July 24, 2006

VIA ELECTRONIC MAIL

Public Company Accounting Oversight Board
Office of the Secretary
1666 K Street, NW
Washington, D.C. 20006

PCAOB Rulemaking Docket Matter No. 019 (Proposed Rules on Periodic Reporting By Registered Public Accounting Firms)

Dear Sirs:

Grant Thornton LLP appreciates the opportunity to comment on the Public Company Accounting Oversight Board's (PCAOB or Board) proposed rules, *Periodic Reporting by Registered Public Accounting Firms* as presented in PCAOB Release No. 2006-004.

We support the Board's efforts in proposing periodic reporting rules for all registered public accounting firms (RPAFs or firms). We agree that requiring RPAFs to report material, relevant information on a periodic basis will provide valuable information to the PCAOB and to the public. However, we believe that the periodic reporting requirements adopted by the PCAOB should be consistent with Section 102(d) of the Sarbanes-Oxley Act (Act). While the PCAOB is authorized to prescribe annual and special reporting requirements, Section 102(d) of the Act implies that such reporting should be linked to the information required in the initial Form 1 registration. We believe that incorporating certain clarifications and revisions to the proposed rules would allow registered public accounting firms to report material, relevant information and thus meet the fundamental purposes of the reporting framework as proposed in the rules, and as required by the Act, and help ensure consistent reporting among all RPAFs.

We respectfully request the Board to consider the following suggestions before finalizing the periodic reporting rules.

Rule 2200 Annual Report – Form 2

Item 3.2 – The Firm's Revenues:
Since the time of our initial registration with the PCAOB, we have implemented an electronic database system to track fees billed to issuers in the four required categories, based on the issuer's fiscal year for which the audit report was issued. Reporting fees in this manner is consistent with the issuer's proxy disclosure requirements and was the method specified in Item 2 of the initial Form 1 registration statement. Grant Thornton LLP has also provided a listing of issuer clients and audit fees based on the issuer's fiscal year for which the audit report was issued, to the PCAOB as part of our annual inspection process for each of the last three years.

The proposed rules require firms to report the total fees billed to all clients for services rendered in the reporting period (April 1 – March 31). We believe that this timing would cause cutoff issues and incomplete data, as reporting is based on billings rendered in this period, and could include fees for audit services related to more than one fiscal year and may not include all fees related to the audit of the most recent fiscal year end. Fees accumulated based strictly on a twelve month reporting period would not agree to the issuer's required proxy disclosures. Reconciliation of fees billed to the issuer's proxy statement disclosures has been a requested item in our prior PCAOB inspections and we expect that the PCAOB inspection team would continue to want to see these reconciliations. Grant Thornton LLP has spent a significant amount of dollars building this electronic database system designed to report audit fees in the manner prescribed in Form 1 and to respond to the requests of our annual inspections performed to date. If required, we will incur the additional costs to re-design the functionality and reporting capabilities to conform with the final PCAOB reporting rules; however, it seems unnecessary and redundant to require the disclosure of percentages of fees based on a April 1 through March 31 period, when the existing reporting requirements of Form 1 and the fee information requested as part of the inspections conducted to date are consistent with current SEC issuer proxy disclosure requirements.

Further, the terms "audit services," "other accounting services," "tax services" and "non-audit services" are consistent with the terms used on Form 1; however, these terms are inconsistent with the terms used in the Securities and Exchange Commission's (SEC) proxy rules on Schedule 14A. Although the PCAOB has responded in the past that their terms are intended to conform to the category of fees under the SEC's auditor independence rules and proxy disclosure rules, the terms continue to differ and therefore may cause confusion. We recommend that the Board take this opportunity to adopt the current SEC fee categories for simplicity and consistency.

Part VII – Certain Relationships

Item 7.1 and 7.2 – Certain Sanctioned Individuals and Individuals Connected with Certain Sanctioned Firms

The initial registration requirement requested information on certain proceedings in Item 5 of Form 1 for associated persons in connection with their participation in an audit report as defined in Form 1, or a comparable report prepared for a client that is not an issuer. The disclosure requirements under Item 7 appear to be much broader, requiring information regarding any employee, partner or principal, regardless of service line. We would prefer that the disclosure requirements of Items 7.1 and 7.2 relate only to those individuals performing audit services as defined in the PCAOB rules; however, we understand the potential concern by the PCAOB that these individuals may not currently be participating in the audits of issuers, but may participate in such audits in the future. Given this possible change in an individual's status, we suggest that it may be more practical for the disclosure requirements of Items 7.1 and 7.2 to apply to those described individuals participating in audits of issuers or non-issuers.

