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Phoebe W. Brown, Secretary
Office of the Secretary
Public Company Accounting Oversight Board
1666 K Street, NW
Washington, DC 20006-2803

15 November 2017

**Re: Supplemental Request for Comment: Proposed Amendments Relating to the Supervision of Audits Involving Other Auditors and Proposed Auditing Standard — Dividing Responsibility for the Audit with Another Accounting Firm**
**PCAOB Rulemaking Docket Matter No. 042**

Dear Ms. Brown:

Ernst & Young LLP (EY) is pleased to submit these comments to the Public Company Accounting Oversight Board (PCAOB or Board) on the *Supplemental Request for Comment: Proposed Amendments Relating to the Supervision of Audits Involving Other Auditors and Proposed Auditing Standard — Dividing Responsibility for the Audit with Another Accounting Firm* (the Supplemental Request or the Proposal).

We appreciate the efforts the PCAOB has made to take into account our views and those of other stakeholders, particularly our concerns about the lead auditor determination and the importance of taking a scalable and risk-based approach. While we continue to support the PCAOB's efforts to strengthen the requirements for the lead auditor in an audit involving other auditors, we believe that certain revisions and clarifications are still needed.

Our comments focus on the following areas where we believe the Proposal can be improved or made more practical:

- Lead auditor determination
- Other auditors' compliance with independence and ethics requirements
- Other auditors' knowledge, skill and ability
- Risk of material misstatement
- Supervision and review
- Multi-tiered audits
- Other matters

In each section of this letter, we highlight our key areas of concern, including the practical challenges of implementing the proposed requirements, and possible alternatives.

**Lead auditor determination**

The Supplemental Request requires the engagement partner to determine whether his or her firm's participation is sufficient for the firm to serve as lead auditor. Under the proposal, the engagement partner would need to consider the risks of material misstatement associated with the portions of the financial statements audited by the firm relative to those portions audited by other auditors and referred-to-auditors. In response to the comments received, the Board added a requirement for the auditor to assess the importance of the issuer's locations or business units in making that determination.

As we indicated in our original comment letter, the lead auditor determination is constrained by various factors, particularly legal and other requirements governing the required involvement of the lead auditor. While the Board acknowledges some of these factors in the Supplemental Request, we do not believe the addition of a requirement to assess the importance of the locations or business units for which the lead auditor performs procedures would fully address the concerns we raised in our previous comment letter. We believe the final standard should provide guidance for these situations.

We believe the Board should also consider further clarification or examples in the final standard to help the practitioner apply the importance criterion in the determination of the lead auditor. It would be helpful for the PCAOB to acknowledge that it is aware of situations where an auditor performs relatively fewer audit procedures on global business units but is still considered the lead auditor based on various legal or regulatory requirements. We believe the Board should also indicate in the final standard that in cases where an auditor is best suited to issue the opinion and therefore serves as lead auditor but does not audit a large part of the entity, the Board expects the auditor's involvement in the work of other auditors to increase accordingly.

**Other auditors' compliance with independence and ethics requirements**

Independence is the cornerstone for providing trust and confidence in the capital markets. We support the Board's objective that the lead auditor determine the other auditor's compliance with the Securities and Exchange Commission's (SEC) independence and the PCAOB's independence and ethics requirements. However, we have concerns about the proposed requirement that the lead auditor gain an understanding of each other auditor's process for determining compliance with independence and ethics standards and experience in applying those requirements.

We believe we would face significant practical challenges if the lead auditor had to gain an understanding of other auditors' processes for determining compliance with independence and ethics standards when those other auditors are outside of our network. Other auditors are likely to provide only high-level descriptions of their processes. If the other auditors did provide detailed information about their processes, this information would likely need to be reviewed centrally by senior members of the independence function at the lead auditor because the lead audit team would not be in a position to properly evaluate the sufficiency of detailed policies. We believe that a detailed evaluation by independence personnel would likely result in additional cost that would outweigh the potential benefits.

We believe the lead auditor should focus, instead, on whether the other auditor has a system of quality control designed to provide reasonable assurance that the other auditor complies with the relevant independence and ethics requirements. Accounting firms around the world are required to comply with quality control standards, which may vary in detail, but promote a consistent objective. As such, we believe the lead auditor should obtain a representation from an other auditor that the other auditor has a system of quality control that is designed to provide reasonable assurance that the other auditor complies with relevant independence and ethics requirements. We believe that requiring such a representation would eliminate the subjectivity involved in understanding, and essentially evaluating, an other auditor's quality control process and would provide an objective framework for the lead auditor to determine whether it can place reliance on the other auditor.

