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January 22, 2014

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

RE: Rulemaking Docket Matter No. 29
Proposed Auditing Standards – Improving the Transparency of Audits: Proposed Amendments to PCAOB Auditing Standards to Provide Disclosure in the Auditor's Report of Certain Participants in the Audit

Members of the Board,

I appreciate the opportunity to submit my comments to the Board with respect to the *Proposed Auditing Standards – Improving the Transparency of Audits: Proposed Amendments to PCAOB Auditing Standards to Provide Disclosure in the Auditor's Report of Certain Participants in the Audit*. I retired from public accounting in 2007 after 27 years at Deloitte & Touche LLP and am currently a full-time faculty member at the University of Notre Dame teaching undergraduate and graduate courses in accounting and auditing.

After thinking about how I wanted to introduce my comments on the proposed standards I have come to the conclusion that I cannot improve on the introduction I included in my letter of December 13, 2011, on this docket matter and accordingly repeat it now:

> The Proposed Amendments appear to reflect the notion that the investment community should grade the audit in the same way rating agencies grade securities. The Board should not expect individual investors to grade auditors. We already have a process in place to evaluate auditors and audit firms and that process falls directly under the responsibility of the registrant's audit committee. That committee is directly charged under the Sarbanes-Oxley Act with responsibility for "the appointment, compensation and oversight of the work of any registered public accounting firm employed by that issuer…".[1] Audit committees are charged with evaluating and selecting auditors. The Proposed Amendments would undermine that process.

1 Public Law 107-204, 107th Congress, July 30, 2002, "Sarbanes-Oxley Act of 2002", Sec. 301 (2) Responsibilities Relating to Public Accounting Firms

The Proposed Amendments place too much emphasis on the role of one individual. Audits are conducted by teams of individuals; the largest audits have numerous partners, managers and staff comprising the audit team. While the signing partner has overall responsibility and signs the opinion on behalf of the firm, it's not an individual project with technical support. In many cases that lead partner is not the only key player in the conduct of the audit. For example, a partner supervising the audit of a major corporation with highly material exposure for asbestos related claims or supervising the audit of an insurance company would rely extensively on the work of the actuarial specialists who are part of those audit teams. The lead partner on the audit of a financial institution engaged in loan originations and securitizations would depend on the work of financial instrument specialists in the valuation of individual deals. Lead partners must rely on specialists in many areas including business valuation, international taxation, management information systems, government contracting, medical claims evaluation, appraisal of real estate, translation from other languages into English, computer system security, engineering and a host of others. Many engagements use multiple specialists and no one on the Board would expect the lead partner to be a specialist in all areas. Evaluation of the quality of the firm's performance as the auditor includes evaluation of its capabilities in all of the many areas of specialization that pertain to the registrant's business. That evaluation is not captured in the disclosure of a single name or in the disclosure of the countries of origin of offices participating in the conduct of the audit. However, all of that information and more is routinely considered by audit committees as they fulfill their responsibility to oversee the independent auditor.

Should the Board somehow conclude that disclosure of lead partner names and participating office locations is important to investors, I do not believe the auditors' opinion is the appropriate venue to accomplish this disclosure. Accordingly, I submit the following recommendation:

Recommendation

The Board should present its case to the Securities and Exchange Commission and request the SEC consider expanding the proxy disclosure requirements in Item 9 of §240.14a-101 to require the audit committee to disclose its consideration of the quality of the audit firm's practice and its personnel. Such disclosure would include the committee's consideration of the firm's worldwide service capabilities listing the firm's offices in key or critical locations, other participating firms' offices in key locations, as well as its consideration of the quality of the engagement team personnel under the leadership of "J. Doe, Lead Audit Partner". The disclosures proposed by the Board would therefore be made in the context of the audit committee's fulfillment of its responsibilities to oversee the independent auditor and allow it to inform its shareholders and other users of the financial statements of the basis for its satisfaction with the appointment of the firm as the registrant's auditor for the current year.

My responses to the Board's specific questions are as follows:

1. Would the reproposed requirements to disclose the engagement partner's name and information about other participants in the audit provide investors and other financial statement users with useful information? How might investors and other financial statement users use the information?

I do not believe it would provide useful information. The engagement is performed by a team of people including other partners, specialists, staff, QC personnel, consultation personnel, technical groups, tax professionals and many more. While it might be interesting, the proposed requirements are based on an assumption that we're dealing with the "Lone Ranger" here and we are not. For example, the Citigroup Corporation Proxy Statement indicates that KPMG's annual audit fees amount to over $80 million. That would indicate to me that the total effort required performing that audit and related work amounts to at least 250,000 hours. The signing partner individually accounts for less than 1% of that total effort; it's humanly impossible for him or her to account for more than that. Citigroup has trillions of dollars of assets with hundreds of billions of those assets comprising financial instruments carried at estimated fair value. The

effort required to audit those financial instruments is staggering; to reduce KPMG's performance to a single name in an opinion is misleading at best. To think that Citigroup's audit committee continues to engage KPMG as its auditor based on one person's qualifications does a disservice to that committee.