Item 7.4, Certain Arrangements to Receive Consulting or Other Professional Services
This disclosure item should be limited to those arrangements involving consulting services for issuers. We believe that there is an important distinction between the employee or partner relationship described in Items 7.1 and 7.2, and a consulting arrangement as described in Item 7.4. The employee/partner arrangement is much different for many reasons and as noted above, we agree for practical purposes that the disclosure requirements in Items 7.1 and 7.2 should include only those individuals that participate in the audits of issuers or non-issuers. At the time of our initial registration in 2003, Grant Thornton LLP obtained signed survey questionnaires covering the disclosure requirements of Part V in the Form 1. We also performed due diligence procedures on those representations, which included the performance of background searches on all existing partners as of the cut-off date of the Form 1 information in 2003. We have continued to perform these background searches on newly admitted partners and new managers, as part of our hiring and admission process. We believe that performing background searches is an important risk management procedure; however, it should be noted that there is a substantial cost to these procedures.

If Item 7.4 were to require disclosures about any consulting arrangement meeting the criteria in Items 7.1a, 7.2a, or 7.3a, registered public accounting firms would need to survey all consultants providing services to the firm as to whether the consultant has any type of relationship that would give rise to a disclosure requirement under Item 7.4. Based on the wording of the proposed rules, this survey would be required regardless of the level of materiality of the service or the type of services being rendered. In essence, the PCAOB would be imposing new contracting requirements on all registered public accounting firms. In order to be comfortable accepting the representations made on these surveys, RPAFs would need to perform some level of due diligence procedures, which may include background searches, to ensure that the consultants have properly reported any required disclosure items. These procedures could have a significant impact on all firms in terms of time and cost. Grant Thornton LLP enters into hundreds of consulting arrangement each year, most of which have nothing to do with the performance of any kind of assurance service. We strongly believe that we should not have to incur the additional time and cost to perform these surveys and due diligence procedures when entering into a marketing or human resource consulting arrangement with individuals or entities that have nothing to do with the audit of an issuer. We strongly suggest that Item 7.4 be limited to those arrangements in excess of a reasonable dollar threshold involving consulting services on issuers.

Additionally, requiring a catch-up provision for all of the Item 7 disclosure requirements will be costly and burdensome for all registered public accounting firms, but particularly for the larger firms. Tracking employees, partners and others as described in Items 7.1 and 7.2 may prove to be difficult given the significant time period between 2003 and when these rules are formally adopted. Many employees and partners have left the Firm since 2003 and some may have been hired within this period and are no longer with the Firm. It will be extremely difficult to obtain information from former employees and partners in the format required by Form 2. Firms could perform background searches to verify the Item 7 information, but this may require consents from these former employees and partners, which will also be extremely difficult to obtain.

The catch-up provision with respect to Item 7.4 will be even more difficult to comply with and may in fact, be impossible. Grant Thornton LLP does not have an efficient system to go back three years and identify every consulting arrangement that may have existed for IT services, marketing, etc. We believe that we are not unique in our capabilities to capture this old information. Under the proposed Item 7.4, a RPAF would need to survey every individual consultant or entity engaged since 2003 to determine whether any individual or entity met the disclosure requirements. Identifying the total consultant population will be burdensome and getting these individuals to respond to survey requests will be extremely difficult, if not impossible. Performing background searches on these individuals and entities will be extremely time consuming and costly. Again, we strongly suggest that the catch-up reporting requirements of Item 7 be eliminated.

We believe that additional clarification should be added to show the relationship and differences between Item 7.1 (Certain Sanctioned Individuals), 7.3 (Certain Sanctioned Entities), and 7.4 (Certain Agreements to Receive Consulting or Other Professional Services) versus Form 3 – Item 6.1 (New Relationship with Person Subject to Bar or Suspension), 6.2 (New Ownership Interest by Sanctioned Firm) and 6.3 (Certain Arrangements to Receive Consulting or Other Professional Services). As currently proposed, these terms are similar, but it is not clear if they are intended to be the same. If they are intended to be the same, they appear to be redundant.

Item 8.1 – Acquisition of Another Accounting Firm or Substantial Portion of Another Accounting Firm's Personnel

We suggest that the requirement to report whether the Firm took on 75% or more of the persons who were the partners, shareholders, principals, members, or owners of another accounting firm be revisited to focus on the materiality of the transaction to the RPAF. Basing the reporting requirement on the percent of partners may not provide meaningful information for a firm like Grant Thornton LLP, who has hundreds of partners and thousands of employees. We believe it would provide more meaningful information and would be less burdensome for all firms, if disclosures were limited to those situations in which the partners and employees hired from another firm significantly added to the registered accounting firm's total personnel.

We also suggest that the Item 8 catch-up provision be eliminated. It will be very difficult for many firms to collect this information for the period since 2003, and since the disclosure requirements of Item 7.1 will be provided for all current partners and employees, the PCAOB will possess the critical information for the past five years related to sanctioned individuals, firms and entities.