Additionally, we believe that when a lead auditor and the other auditor are members of a network that uses global processes and tools to validate compliance with quality control standards, the lead auditor should not be required to obtain a written representation that the other auditor has a system of quality control that is designed to provide reasonable assurance that such auditor complies with the independence and ethical standards.

Although we support transparent and ongoing communication between the lead and other auditors, and we support the key concepts in proposed paragraph .B4b of AS 2101 of the Supplemental Request, we foresee legal challenges in obtaining written communication of all relationships identified between the other auditor and those in financial reporting oversight roles (FRORs) given the privacy laws in effect in certain jurisdictions. As such, we suggest adding "when legally permissible" to the requirement.

We also suggest clarifying in the proposed standard that the requirement for written communication of all relationships that may reasonably be thought to bear on independence only relates to those matters that bear on independence at the issuer audit client. Further, it should be clarified that the requirement is based on and is consistent with PCAOB Rule 3526, and the expectation is that matters disclosed would be expected to be communicated to the audit committee of the issuer audit client.

Furthermore, the discussion in the Supplemental Request of the note in paragraph .B4b of AS 2101 indicates that relevant information about the other auditor may come either directly from the other auditor or from other sources, such as regulatory reports or news articles. It is unclear to us whether the Board's intent is to require the lead auditor to design procedures to identify such information from third-party sources. We believe that there may be significant practical challenges to executing procedures to search for, find and address matters that may arise from third-party sources, particularly news articles. The sources the auditor would need to search and the depth and rigor of the search are unclear.

Requiring the lead auditor to search third-party sources would add unnecessary cost without resulting in a commensurate increase in audit quality. Given the assertions and disclosures required of the other auditor, there should not be a requirement to identify information from third-party sources. Thus, we believe the lead auditor should be focused on contradictory evidence that comes to light during the performance of the audit, is specific to the relevant issuer audit client, and that contradicts the representations made by the other auditor. We suggest the PCAOB clarify this point.

We have marked up proposed paragraph .B4 of AS 2101 below to reflect the edits we suggest that the PCAOB make:

.B4 In an audit that involves other auditors,[1] the lead auditor should determine each other auditor's compliance with the SEC independence requirements and PCAOB independence and ethics requirements by obtaining from each other auditor:

a. ~~Gaining an understanding of each other auditor's (1) process for determining compliance with the SEC independence requirements and PCAOB independence and ethics requirements and (2) experience in applying the requirements; and~~ A written representation that such auditor has a system of quality control that is designed to provide reasonable assurance that such auditor complies with the independence and ethical standards specified by the lead auditor as being applicable; and

b. When legally permissible, a ~~A~~ written description of all relationships between the other auditor and the audit client or persons in financial reporting oversight roles at the audit client that may reasonably be thought to bear on independence; and

c. A written representation that it is, or is not, in compliance with SEC independence requirements and PCAOB independence and ethics requirements and, if it is not, a description of the nature of any noncompliance.

Note: The lead auditor's determination of each other auditor's compliance with the SEC independence requirements and PCAOB independence and ethics requirements is not limited to preliminary engagement activities and should be reevaluated with changes in circumstances.

Note: If the lead auditor is unable to obtain the written representation in .B4a or becomes aware of information during the course of the audit that contradicts an other auditor's description of its relationships that may reasonably be thought to bear on independence or a representation made by an other auditor regarding its compliance with the SEC independence requirements and PCAOB independence and ethics requirements, the lead auditor should perform additional procedures to determine the effect of such information on the independence of the other auditor.

Note: When the lead auditor and the other auditor are within the same network, and such network utilizes global processes and tools to ensure compliance with quality control standards, the other auditor is not required to provide the representation in .B4a in AS 2101.

**Other auditors' knowledge, skill and ability**

We support the proposed requirement that the lead auditor gain an understanding of the knowledge, skill and ability of other auditors; however, we do not believe the lead auditor should be required to inquire about the other auditor's policies and procedures related to the assignment of individuals to audits conducted under PCAOB standards and the training of these individuals.

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[1] *See* AS 1206 for requirements for the lead auditor relating to the referred-to-auditor's compliance with the SEC independence requirements and PCAOB independence and ethics requirements.

