



CENTER FOR CAPITAL MARKETS
COMPETITIVENESS

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September 13, 2010

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

Re: *Request for Public Comment on Proposed Auditing Standard Related to Confirmation and Related Amendments to PCAOB Standards (PCAOB Release No. 2010-003, July 13, 2010, Rulemaking Docket Matter No. 028)*

Dear Members and Staff of the Public Company Accounting Oversight Board:

The United States Chamber of Commerce (“Chamber”) is the world’s largest business federation representing more than 3 million businesses and organizations of every size, sector, and region. The Chamber created the Center for Capital Markets Competitiveness (“CCMC”) to promote a modern and effective regulatory structure for capital markets to fully function in a 21st century economy.

The CCMC recognizes the vital role external audits play in capital formation and supports efforts to improve audit effectiveness. We appreciate the opportunity to comment on the Public Company Accounting Oversight Board’s (“PCAOB”) *Proposed Auditing Standard Related to Confirmation and Related Amendments to PCAOB Standards* (“Proposal”). However, the CCMC is very concerned with the expansion of the confirmation process contemplated by the PCAOB, the lack of adequate input by all financial reporting stakeholders in the development of the proposal, as well as the consequences that may spring forth if the proposal is implemented, including increased costs and a degradation of audit quality. Accordingly, the CCMC urges the PCAOB to withdraw the Proposal, convene public roundtables involving representatives of all financial reporting stakeholders and conduct a cost-benefit assessment before determining whether and on what terms to present a revised proposal.

The CCMC's specific concerns are listed below.

I. Process Concerns Regarding the Expansion of Confirmations

The PCAOB appears to have conducted limited outreach activity in the development of this Proposal. This is most apparent from the conclusion that investors view third party confirmations as constituting better audit evidence than that which can be obtained by auditors from internal documentation or alternative audit procedures. Apart from that assertion, the PCAOB has failed to demonstrate if primary reliance should be placed on confirmations in all audits.

It is unclear if the greater use of or reliance on third party confirmations by auditors would generate more reliable financial statements. Perception does not constitute a basis for adopting mandatory audit procedures. As a key assumption underlying the Proposal, the perception requires more extensive examination.

The need for further study is magnified by the longstanding difficulty that auditors face in conducting high quality audits arising from the absence of any obligation for third parties to respond to confirmation requests and the absence of any standards of due diligence or inquiry imposed on responding third parties. Whatever requirements are imposed by the PCAOB on auditors with respect to confirmations, they cannot overcome delay, error, or lack of response by third parties. Equally important, third party confirmations may also produce misleading information in cases of collusive fraud, calling into question the expansion of the confirmation process. It also appears that the PCAOB does not have the authority to compel third parties to comply with confirmation requests. Nor does it appear that the costs and burdens of compliance by third parties have been adequately considered.

As such, the CCMC must question the soundness of attempting to overcome flaws in areas that are outside the PCAOB's scope of authority by imposing mandates on auditors and third parties that may be costly and ineffective. The audit profession has long sought legal and regulatory support to make the confirmation process more effective and reliable. However, in the absence of viable solutions to this difficulty, auditors should be encouraged to use their best efforts to determine when

confirmations are likely to be inferior to alternative audit procedures. Instead, the Proposal overlooks this continuing vulnerability.

Indeed, the CCMC is concerned that the Proposal will cause deterioration in the quality and effectiveness of audits by requiring a cosmetic solution that will address investor perception but reduce the freedom of judgment for auditors to determine, based on the conditions of each audit, when confirmations are unlikely to be as effective as alternative procedures for acquiring audit evidence.

II. Cost Concerns

Adoption of the Proposal will impose significant costs and other burdens on U.S. public companies. First, this Proposal represents a very prescriptive standard, mandating and extending the use of confirmations. The Proposal contains numerous lists of factors that the auditor should consider and things the auditor should do. To illustrate, more than a dozen of the 39 paragraphs in the proposed standard contain such lists, for a total of at least 56 factors for the auditor to consider or things for the auditor to do with respect to the use of confirmations, generally, as well as for each specific application of confirmations on an audit. Thus, not only will this Proposal drive up audit costs, but it will likely promote a “check-the-box” mentality that may contribute to diminishing, rather than enhancing, the efficacy of audits.

Further, the combination of requiring third party confirmations in each audit and requiring broader and more numerous confirmations will significantly increase the number of confirmation requests issued by auditors. One of the matters that appear not to have been studied by the PCAOB is the extent to which this will impose additional compliance costs and resource burdens on U.S. businesses. This impact will not occur in a vacuum. The increased costs caused by the Proposal will combine with the sharply increased compliance costs imposed by the Dodd-Frank Act, compliance compelled by the Patient Protection and Affordable Care Act, as well as the impact of the several accounting convergence projects currently under consideration.