Item 9.1 – Affirmation of Understanding of, and Compliance with, Consent Requirements

Note 1 to Item 8.1 of Form 1 clearly states that obtaining such consents is a continuing responsibility of a registered public accounting firm. As such, this proposed requirement appears to be unnecessary and redundant. However, if the PCAOB chooses to retain this requirement in the final rules release, clarification should be added in this section to indicate that this requirement is only an update of Form 1 – Part VIII, Consents of Applicant, and therefore is only required for new employees since initial registration, and for continuing employees whose information provided in a prior consent has changed.

Rule 2203 Special Reports – Form 3

Overall timing of filing the form
We believe that the fourteen day reporting period is an unrealistic time period and should be expanded to 30 days to be consistent with many state board self-reporting time frames.

Catch-up provision
Further, paragraph 2203(a)(3) of the proposed rule requires catch-up of reporting of any specified event on Form 3 that occurred after the date of initial filing of Form 1 with the PCAOB. For Grant Thornton LLP and many other RPAFs, this would require accumulation and reporting of events from at least June 2003 forward to the effective date of this rule. We believe it would be a significant undertaking for us and for all firms. Additionally, it is not clear to us as to the purpose of such an exercise and how reporting on past events that may have occurred three years ago, serves the public interest. Many of these events, if they were material to the RPAF or to an issuer, are available to the public through the SEC's website or other public databases.

Requested Clarification
Items 2.4, 2.5, 2.6, 2.7, 2.8, 2.9, 2.10, 2.14 and 4.1 each contain the language "The Firm has become aware." We believe this wording is unclear and could be misinterpreted to include a situation where a low-level staff becomes aware of something, but simply through inexperience, did not recognize the relevance and communicate that information upward. We suggest that the PCAOB change the wording to "Senior Management of the Firm become aware".

Item 2.1 Withdrawn audit reports
We recognize the importance of issuers making the appropriate Form 8-K disclosures on a timely basis and we always encourage issuers to fully comply with the Form 8-K requirements. However, when an issuer does not fully comply with the requirements, we do not believe that imposing a reporting obligation on the registered public accounting firm is an appropriate response to the situation. We believe that the auditors' reporting obligation with respect to issuers and their compliance with the federal securities laws is already covered by Section 10A and that any additional PCAOB reporting obligations would be redundant and unnecessary. Also, Item 1.1 seems inconsistent with the PCAOB's own words on page 2 of the release which states in part:

"The Board's proposal seeks to accomplish those purposes without imposing any unnecessary burdens. For example, the proposal generally does not require firms to report information that is reasonably available to the Board and to the public in other ways, such as through reports that a firm's audit client is required to make to the Commission."

Item 2.4 – Unauthorized use of Firm's name
As noted under Item 2.1, we believe that this situation would be covered by the auditor's responsibilities under Section 10A and that any PCAOB reporting obligation would be redundant and unnecessary. If the PCAOB decides to go forward with the reporting requirement, we suggest that the disclosure be limited to those unauthorized uses of consents or reports on financial statements without the Firm's consent.

Item 2.6 – Certain Legal Proceedings
The term "manager" should be defined in terms of experience and seniority as it is unclear whether it is meant to refer to an equivalent of a partner or shareholder, or if it is meant to cover lesser experienced individuals such as assurance managers with 5-7 years of experience.

The use of the word "dishonesty" in Item 2.6 to describe alleged conduct should be eliminated as it raises concern regarding the intended and perceived meaning of the word. Further, it would be helpful for the Board to provide further guidance regarding how RPAFs should evaluate whether a crime, if proven, would "bear materially on the individual's fitness to provide audit services to issuers."

Items 2.7 and 2.8 – Certain Legal Proceedings
We believe the reporting requirements of Items 2.7 and 2.8 should be limited to those situations arising in connection with an audit report, or a comparable report prepared for a client that is not an issuer. Disclosure of proceedings unrelated to these services would not seem to be meaningful to the PCAOB's responsibilities with respect to issuers. Further, this limitation would be consistent with the requirements of Item 5 of Form 1.

Items 2.11 and 2.12 – Certain Relationships
Consistent with our comments made under Item 7 of Form 2, we believe that these requirements should be limited to those individuals participating in the audits of issuers and non-issuers.

Item 2.13 – Certain Relationships
Consistent with our comments made under Item 7.4 of Form 2, we believe that these requirements should be limited to those arrangements involving consulting services to issuers.

We thank you for the opportunity to comment on these proposed rules and would be pleased to discuss any of our comments with the Board's staff. Please direct your questions to Karin French, Partner in Charge of SEC and Regulatory Matters, at (703) 847-7533.

Very truly yours,

/s/Grant Thornton LLP