We believe the main objective of the lead auditor should be to determine whether the other auditor possesses the requisite knowledge, skill and ability to perform the responsibilities assigned on an audit performed under PCAOB auditing standards, and we do not believe proposed paragraph .B6a of AS 2101 would achieve this objective. In practice, auditors make this determination primarily by interacting with professionals assigned to the audit, not by evaluating another firm's policies and procedures about the assignment and training process. The manner in which proposed paragraph .B6a of AS 2101 would be implemented in practice is unlikely to achieve this objective because the other auditor would likely provide only a high-level response.

Policies and procedures are proprietary, and firms may not want to share this information. In that situation, the other auditor's firm is likely to provide a boilerplate response to inquiries regarding policies and procedures on the training and assignment of individuals to the audit. This would make it difficult for the lead auditor to evaluate the policies and procedures in a manner that would allow that lead auditor to achieve the intended objectives of the Proposal.

And even if the lead audit team did obtain significant details about the other auditor's policies and procedures, the lead auditor may not be in the best position to evaluate the sufficiency of policies and procedures for assigning and training personnel for PCAOB audits. These policies and procedures would likely need to be evaluated by individuals who work in learning and resource assignment groups rather than an audit team. Having professionals outside the audit team perform a detailed evaluation of the other auditor's policies would likely result in additional cost that would outweigh the potential benefits.

Further, because there are no standards for determining what constitutes adequate processes, policies and procedures for assigning and training personnel, it is unclear what the lead auditor would do with such information. We believe the Board should address the question of how to determine whether an auditor's assignment and training processes, policies and procedures are adequate when it revises the quality control standards.

We suggest that the lead auditor perform inquiries of other auditors and obtain written representations from other auditors about their knowledge, skill and ability, but should not be required to specifically inquire about the other auditor's policies and procedures relating to training programs or the assignment of individuals to PCAOB audits. Therefore, we do not believe that proposed paragraph .B6a of AS 2101 is needed in the final standard.

### Risk of material misstatement

We support the proposed amendments that would require the lead auditor to communicate to other auditors the scope of work, tolerable misstatement, the identified risks of material misstatement, and, if determined, the amount below which misstatements are clearly trivial. These communications are commonly made in practice and are important to performing an audit involving an other auditor. However, we believe the Board should clarify, in proposed paragraph .B2 of AS 1201, which risks of material misstatement the lead auditor is required to communicate to the other auditor.

Proposed paragraph .B2a of AS 2101 includes a reference to footnote 20 that refers to the requirements in AS 2110.49-51. That part of the standard requires the key engagement team members to discuss the susceptibility of the company's financial statements to material misstatement due to error or fraud. These discussions are typically limited to risks that are identified at the group level and don't result in the identification of all risks of material misstatement.

In contrast, AS 2201.30 requires the auditor to determine the likely sources of potential misstatement by asking himself or herself "what could go wrong" within a given significant account or disclosure. When complying with AS 2201.30, an auditor would identify these risks as a part of his or her work to understand each significant class of transactions and perform walkthroughs, as the risks identified are at the assertion level.

We note that if the Board intended to require the lead auditor to communicate all risks of material misstatement that are identified through procedures consistent with AS 2201.30, the lead auditor may not be in the best position to perform the procedures necessary to identify the risk of material misstatement at an assertion level for each component in a group audit.

Therefore, we recommend the following edits to clarify the risk of material misstatement to be communicated by the lead auditor in proposed paragraph .B2 of AS 1201:

a. Inform the other auditor of the following in writing:

   (1) The scope of work to be performed by the other auditor; and

   (2) Tolerable misstatement, ~~the identified~~ significant matters affecting the risks of material misstatement as required by AS 2110.49-51, and, if determined, the amount below which misstatements are clearly trivial and do not need to be accumulated relevant to the work requested to be performed.

**Supervision and review**

We support adding the note to proposed paragraph .B2d of AS 1201 that would clarify that the necessary level of detail of the other auditor's documentation to be obtained and reviewed by the lead auditor should be determined by the lead auditor (or first other auditor as provided for in paragraph .B3 of AS 1201) based on the necessary extent of supervision of the other auditor's work. We believe that this would allow the lead auditor or the first other auditor to use judgment to determine the extent of workpaper review that is required. However, we continue to have concerns that proposed paragraph .B2c of AS 1201 (which indicates the lead auditor should direct the other auditor to provide for review specified documentation) would create an expectation that workpaper review is typically required beyond the documents currently required by AS 1215.19.

