CHERRY BEKAERT& HOLLAND
CERTIFIED PUBLIC ACCOUNTANTS & CONSULTANTS

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September 11, 2009

Office of the Secretary
Public Company Accounting Oversight Board
1666 K Street N.W.
Washington, D.C. 20006-2803

Re: PCAOB Rulemaking Docket Matter No. 29
Concept Release on Requiring the Engagement Partner to Sign the Audit Report
July 28, 2009

Dear Board Members,

We would like to begin by expressing our appreciation and thanks to the Board members for their commitment to enhance audit quality and improve the public's confidence in our financial markets. Cherry, Bekaert & Holland, L.L.P., like the vast majority of the profession, academia and regulators, is equally committed to continuous improvement in the quality of financial reporting and the resulting economic benefit to the financial marketplace and society as a whole. However, we believe the Board members should ensure that their efforts to improve the public's confidence in the marketplace are based on changes that enhance all aspects of the financial reporting process and, when considering the associated costs of such changes, not implement changes that provide marginal benefits, or which have the potential to provide a false sense of security to the investing public.

Prior to responding to the specific questions contained in the concept release, we would like to make some general comments on the proposal.

We recognize the benefits of transparency in financial reporting and understand the perceived benefits of requiring the engagement partner to individually sign the audit report. However, we believe there will be many unintended consequences of imposing this requirement. First and foremost is the potential for increased individual liability to the partners. The United States is the most litigious country in the world; and to date, lawmakers have not addressed the issue of tort reform. Therefore, we are concerned that future safe harbor provisions designed to ensure that the engagement partner signing a report individually not impose any duties, obligations or liability that are greater than those currently imposed. As a result, we anticipate that the number of partners willing to sign public company audit reports, and indeed, the number of firms willing to undertake this type of work, will be negatively impacted.

We believe there will be unintended consequences beyond the confines of the courtroom. Although the investing public is well aware of the debacles of Enron and WorldCom, there are countless other well conceived and properly executed audits performed on entities that ultimately fail. Companies most often fail because of poor management, bad decisions or the inability to rapidly change in reaction to changes in market conditions. Partners and their families may be unnecessarily exposed to the public scrutiny, harassment, and in extreme cases, threats or bodily harm without the benefit of due process. Due to the professional confidentiality requirements and other laws and regulations, like Reg. FD, partners will be unable to defend themselves in the public forum while they clearly will be targeted in that same public forum. We believe there are many high quality audit firms that provide audit services to a small number of registrants that will determine that they do not have the desire or the resources to battle this scrutiny and will cease to provide audit services to public companies, thereby further consolidating the profession and driving up audit costs.

Next, we believe another unintended consequence of requiring the partner to sign the report is to create the impression that he or she individually has the ultimate responsibility and authority to sign the report. Having one partner's signature may mislead users as to the degree of responsibility taken by the individual. Our professional standard setters, recognizing the highly complex environment in which we all operate, have wisely mandated that all public company audits require a quality reviewer and that firms' establish consultation processes for dealing with new and/or complicated accounting and audit issues. This clearly shows that our standard setters recognize the importance of establishing a working environment that fosters collaboration and requires the approval of more than one partner to ensure quality.

Further, the comment that requiring a partner to sign individually will somehow enhance audit quality appears to us to be misguided. As discussed in the transcripts of the Standing Advisory Group posted on the PCAOB website, there appears to be no empirical evidence from countries that employ this requirement that supports the assertion that audit quality improved. The truth is that substantially all CPAs take this responsibility seriously and the very few that do not will not be affected in any way by this new requirement. If a CPA performs substandard work, then that CPA currently is at risk of losing his or her privilege to practice and indeed this would impact their livelihood. To think that adding a requirement to individually sign a report would be more sobering to anyone signing a report than knowing that every report they sign exposes their future career and livelihood is simply not a rational consideration and to expect it in any way to impact the quality of work is likewise not a rational conclusion. If someone is willing to expose their ability to practice in their chosen profession by signing a report when the work is substandard, they would likely not alter their behavior if they were required to individually sign the report.

Finally, we should consider the beneficial impact of the programs already in place. Professional standards in the United States already require that (1) firms implement quality control standards that include internal monitoring to ensure quality, (2) partners' compensation system must factor in quality performance, (3) firms must participate in peer review and, (4) are subject to review by regulators in regulated industries, state boards of accountancy, the SEC and PCAOB. These are the monitoring and review systems that truly ensure the quality and integrity of financial reporting; we must continue to reevaluate their efficacy and look for opportunities for improvement while not overburdening the financial markets with unnecessary and ineffective regulations.

Following, please find our responses to the specific questions posed in the Concept Release:

