

---

**From:** Todd Glassey [mailto:tglassey@certichron.com]  
**Sent:** Thursday, October 06, 2011 5:05 PM  
**To:** Comments  
**Subject:** Commentary on additional transparency in PCAOB and other related filings: GOOD IDEA

# Comments on Transparency and Ethical Disclosure in all Reporting Models before PCAOB

## 1. Summary

PCAOB is proposing an amendment to the Audit Practice standards which will mandate and allow for the following

&#61623 **Disclosure of signing partner within the firm.** We would propose extending that to include a disclosure as to all key personnel in the Audit Team in the Audit by role and responsibility

&#61623 **Functional Statement of Responsibility** at the Managing or Audit Partner Level – a specific affidavit not from the Audit Firm itself, but its Audit Partner signing for that Audit would also be in order.

Why this is becoming necessary is in instances where an Audit Company refuses to produce documents or disclose who its personnel were in any specific audit, their roles, or in obtaining untainted copies of the work product produced. To date SEC and FINRA rely on the retention requirements in professional services issued through industry certifications including but not limited to CPE, CFE, CISM, CISA, CISSP, CIFI, as well as a myriad of others.

### ***1.1. Firm-level refusal to provide FINRA or SEC documents makes it necessary to identify the parties involved with the Audit***

That means when they (FINRA and through them the US Courts) cannot identify the specific auditors and responsible parties for attestations their only targets are the corporate shields of the Audit Companies themselves and as the D&T matter in China has proven PCAOB needs to be able to fully control all aspects of all regulated practices it is the regulating authority for, or it simply cannot fulfill its charter therein.

## **2. Our finding**

As a credentialed trust expert I find these are key disclosure points for any and all filings. That in all matters before FINRA, all parties involved must be identified fully. Their roles documented and their access to key client data also managed to prevent 'leakage'. We believe that the changes are necessary and will provide the public and investors with more transparency. We believe that they could also be extended to include more access to Audit Practice materials and Work Product.

The same should expand past FINRA controlled matters to that of all SEC controlled entities and the reason is for creating a complete evidence record of the Audit Practice, its Architects, and their Work-Papers and Design Notes on that Audit and Policy Compliance Model.

As to why these are necessary the next section will talk to the issues of trust in a mechanical sense but it all boils down to economics and properly empowering the Investor's to make educated decisions. For instance there are top-tier audit companies which provide a superior grade of information practice and governance for their clients. This is an important asset and value-add for that investor, but it also is an important aspect of the larger/longer term investments and especially those of Institutional Investors who are 'in for the long haul' as it were.

These entities need to know who the people underwriting the mechanical credibility of the operating entity are and why they should believe what the entity's officers are saying to them in the investment prospectus.

Since these aspects of investment were previously all done by mouth and among the wall-street insiders it is now appropriate that all filing disclosures including where appropriate all FINRA mandated (or other EDGAR) Filings pursuant to any regulatory practice should include a registration statement as to who is attesting to the statement.

## **3. AS-15 brings new requirements into this as well**

It is in closing this commentary that AS-15 requires evidence control of all aspects of the Audit and that would include this new level of disclosure one would think for the following reasons:

1. Auditing is the Trust-Anchor for the Work Processes it certifies

The practice of external review is key to providing integrity in all operating practices. It is a new level of commodity which Investors have come to rely on and now want more resolution into the Audit Practice and what is being done internally to protect and streamline internal practices. These become not only statements of integrity in operations but also statements in how the larger transparency practice is enforced. AS-15 means that the Trust Factors of the Audit, its content and its implementation staff must be fully disclosed as part of the Evidence Statement for any Audit Practice under that framework.

## 2. Auditors and their Certifications form a formal contract with the Audit Clients for Attestations of Fact from the Auditor

Most all credentialed auditors hold a contract with their certification provider, generally a fraternal or industry oversight association like the AICPA. Likewise other professional organizations like ISA, ISACA, and ISC2 as well as others in the Fraud Management and Detection Areas all provide key credentialed professionals for specific roles within the Governance and Regulatory Reporting Reviews required for PCAOB impacted entities.

These contracts include NDA's which allow the certified professional access to the client's data properly protected as well as an oath to uphold the standards and ethical mandates the credentials award requires. Because of the exposure to this data it is reasonable that to PCAOB all team members be disclosed in an internal filing. It is important for PCAOB to understand where the customers data is and who has had access to it as part of the Audit. This information is already readily available on the 'underground' as it were so that is not a reasonable excuse for not providing it to the people who would need to rely on that auditors credential or trust assertion.

Possibly for security reasons it may make sense to not disclose that individual-participation data except to PCAOB known entities, like Industry Analysts but that is a decision for another round of reviews and not this matter.

Many of these credentials are based on experience and education as well to include accounting, forensic analysis, law enforcement and other backgrounds as a point of diversity in the audit practice as well, so for these reasons herein, it is a key important value-add to disclose all aspects of the Audits being performed and their staff members.

## 3. What and How "Fact" is disclosed is a key issue in building audit pro formas'

Today the scope of the Audit and what was actually brought into the Audit as well as what is planned for remediation or policy changes is important in judging the stability and integrity of an investment target. We need to provide mechanical assurance to investors that their review was properly done and that internal diligence is proven out by the reports issued. Who attests to this is key and while many firms have stood behind the idea that their name and license is what is on-line it is at the individual level as well as the firm level that FINRA discipline is issued and as such disclosure of that same level of granularity is key in the Audit Filing itself.

## 4. Complete Internal Disclosure

As a supporting concept, Internal Disclosure is a new part of Transparency in the Financial Context. That's a lot of capped words and what it means is that through technology and practice, where and how information gets to us is important. We need to understand things as a black box when we want that level of information and with full transparency in all other instances. It is through a transparency process policy such as the one proposed that this will be put into place.

5. Conceptually Audit Project Managers are equivalent to Fund Managers in the realm of Fund operations.

The Audit Practice itself adds value to the entities they audit. We have discussed this previously but its an important concept since it also pertains then to the idea that the Auditor brings value – almost a celebrity to the process and while that is not the exact term we would settle on, the idea is that some Auditors are better than others and that the Auditor themselves has an impact on the entity.

## **4. Finally in closing this letter**

Audit and what it provides is a key part of transparent business. Auditors provide key mid-course corrections to certain business practices and so which corrector is applying business-twist to the CFO's or COO's operating practices is important as well. The same will be true for instances where one Auditor has been found to be deficient or guilty of some fraud in the audit or practice therein. The ability to tie that party to other audits is of key importance to investors and is a part of the transparency they deserve.

Todd Glassey CISM CIFI

--

Todd S. Glassey - CISM CIFI  
CTO Certichron Inc

This message contains information which may be confidential and/or privileged. Unless you are the intended recipient (or authorized to receive for the intended recipient), you may not read, use, copy or disclose to anyone the message or any information contained in the message. If you have received the message in error, please advise the sender by reply e-mail and delete the message and any attachment(s) thereto without retaining any copies.

Further we have a formal OPT OUT Policy posted on our website pertaining to the use of any Email Addresses gleaned or taken from any source, web, mailing lists, previous customer lists etc. In all instances we choose to formally OPT OUT and this notice constitutes formal disclosure that you may not collect, buy or sell or provide access to this email address or any pertaining to our DNS MX Record Publication License posted on the web at [http://www-wp.certichron.com/?page\\_id=3947](http://www-wp.certichron.com/?page_id=3947).