Additionally, the proposed amendments to paragraph .03 of AS 1201 would make the engagement partner at the lead auditor responsible for supervising team members outside the engagement partner's firm (i.e., team members of other auditors), including workpaper review, which is addressed in paragraph .05 of AS 1201. While we believe that paragraph .04 of AS 1201 allows the engagement partner to delegate supervisory responsibilities to other members of the team, the proposed amendment would assign overall responsibility for supervision, including workpaper review, to the lead audit engagement partner. We are concerned that the proposed amendments would lead to workpaper reviews by the lead auditor beyond those required by AS 1215.19 that are not necessary to conclude on the work performed by the other auditor.

We believe that the lead auditor should be able to apply judgment in determining the nature and extent of its supervision and review. Workpaper review may not be possible in all instances or may be less effective than other forms of supervision. Laws and regulations in many countries prevent the other auditor from transferring the workpapers or copies of the workpapers, physically or electronically, from these countries to the lead auditor. Consequently, the lead auditor may also be prevented from accessing the electronic workpaper repository remotely to review workpapers because, as a practical matter, opening the electronic workpaper remotely may automatically transfer the electronic file to the computer of the lead auditor.

In order to obtain access to this documentation, the lead auditor may have to travel to the other auditors' locations and review the workpapers on-site. In addition to the time and cost involved in obtaining work permits where necessary, it may be challenging for the lead auditor's personnel to perform these workpaper reviews when time is often constrained. In cases where the need for the workpaper review is identified late in the audit process (e.g., as a result of new transactions at the client), there may not be time to obtain appropriate work permits.

We continue to believe that other forms of involvement, such as participation in meetings with the other auditor (e.g., attending key meetings such as those in which the other auditor and audit client discuss key issues), may be appropriate procedures for the lead auditor to perform to supervise the other auditor in conjunction with the review of the audit documentation outlined in AS 1215.19. We also believe there will be instances where the review of the audit documentation required by AS 1215.19 will be sufficient without additional workpaper review. We propose the following edits to footnote 22 in proposed paragraph .B2c of AS 1201:

> The specified documentation includes~~, but is not limited to~~ the documentation described in AS 1215.19 <u>and other documentation, if any, that the lead auditor determines is necessary to conclude on the other auditor's work.</u>

### Multi-tiered audits

We support the Board's revisions to the proposed amendments that would allow the lead auditor to direct the first other auditor to perform the procedures in proposed paragraph .B2a of AS 1201. We believe that the responsibility for direct communications with the second other auditor is best placed with the first other auditor. The proposed revisions in .B2a of AS 1201 maintain the basic communication structure that currently exists in multi-tiered audit arrangements. However, we believe that the proposed requirements for the lead auditor to obtain, review and retain the summary memorandum, a copy of the communications required by paragraph .B2a of AS 1201, and the documentation required by AS 1215.19 are not needed and could have unintended consequences, as described later. We believe the AS 1215.19 documentation that the first other auditor provides to the lead auditor would include any information related to the second other auditor that would require consideration from the lead auditor.

Since the first other auditor is responsible for all work provided to the lead auditor, which includes all of the work of the second auditor, the requirement for the lead auditor to obtain, review and retain the documentation required by AS 1215.19 would duplicate the review performed by the first other auditor. To avoid duplicative review, a lead auditor might decide to supervise all other auditors directly rather than include a first other auditor. While it may appear that audit quality could be enhanced by such an approach, we believe it could introduce unintended consequences that threaten audit quality.

First other auditors are often in a better position to supervise and review the work of second other auditors in a multi-tiered audit arrangement. In many instances, first other auditors are located closer geographically to second other auditors. The first other auditor is often more familiar with the business practices in that particular region and may have more direct relationships with management in that location than the lead auditor.

Further, several of the items the lead auditor would be required to obtain and review would be delivered at year end which, given the demands during that period of the audit, could have an unintended impact on audit quality in a multi-tiered group audit structure where multiple first other auditors are supervising second other auditors who perform work in support of the group audit opinion. As a result, we don't believe that the lead auditor should be required to obtain, review and retain the second other auditor's documentation required by AS 1215.19.

