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February 20, 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:

I realize that the comment period on this release ended over two months ago but because of my continued concern for this issue, I decided to respond at this time. I would appreciate your consideration of my comments. I am against mandatory rotation of Audit Firms.

I am a CPA and have been involved in financial reporting for over fifty years, the first thirty seven in the public accounting field and the last fourteen serving on the Boards of Directors and Audit Committees of public companies. I was an audit partner at a major accounting firm, not one of the current Big Four Firms, for twenty five years retiring in 1997. During my entire career, I audited both public companies in the corporate arena and investment companies registered under the 1940 Act. Since joining NYSE corporate Boards and Investment Company Boards, I have had the opportunity to work with partners of all Big Four Firms.

Audit Committees play a major role in the accuracy of financial reports. Audit Committee members are required to be independent of management and only report to the Board of Directors and shareholders. Public company proxy statements contain Audit Committee Reports and specifically name the members of the Committee. They take their responsibilities very seriously. In the Concept Release it is noted that many large firms have retained the same audit firm for many years. That is probably because after appropriate evaluation the Audit Committees are satisfied with the quality, responsiveness, financial arrangements and independence of their respective audit firms. In my case, of the three Big Four firms that served as auditors when I joined the respective Audit Committees, two have been replaced and one has been retained. In each case the Audit Committee played a major role in the rotation and retention decision. Why should Government take this decision out of the hands of the Audit Committee?

The comment letters that have been submitted on this Concept Release contain many excellent reasons why Audit Firm Rotation should not be mandated. I will not repeat those comments here but only say that I share the concerns for increased audit costs for our shareholders and disruption and significant time added to the schedules of company financial staffs. As far as the results of the PCAOB examinations I have seen few restatements. In many situations, it looks like the audit firm agrees to disagree with the PCAOB.

I would like to emphasize two specific concerns.

RISK IN FIRST YEAR AUDIT OF A NEW CLIENT During my career in public accounting I had the opportunity to assume responsibility for many new clients. One of my concerns in the first audit involved subjective areas where management judgment played a major role in resolving an issue. Over the course of two or three years an auditor gains an understanding of how management looks at an issue, are they conservative or aggressive. Once an auditor gains this understanding he is in a better position to push back on the discussion to resolve the issue. Thus, there is a greater chance of the auditor missing an issue in a new audit.

INDEPENDENCE ISSUES INVOLVING THE BIG FOUR ACCOUNTING FIRMS In 1961 when I entered the public accounting profession, companies could chose between eight major accounting firms. Today, there are only four and they audit about ninety percent of public corporate entities and ninety nine percent of 1940 Act Investment Company assets. Because of the tighten rules for auditor independence under SARBOX, when an Audit Committee wants to consider changing auditors it can be limited because of issues impacting independence for one or more of the other Big Four. The issue is very troublesome for investment companies because large investment company complexes with hundreds of funds already use two or three of the Big Four. Some say that an Audit Committee should consider audit firms smaller than the Big Four but audit committee members are concerned with industry expertise and how Wall Street might view such a change. For investment companies the matter is a very important issue because the smaller firms do not currently have a significant industry audit practice.

Thank you for your consideration of my comments.

Nicholas P. Constantakis CPA