2. Would the name of the engagement partner or the extent of participation of other participants be useful to shareholders in deciding whether to ratify the company's choice of registered firm as its auditor? If so, how?

In my judgment, the shareholders would have no basis whatsoever to decide to ratify or not ratify the audit committee's choice of audit firm based on knowing the name of the engagement partner. The audit committee chooses a firm as the registrant's auditor based on the qualifications, resources and performance of the firm, not that of the individual partner. Likewise, a registrant with operations around the world must be served by an audit firm with offices in those same locations. Accordingly, whatever firm serves a given registrant the extent of participation by other offices would be nearly the same reflecting the relative sizes and complexity of the registrant's operations. The audit committee is charged with overseeing the performance of the audit firm as a whole and has direct experience with the actual performance of those far-flung participants. Again, in my judgment, the shareholders would have no basis on which to make a judgment about the auditor based on knowing the extent of participation of others in the audit. Given that lack of knowledge, it seems to me that a shareholder vote against ratification is not an expression of lack of confidence in the auditor but an expression of lack of satisfaction with the performance of the audit committee.

3. Over time, would the reproposed requirement to disclose the engagement partner's name allow databases and other compilations to be developed in which investors and other financial statement users could track certain aspects of an individual engagement partner's history, including, for example, his or her industry expertise, restatement history, and involvement in disciplinary proceedings or other litigation?

a. Would such databases or compilations be useful to investors and other financial statement users? If so, how?

As noted above, while it might be interesting it would not actually be useful. The "tracking" of the presumed performance of an individual partner is not the job of investors and other users of financial statements. Modern corporations are incredibly complex and the skill sets required to audit those entities are resident in the firm, not in a single individual. Consider the expertise required to audit any registrant in today's environment; the firm has to have experts to handle financial instruments, actuarial estimates, legal exposures, leasing activities, tax positions, computer systems, controls over those systems, and so on. The Audit committee has the job of judging the expertise of the team that the firm proposes to assign to the audit; it's not the job of the investing community to make that assessment nor will the investing community have the necessary knowledge to do so by having the name of the signing partner.

b. Would they provide investors and audit committees with relevant benchmarks against which the engagement partner could be compared? If so, how?

Again this is not a one person show. The first time an audit committee approves the partner to be assigned to the engagement, it gets information from the firm, from audit committee members at registrants previously served by the partner, and from the other partners who have been serving the committee to that point in time. For the ensuing four years, the audit committee is relying on its own experience with that audit partner – how that partner communicates, supervises, consults with others, marshals the firm's resources and so on. The committee has a listing of companies previously served by that partner and has the ability to get all the information it needs; the proposed disclosure adds nothing to the audit committee's information base. Investors should have no role whatsoever in deciding which one individual of very many should be assigned as the lead partner.

4. Over time, would the reproposed requirement to disclose the other participants in the audit allow investors and other financial statement users to track information about the firms that participate in the audit, such as their public company accounts, size of the firms, disciplinary proceedings, and litigation in which they have been involved? Would this information be useful to investors and if so, how?

Again, I fail to see how this information would be useful. All audit firms have litigation and disciplinary proceedings; all firms have clients that have restated financial statements. Audit committees hire an audit firm, not the lead office and then other offices or firms individually. Audit committee members are aware that different offices or firms are the largest, or the "best" or have the most industry expertise in any given city or country in the world. Why don't audit committees choose to engage the best possible firm in each and every location? Because the cost of coordinating across firms, the time and difficulty involved in obtaining opinions and consents for every filing from more than one firm is daunting. While assembling an all-star team from among numerous firms might work in the legal profession, it does not work for audits. Investors might attempt to build data bases on which to base inferences about the quality of a registrant's financial reporting by location; in my judgment that effort would be futile and not only would undermine the audit committee, but undermine the CEO and CFO who are ultimately responsible for the performance of the organization.

5. Is the ability to research publicly available information about the engagement partner or other participants in the audit important? If so, why, and under what circumstances?

No. Investors do not buy and sell securities based on the identity of the auditor and I cannot imagine they would attempt to buy and sell securities based on the name of an engagement partner or the percentage of an audit done by a UK or South African affiliate. In my experience, banks do not make lending decisions or establish interest rates based on the identity of the auditor; I doubt that ratings agencies move from AAA to BBB based on a change in auditors.

6. Would the reproposed requirement to disclose the engagement partner's name promote more effective capital allocation? If so, how? Can an engagement partner's history provide a signal about the reliability of the audit and, in turn, the company's financial statements? If so, under what circumstances?

