January 3, 2012

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

Re: Concept Release on Auditor Independence and Audit Firm Rotation;
Rulemaking Docket Matter No. 37

Dear Mr. Seymour:

As members of the Audit and Compliance Committee (the Committee) of Dodge & Cox Funds (the Funds), we appreciate the opportunity to respond to the Public Company Accounting Oversight Board's (PCAOB) Concept Release on Auditor Independence and Audit Firm Rotation.

The Funds consist of five open-end mutual funds, with assets totaling approximately $107 billion. The Funds are registered with the Securities & Exchange Commission.

We applaud the efforts of the PCAOB to improve audit quality. However, we do not believe that mandatory audit firm rotation will improve audit quality. Rather, we believe that mandatory audit firm rotation has many potential disadvantages, including:

- Decreased audit quality. Newly appointed audit firms have a steep learning curve, and often are not as quick to identify audit issues. Audit firms currently benefit from the accumulation of institutional knowledge. Much of that benefit would be eroded with mandatory rotation. Also, audit firms nearing the end of their five-year term will likely not invest significant resources to continue building institutional knowledge.
- Increased audit costs as a result of startup inefficiencies. The increased audit costs charged to the Funds would negatively impact shareholder returns.
- Increased management time and cost to bring new auditors up to speed. The additional time required will distract management from its primary focus on investing, which could hurt the Funds' performance and therefore harm shareholders.
- Only a handful of major audit firms have invested the time and resources to develop a depth of specialized mutual fund industry knowledge. Since several of these firms do not meet independence requirements (e.g., they provide consulting services to the Funds or utilize the Funds in their

retirement plan), the Funds may be forced to switch to a less qualified audit firm.

- Disruption to audit firms. Constant changes to client base will result in more "boom and bust" cycles for audit firms, creating staffing challenges and instability.

Our experience with the firm auditing the Funds is that they already demonstrate appropriate professional skepticism and independence. Indeed, we believe that the existing requirements, including those imposed by the Sarbanes-Oxley Act (e.g., direct oversight of the auditor by the audit committee, required audit partner rotation, limitation of non-audit services that can be performed) are effective and adequate measures to promote an independent mindset and to bring about the rotation of an auditing firm if appropriate.

We believe that forcing the hand of the Committee to make audit firm changes undermines the authority of the Committee. As noted above, the Committee may be forced to replace an audit firm that has been performing at a very high level with a firm that performs at a lower level.

In conclusion, we support the PCAOB's efforts to improve audit quality, but believe mandatory audit firm rotation would achieve the opposite approach – reduced audit quality at an increased cost.

Sincerely,

The Audit and Compliance Committee of the Dodge & Cox Funds

<u>/s/ William A. Ausfahl</u>
William A. Ausfahl, Chairman

<u>/s/ L. Dale Crandall</u>
L. Dale Crandall

<u>/s/ Thomas A. Larsen</u>
Thomas A. Larsen

<u>/s/ Ann Mather</u>
Ann Mather

<u>/s/ Robert B. Morris, III</u>
Robert B. Morris, III

<u>/s/ John B. Taylor</u>
John B. Taylor