Page 31 of the Supplemental Request says, "The lead auditor would remain responsible for obtaining, reviewing, and retaining information described in AS 1215.19, and would have additional requirements for obtaining and reviewing documentation as discussed in Section III.B.4 of this release." We are not sure what those additional requirements are. Section III.B.4 discusses certain items (e.g., directing the other auditor to provide for review specified documentation of its work) which proposed paragraph .B2 of AS 1201 would allow the lead auditor to direct the first other auditor to perform. As a result, page 31 seems to contradict the information outlined in paragraph .B2.

We recommend the Board also consider allowing the lead auditor to direct the first other auditor to perform the procedures in proposed paragraph .B6 of AS 2101 such as understanding the knowledge, skill and ability of other auditors, and the responsibilities in proposed paragraph .B4 of AS 2101 regarding independence and ethics requirements. The first other auditor will most likely be in the best position to perform these procedures, such as evaluating the knowledge, skill and ability of the second other auditor based on its direct interactions with the second other auditor. Furthermore, the second other auditor would need to consider the knowledge obtained from these procedures in determining the extent of involvement needed to properly supervise the second other auditors.

**Other matters**

*Proposed Appendix A of AS 1105, Audit Evidence — Proposed Auditing Standard — Auditing Accounting Estimates, Including Fair Value Measurements, and Proposed Amendments to Certain PCAOB Auditing Standards*

The requirements currently outlined for other auditors in the Proposal overlap with certain requirements in paragraphs .A4 and .A5 of Proposed Appendix A in the PCAOB's *Proposed Auditing Standard — Auditing Accounting Estimates, Including Fair Value Measurements, and Proposed Amendments to Certain PCAOB Auditing Standards* issued under PCAOB Rulemaking Docket Matter No. 43 (collectively, the estimates proposal). Paragraph .A4a of proposed Appendix A of AS 1105 requires that the auditor obtain and evaluate information about the professional reputation and standing of the investee's auditor. It is unclear whether the procedures the auditor performs to evaluate the professional reputation of the other auditor are limited to those in proposed paragraph .A4a of AS 1105 of the estimates proposal or the auditor would need to perform all procedures in proposed paragraph .B6 of AS 2101 of the Proposal to evaluate the knowledge, skill and ability of the investee's auditor.

Additionally, paragraph .A4b of proposed Appendix A of AS 1105 would require the auditor to obtain information about the procedures the investee's auditor performed and the results thereof or review the audit documentation of the investee's auditor. It is unclear whether the procedures the auditor would perform are limited to those described in proposed paragraph .A4b of AS 1105 of the estimates proposal or if the auditor would also be required to obtain the documentation in proposed paragraph .B4 of AS 1201 in the Proposal.

We believe that further clarity is needed about whether the requirements in the estimates proposal are consistent with the requirements in the Proposal or whether additional procedures would be necessary. We believe the PCAOB should consider the requirements for an other auditor in the Proposal in conjunction with the requirements for an other auditor in the estimates proposal to avoid any unintended consequences.

*Proposed AS 1206, Dividing Responsibility for the Audit with Another Accounting Firm*

The Supplemental Request proposes revisions that would allow the lead auditor to divide responsibility with another accounting firm when the company and a business unit audited by another auditor prepare their financial statements under different financial reporting frameworks. In these situations, the auditor's report would need to indicate which auditor is responsible for auditing the conversion adjustments. We suggest that the PCAOB revise the example reports provided in paragraph .B1 of proposed AS 1206 to clarify which auditor is responsible for auditing internal controls over those same conversion adjustments.

*Summary review memorandum equivalency to engagement completion document*

We suggest that the PCAOB clarify whether the summary memorandum as described in proposed paragraph .B2d of AS 1201 is equivalent to the engagement completion document required by existing AS 1215.19a. If the summary review memorandum is, in fact, equivalent to an engagement completion document, proposed paragraph .B2d of AS 2101 is not needed in the final standard.

*Registration status of other auditors*

The Board has enhanced the transparency of other auditor's participation in the audit through its issuance of PCAOB Rule 3211, *Auditor Reporting of Certain Audit Participants*. The adoption of that rule provided a simple and practical determination to evaluate the significance of an other auditor's participation in the audit by recognizing the complexities of global network firms. The focus on Rule 3211 highlighted some of the challenges related to the language in PCAOB Rule 2100, *Registration Requirements for Public Accounting Firms*, and paragraph (p)(ii) in PCAOB Rule 1001, *Definitions of Terms Employed in Rules*, which defines the phrase "play a substantial role in the preparation or furnishing of an audit report."