The cumulative effect of these new requirements, as well as those not listed above, will inevitably increase costs and burdens. There does not appear to have been any assessment by the PCAOB of these compliance costs and if they are outweighed

by the benefits of the Proposal. The transitional burdens and multiple new requirements are likely to cause a decline in either the proportion of responses to confirmation requests or the extent of care taken in providing confirmations to auditors. With multiple new responsibilities, it would not be surprising or irresponsible for companies to decrease the attention to a request for which there is no compulsory response.

The CCMC's concerns are not fanciful or artificially inflated. Congress is currently considering repealing a provision of the Patient Protection and Affordable Care Act that would require businesses to file form 1099s for any purchase with any vendor above \$600 per year (see the attached letter on the 1099 mandate from the Coalition for Tax Fairness). Is it incongruous that Congress is considering revocation of a recently adopted mandate because of the costs and burdens involved, while the PCAOB pursues an audit mandate without regard to measuring or avoiding its costs?

III. Need for Additional Input

The CCMC agrees that improvements to audits are beneficial to all stakeholders in financial reporting. However, in order to fully understand the needs of these stakeholders and the potential unintended consequences that may be avoided, the PCAOB should engage in public outreach and discussion to better understand the issues arising from audits and the solutions that should be pursued.

While the PCAOB has engaged in some outreach on the Proposal, the flawed nature of the solution indicates that this outreach was not comprehensive, as discussed above. Accordingly, the CCMC recommends that the Proposal be withdrawn and that the PCAOB hold a series of roundtables to discuss the problems it seeks to address and the range of solutions that may be implemented. The CCMC also believes that pre-implementation field testing should also be used to identify and correct any adverse unintended consequences that may arise.

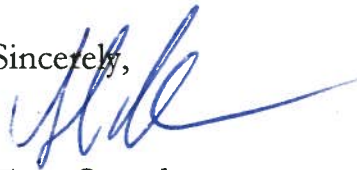
The CCMC supports the implementation of rational improvements to enhance the quality of audits. However well intentioned this Proposal may be, in our opinion, the unintended consequences will lead to the opposite result. Auditors will be forced to make information requests that may not be provided; and if provided, auditors may not be in a position to appropriately evaluate such third party information under the

new requirements being proposed. If such requests are not provided, which could have been anticipated in many cases, auditors will be required to do additional work.

Third parties will be inundated with information requests that they are under no obligation to provide, and in some instances compliance may harm the interests of that party. Failure to comply with confirmation requests will call into question the quality of audits, lessening confidence in financial statements in general and harming investors. Furthermore, costs for all stakeholders will increase at a time when businesses are facing large compliance cost increases with the implementation of potentially hundreds of rule-makings under the Dodd-Frank Act, new health care rules, and the accounting convergence projects.

Simply put, this Proposal will harm investors, increase costs for businesses, and not contribute to improving the quality of financial reporting. Accordingly, the CCMC recommends that the Proposal be withdrawn for more study and input. We stand ready to assist in any such outreach efforts.

Sincerely,



Tom Quaadman

Attachment

THE COALITION FOR FAIRNESS IN TAX COMPLIANCE

September 9, 2010

Dear Senator,

On behalf of the Coalition for Fairness in Tax Compliance (CFTC), we are writing in support of the Johannis Amendment (SA 4596) to the Small Business Jobs and Credit Act of 2010. The Johannis Amendment is the only solution to relieve businesses from the expensive and burdensome new tax paperwork requirement included in Section 9006 of the Patient Protection and Affordable Care Act (PPACA).

As Congress calls on small business to lead the nation out of the recession, now is not the time for government-imposed costs on doing business. The extent of this new paperwork requirement on business owners is astounding, as businesses estimate that they will have to file hundreds and sometimes thousands of new 1099s per year. The IRS National Taxpayer Advocate Nina Olson stated that the administrative costs of small businesses are so high that it “may turn out to be disproportionate as compared with any resulting improvement in tax compliance.” The Johannis Amendment is the only solution that fully protects small business owners from this costly new burden.

The Nelson (FL) Amendment (SA 4595) does not remove the paperwork and administrative burden that is created by this new law. Instead, the Nelson alternative further complicates compliance responsibilities. While the amendment creates exceptions from the “property” information return requirements, those exceptions do not apply to “services” transactions. This lack of clarity will force small business owners to track expenses associated with both “property” and “services,” the amount spent on each, and the method of payment to determine what information must be reported under the new law. Rather than clarify, the Nelson amendment actually creates even greater complexity for those who comply with the law.

