Florida Institute of Certified Public Accountants

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Office of the Secretary
Public Company Accounting Oversight Board
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Washington, D.C. 20006-2803
comments@pcaobus.org

Re: Proposed Amendments to Public Company Accounting Oversight Board (PCAOB) Rule 3502 Governing Contributory Liability (Docket 053) ("Proposed Amendments")

Dear Office of the Secretary:

The Accounting Principles and Auditing Standards Committee (the Committee) of the Florida Institute of Certified Public Accountants (FICPA) respectfully submits its comments on specific portions of the referenced Proposed Amendments. The Committee is a technical committee of the FICPA and has reviewed and discussed the referenced Proposed Amendments. The FICPA has more than 18,500 members, with its membership comprised primarily of CPAs in public practice and industry. The Committee is comprised of twenty-two members from local or regional firms, large multi-office firms, sole practitioners, international firms, academia, and industry. The response below reflects only the views of the Committee. The Committee has the following comments related to the responses below.

We support the PCAOB's mission to protect investors and further the public interest in the preparation of informative, accurate and independent audit reports. As part of these efforts, we applaud the PCAOB's initiative to review and modernize auditing standards and in this instance, we support the intent to establish consistency in applying a standard of conduct for individuals and public accounting firms and that generally seems reasonable. However, we have two primary areas of concern with the Proposed Amendments and how they will be implemented.

First, the Board is proposing to "….amend the rule to provide that an individual contributing to a registered firm's primary violation need not be an associated person of the firm that commits the violation so long as the individual is an associated person of some registered firm." Our concern is that this may result in individuals that are marginally involved in an audit being exposed to undue liability risk. Our suggestion would be to limit the statutory circle of liability to only owners or principals of the audit firm formally engaged in the financial statement audit (i.e., signors of the respective audit opinions).

Second, since auditing does require individual judgments, lowering the contributory bar to negligence from recklessness raises concerns about whether individuals acting in good faith could be penalized especially regarding complex and highly judgmental audit areas given the relative ambiguity of both terms. This could result from unfair retrospective criticism and excessive scrutiny of highly technical judgements. Another potential consequence could be the continued dilution of auditing talent, which should be a concern for regulators as a result of the decreasing enrollment trend of students selecting accounting as a major at accredited universities.

We appreciate the opportunity to share our views. Members of the Committee are available to discuss any questions you may have regarding the responses in this letter.

Respectfully Submitted,

FICPA Accounting Principles and Auditing Standards Committee

Genevieve Hancock, CPA, Chair
Larry Burke, CPA
Michael Jerman, CPA