We believe the Board now has the opportunity to promote greater consistency between Rule 2100 and Rule 1001(p)(ii) and make those measures consistent with those disclosed to investors on Form AP about the importance of other auditor participation in the audit. We encourage the Board to take advantage of this opportunity by conforming the determination of substantial role using the same approach used for disclosures now made to the public. We suggest that the PCAOB make certain modifications to Rule 2100 and Rule 1001(p)(ii) to require that substantial role be defined as any auditor whose participation in the audit, as determined using the requirements in Rule 3211, is 20% or more of total audit hours and challenge whether the other criteria are needed.

*Referred-to-auditors — sufficiency criterion*

The Supplemental Request also proposed adding a sufficiency criterion to be met by the lead auditor in divided responsibility engagements. The Board clarified that the threshold was analogous to the quantitative threshold that appears in the staff guidance in the Financial Reporting Manual (FRM) of the SEC Division of Corporation Finance. While we do not believe this addition is necessary, we suggest that the PCAOB revise the language for the sufficiency criterion in proposed paragraph .B2b of AS 2101 to be similar to that of the Section 4140.1 of the FRM, as follows:

> Generally, the lead auditor is expected to have audited or assumed responsibility for reporting on at least 50% of the assets and revenues of the consolidated entity.

The determination of the lead auditor can be judgmental based on unique facts and circumstances. For these reasons, we do not believe there should be a bright line quantitative requirement.

*Definitions — lead auditor*

In our previous comment letter, our firm requested further clarification of the lead auditor definition. In the Supplemental Request, the Board clarified the lead auditor definition in its commentary, but not in the proposed amendments. We suggest that the PCAOB add a footnote to the lead auditor definition (in proposed paragraph .A4 of AS 2101, proposed paragraph .A4 of AS 1201, and paragraph .A2 of proposed AS 1206) of the final standard to clarify that individuals working under the lead auditor's guidance and control (such as secondees from other accounting firms, employees of shared service centers and other individuals who work in the role of firm employees) should be treated as employees of the lead auditor's firm.

*Definitions — other auditor*

The Proposal would require the lead auditor to determine each other auditor's compliance with SEC independence requirements and PCAOB independence and ethics requirements. In the Supplemental Request, the Board clarified how the proposed other auditor definition might apply to both a firm and individuals from that firm. We suggest that the PCAOB include footnotes to the other auditor definition in the final standard that are consistent with footnote 20 in the commentary on page 12 of the Supplemental Request to clarify in other areas of the Proposal whether the other auditor definition is applied at the firm level or to individuals at that firm.

*Other considerations*

We note that our view on the following topics remain consistent with those we expressed in our July 2016 comment letter on the PCAOB's initial proposal on supervision of other auditors:

- *Engagement quality reviewer* — The Board stated that although determining the sufficiency of a firm's participation might not always be difficult or complicated, the decision that the firm can serve as lead auditor is a significant judgment because it affects whether the firm can issue the auditor's report. We continue to believe the engagement quality reviewer's evaluation of sufficiency of participation would not always be a significant judgment under AS 1220 and therefore should not always be required.

- *Interfirm reporting* — We continue to believe that reporting provided by the other auditor to the lead auditor plays a significant role in communicating responsibilities and further guidance on the format of reports provided by other auditors would promote consistency in practice.

**Effective date**

Because the proposed changes would affect the planning for audits, teams must be prepared to adopt the standard at the beginning of an audit cycle. Given the expected effort required to implement the Proposal, we believe firms would need at least 18 months between SEC approval and the beginning of the fiscal year in which it is effective to implement a sufficient framework to adequately comply with the final standard. As a result, we recommend that the standard be effective for audit periods beginning two years after the SEC approves the final standard, or, if the SEC approval occurs in the third or fourth quarter, for audits of fiscal years beginning three years after the year of SEC approval.

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We want to again thank the Board for its consideration of this letter and the comments we previously submitted on this topic. We would be pleased to discuss our comments with the Board or its staff at your convenience.

Very truly yours,

Ernst + Young LLP

Copy to:

**PCAOB**

James R. Doty, Chairman
Lewis H. Ferguson, Board Member
Jeanette M. Franzel, Board Member
Steven B. Harris, Board Member
Martin F. Baumann, Chief Auditor and Director of Professional Standards

**SEC**

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