1. **Would requiring the engagement partner to sign the audit report enhance audit quality and investor protection?** No as described in our general comments, we do not believe that such a requirement will impact audit quality, nor will it enhance investor protection. In fact, such a requirement may have the opposite effect on investor protection by providing a false sense of security to investors which may result in a reduced level of due diligence and consideration on their part when evaluating any specific investment alternative.
2. **Would such a requirement improve the engagement partner's focus on his or her existing responsibilities?** While we do not have any empirical evidence to support our belief in this area, we do not believe that such an effect will be evidenced. Further, if this "improved focus" is the primary benefit to be gained by this proposal, we would suggest that as an alternative, the audit firm be required to file with the SEC, on a confidential basis, a report signed by the engagement partner individually on behalf of the firm. This would serve to improve the focus of the engagement partner without having many of the unintended consequences that the current proposal contains.
3. **Would disclosure of the engagement partner's name in the report serve the same purpose as a signature requirement, or is the act of signing itself important to promote accountability?** While we do not support the conclusions in this concept release or the disclosure of the partners' name, we believe that disclosure would have the same impact as a signature.
4. **Would increased transparency about the identity of the engagement partner be useful to investors, audit committees, and others?** We believe that this information would actually impose a significant risk to investors and others in that they might draw inappropriate conclusions based on this information regarding a partner's skills and experiences. For example, if a partner and a firm only signed one public company report in a particular industry, but focused the majority of their audit practice serving non-public clients in that particular industry would they be perceived as having less expertise and experience than a partner signing two public company reports in that industry but those were the only two clients in that industry served by the partner and their firm? We believe that there is a very real risk that outside parties might well reach a conclusion that the signer of the two reports was more experienced and qualified than the individual signing one report; however, such conclusion would be unwarranted and potentially inappropriate.
5. **Would such information allow users of audit reports to better evaluate or predict the quality of a particular audit? Could increased transparency lead to inaccurate conclusions about audit quality under some circumstances?** We believe that the answer to part one is no and to part two is yes based on the belief by a number of underwriters that a national firm signature on a report somehow makes an underwriting more likely to succeed. We believe that this is an indication that there is some implied quality difference based on a national firm signature when compared to a regional or local firm signature. When reviewing the various inspection

reports made public by the PCAOB, this does not appear to be warranted. There are a number of very good regional and local firms that have similar or in some instances better results than those national firms and yet the perception by the underwriters about relative quality still remains. We believe that an individual signature will bear a similar risk, that is, a reader may make the automatic conclusion that because a partner signs five or six reports they must perform a higher quality audit than a partner only signing one or two reports-this simply is not the case.

6. **Are there potential unintended consequences of requiring the engagement partner to sign the report that the Board should be aware of?** We believe that there are indeed unintended consequences that the Board should consider in making its decision in this matter. Among these is a reduction in the number of firms that are willing to sign public reports and even within those firms, the number of people who are willing to serve public companies will decline. Within our firm, there have already been a number of questions expressed by the partners currently serving public companies as well as expressed concerns about the desirability of continuing to serve in that capacity should this proposal be approved. We believe that on significant multi-location engagements where there are a number of partners involved, the decision about who the engagement partner is may not adequately address the desired transparency and may be highly misleading. As a direct result of the reduced competition, fewer firms and partners willing to work on these engagements, audit fees will be driven up, and a number of public companies may go unserved. The proposal if enacted will expose individuals to unwarranted publicity and in fact may expose them to physical danger. It is a fact of our society that when bad things happen, there is a tendency to immediately seek to establish blame. What an easy target we are making of the signing engagement partner when we provide a name and an office location for that individual.
7. **The EU's Eighth Directive requires a natural person to sign the audit report, but provides that "in exceptional circumstances, Member States may provide that this signature does not need to be disclosed to the public if such disclosure could lead to an imminent, significant threat to the personal security of any person" if the Board adopts an engagement partner signature requirement, is a similar exception necessary? If so, under what circumstances should it be available?** While in concept this is a good thought, the reality is that the circumstances that would dictate such a need will typically arise after such signature has already been published. We would again request consideration of making the individual partner signature a requirement in a supplemental confidential filing to the SEC rather than placing it in the public domain.
8. **What effect, if any, would a signature requirement have on an engagement partner's potential liability in private litigation? Would it lead to an unwarranted increase in private liability?** Would it affect an engagement partner's potential liability under provisions of the federal securities laws other than Section 10(b) of the Securities Exchange Act, such as Section 11 of the Securities Act of 1933? Would it affect an engagement partner's potential liability under state law? We believe that much of this question is a matter of law and decline to comment on matters of law. However, we believe that by publishing the engagement partner's name there will definitively be an increase in private litigation against individual partners.

9. **Are there steps the Board could or should take to mitigate the likelihood of increasing an engagement partner's potential liability in private litigation?** We believe that the Board should reconsider its position that this information be made public. Should the Board desire an individual partners signature on a report, we would recommend that such signature be produced on a separate opinion and afforded confidential treatment by the SEC.
10. **Some commenters on the ACAP Report who expressed concern about liability suggested that a safe harbor provision accompany any signature requirement. While the Board has no authority to create a safe harbor from private liability, it could, for example, undertake to define the engagement partner's responsibilities more clearly in PCAOB standards. Would such a standard-setting project be appropriate?** We believe that such a project would contribute more to enhancing audit quality than the requirement of affixing an individual signature to an audit report. It would ensure that any partner signing a report had performed at least the minimum level of work required by the standards. Additionally, it would allow the PCAOB the ability to critique an individual partner's performance when they performed their reviews rather than simply focusing on the quality of issued engagements and a firms system of quality control. We believe this would also serve to enhance partner accountability as a partner signing a public company report would know that they would be subject to the PCAOB inspection of their performance as well as the engagement results.

The Partners of Cherry Bekaert & Holland, L.L.P. are proud of our chosen profession, honored to be associated with the other professional CPA firms in our industry who are equally committed to provide the highest level of quality service to all of our clients and the investing public.

Thank you for the opportunity to express our views on this important matter.

Sincerely,

Cherry, Bekaert & Holland, L.L.P.

Cherry, Bekaert & Holland, L.L.P.

By: Raymond R Quintin, Director of Accounting and Auditing