior year fee). In addition, the accounting firm would be expected to provide a discount in the first year to cover the corporate costs resulting from the disruption to the company and bringing the new firm up to speed.

The inference that the PCAOB might have a say in the termination/selection process of a public accounting firm was particularly disturbing. The Board of Directors has the fiduciary responsibility to the shareholders to make that decision at any time based on their judgment. That cannot be compromised by shifting the responsibility to or involving a 3rd party. This is another indication that the PCAOB has not thought the matter through in a serious manner.

CONCLUSION/RECOMEMDATIONS

The Board should cease this study immediately. It is flawed thinking and is without any factual basis.

There should be an independent review that focuses on the effectiveness/usefulness of the PCAOB (and for that matter, the entire SOX regulatory legislation). This review should be conducted by a combination of the Public Accounting profession, Corporate America and Investors. The Review should be paid for by the PCAOB.

The conclusion might be that the PCAOB has outlived its usefulness and should be disbanded. The Board probably already knows this and that is why it is embarking on exercises such as this one (and the study of the content of the Auditor' Report). The only possible reason for the PCAOB going down this road would be self preservation.

Until the above review of the effectiveness of the PCAOB is completed, the Board should certainly scale back the annual reviews being conducted on the Public Accounting firms in the next cycle.

Sincerely,

William J. Crowley, Jr.