The Nelson Amendment gives the IRS the authority to create a list of reportable and non-reportable transactions, but this unleashes a minefield of potential mistakes and unanswered questions. Small businesses lack the book-keeping resources or capabilities to determine whether or not they have to report the transaction – and adding administrative costs takes time and money away from actually running the business. While PPACA created a new and overwhelmingly burdensome paperwork mandate, the Nelson alternative adds an additional layer of confusion to this already complex requirement.

We urge you to pass the Johannis Amendment and oppose the Nelson Amendment. Full repeal of the new 1099 requirement is the only solution that will relieve small businesses of the cost and confusion created by this new burden.

Sincerely,

Air Conditioning Contractors of America
Agricultural Retailers Association
Alabama Nursery & Landscape Association
Alliance for Affordable Services
Alliance of Independent Store Owners and Professionals
AMT- The Association For Manufacturing Technology
American Bakers Association
American Council of Engineering Companies
American Council of Independent Laboratories
American Farm Bureau Federation
American Hotel & Lodging Association
American Institute of Architects
American Nursery & Landscape Association
American Petroleum Institute
American Rental Association
American Road & Transportation Builders Association
American Society of Interior Designers
American Subcontractors Association, Inc.
American Veterinary Distributors Association
American Veterinary Medical Association
Arizona Nursery Association
Associated Builders and Contractors
Association of Free Community Papers
Association of Ship Brokers & Agents
Association of Small Business Development Centers
Automotive Recyclers Association
California Association of Nurseries and Garden Centers
Commercial Photographers International
Community Papers of Florida
Community Papers of Michigan
Community Papers of Ohio and West Virginia
Connecticut Nursery & Landscape Association
Direct Selling Association
Door and Hardware Institute
Electronic Security Association
Free Community Papers of New York
Georgia Green Industry Association
Hearth, Patio & Barbecue Association
Illinois Green Industry Association
Independent Community Bankers of America
Independent Office Products & Furniture Dealers Association
Industry Council for Tangible Assets
International Foodservice Distributors Association
International Franchise Association
International Housewares Association
International Sleep Products Association

Kentucky Nursery and Landscape Association
Maine Landscape and Nursery Association
Manufacturers' Agents Association for the Foodservice Industry
Manufacturers' Agents National Association
Manufacturing Jewelers and Suppliers of America
Massachusetts Nursery & Landscape Association, Inc.
Michigan Nursery and Landscape Association
Mid-Atlantic Community Papers Association
Midwest Free Community Papers
Minnesota Nursery & Landscape Association
National Association for Printing Leadership
National Association of Home Builders
National Association of Manufacturers
National Association of Mutual Insurance Companies
National Association of RV Parks & Campgrounds
National Association of Theatre Owners
National Association for the Self-Employed
National Association of Wholesaler-Distributors
National Christmas Tree Association
National Club Association
National Council of Farmer Cooperatives
National Electrical Manufacturers Representatives Association
National Federation of Independent Business
National Home Furnishings Association
National Lumber and Building Material Dealers Association
National Newspaper Association
National Office Products Alliance
National Restaurant Association
National Roofing Contractors Association
National Small Business Association
National Tooling and Machining Association
Nebraska Nursery and Landscape Association
New Mexico Family Business Alliance
New Mexico Nursery & Landscape Association
New York State Nursery and Landscape Association
Northeastern Retail Lumber Association
NPES The Association for Suppliers of Printing, Publishing and Converting
OFA-An Association of Floriculture Professionals
Office Furniture Dealers Alliance
Oregon Association of Nurseries
Pet Industry Distributors Association
Petroleum Marketers Association of America
Plumbing-Heating-Cooling Contractors Association
Precision Machined Products Association
Precision Metalforming Association
Professional Golfers Association of America

Professional Photographers of America
Promotional Products Association International
S Corp Association
Safety Equipment Distributors Association
Saturation Mailers Coalition
SBE Council
Secondary Materials and Recycled Textiles Association
Service Station Dealers of America and Allied Trades
Small Business Council of America
Small Business Legislative Council
SMC Business Councils
Society of American Florists
Society of Sport & Event Photographers
Southeastern Advertising Publishers Association
Specialty Equipment Market Association
SPI: The Plastics Industry Trade Association
Stock Artists Alliance
TechServe Alliance
Tennessee Nursery & Landscape Association
Texas Community Newspaper Association
Texas Nursery & Landscape Association
Textile Care Allied Trades Association
Textile Rental Services Association of America
The American Council of Engineering Companies
Tire Industry Association
Turfgrass Producers International
U.S. Chamber of Commerce
Utah Nursery & Landscape Association
Virginia Christmas Tree Growers Association
Virginia Green Industry Council
Virginia Nursery & Landscape Association
Washington State Nursery & Landscape Association
Western Growers Association
Wisconsin Community Papers
Window and Door Manufacturers Association
Wood Machinery Manufacturers of America