The name of the partner likely gives PCAOB inspection teams an insight into the quality of the audit working papers and the chances your inspectors will find reportable deficiencies. Based on my reading of inspection results, the number of times these working paper deficiencies indicate financial statement deficiencies is relatively minimal – about what you'd expect given that auditors and issuer financial personnel are human beings who make errors. The quality of the audit is significantly different from the quality of the working papers. The fact that a company has high quality financial statements is a testament to company management and the tone set by the audit committee, not the auditor; the financials could be perfect and the audit could be quite deficient. An audit firm may have performed an audit that was 99% perfect – and that 1% missed could have resulted in a material misstatement in the financial statements, or more likely a PCAOB inspection deficiency. While we should expect auditors to strive for perfection we should not expect they will always achieve it. The most technically proficient audit partner in the firm may be serving a weak management with an equally ineffective audit committee; the weakest partner in the firm may be fortunate enough to have been assigned to the finest client of the firm. Again, I cannot imagine any rational investor or lender making capital allocation decisions based on the identity of an individual who has at most a five year assignment in that role.

7. Would the reproposed requirements to disclose the engagement partner's name and information about other participants in the audit either promote or inhibit competition among audit firms or companies? If so, how?

While this question makes sense for law firms, it does not for public accounting firms. When lawyers move from one firm to another, they may take clients with them; it is not so for public accounting firms. As noted above, it's the firm that the audit committee is engaging, not the individual. I've been a partner on clients personally where I believe I was respected and even liked by management and the audit committee but the audit committee put the audit out for bid to achieve a lower fee – reflective of the fact that I was not a one-man-show

and could not unilaterally lower the fee in contravention of the wishes of my partners. Does anyone on the Board actually believe that Deloitte, KPMG or PricewaterhouseCoopers could take over the audit of Walmart by luring the lead engagement partner away from Ernst & Young?

8. Would the reproposed disclosure requirements mislead investors and other financial statement users or lead them to make unwarranted inferences about the engagement partner or the other participant in the audit? If so, how? Would there be other unintended consequences? If so, what are those consequences, and how could they be mitigated?

My previous comments have addressed the fact that any users who try to make inferences about the quality of the registrant's financial statements based on the name of the signing partner would be foolish at best. One potential consequence I believe would be the continuation of the increasing pressure being placed on individual partners by the Board's inspection process. In his recently submitted letter on these proposed standards former FASB Chairman Dennis R. Beresford, wrote that he is "concerned that emphasizing the negatives could just add to the stress faced by so many audit partners in today's world… and that many well qualified individuals are being driven out of audit practice by what they perceive as a 'gotcha' mentality of the inspections staff"." I too believe this continued assault will make it more difficult for the profession to attract and retain high quality individuals.

9. What costs could be imposed on firms, issuers, or others by the reproposed requirement to disclose the name of the engagement partner in the auditor's report? Please provide any available empirical data. Will there be greater or lesser effects on EGCs or auditors of EGCs than on other issuers or auditors of other issuers?

I see no costs (assuming an individual consent is not required of the partner); it's a name being disclosed. The costs are hidden and are related to the impacts on the partners noted above and any hidden costs imposed on users who try to draw inferences and make judgments about registrants based on knowing this one name. For small issuers served by very small firms it's quite likely that the engagement partner's name is one of the names of the firm. EGCs are high risk as the Board pointed out in its recent proposed standard on reporting and it's no less critical that it's the capabilities of the firm that are important not the name of an individual. The audit committee of an EGC should be evaluating whether the proposed audit firm has the necessary expertise, not the individual. My experience with audit committees at smaller registrants is that they were equally interested in the backgrounds and qualifications of the Audit Sr. Manager, Audit Senior, Tax Partner and others on the team.

10. What costs could be imposed by the application of the consent requirement to an engagement partner who is named in the auditor's report? Please discuss both administrative costs to obtain and file consents with the SEC, as well as any indirect costs that might result. How could insurance or other private contracts affect these costs?

During the period of time when the consenting partner is also the engagement partner, there are no additional monetary costs that I can see; that partner is performing all the procedures necessary for the firm to consent and those procedures would also serve that partner. As noted above, I retired in 2007. Had I been the signing partner on a December 31, 2006, year-end registrant and had these proposed standards been in place, any filings requiring the firm's consent to use its 2006 would have required my consent as well. During the ensuing year (2007) whether I were distanced from the ongoing 2007 audit due to retirement or due to the operation of the five-year rotation requirement, I would have had to perform sufficient work on my own to enable me to consent to the incorporation of my name in any document filed between the time I completed my service as the signing partner and the completion of the 2007 audit under the supervision of the partner who followed me on that engagement. A process for giving me access to the firm's current work would need to be arranged given that I would no longer be permitted to be affiliated with that audit either as a retiree or as a partner who reached the five-year rotation limit. I would need to be compensated for my time; I would determine the amount of time it would take me to become professionally satisfied; I would determine the appropriate billing rate per hour for that time. I would be concerned about my personal liability as a retiree and might incur costs to obtain legal counsel particularly in a situation where I noted matters that could potentially cause me to withhold my consent.

It is not clear from the Board's discussion what actions the SEC, the firm or the registrant might be required to take if I were to withhold my consent.

11. Would application of the consent requirement to an engagement partner named in the auditor's report result in benefits, such as improved compliance with existing auditing requirements? Will there be greater or lesser effects on EGCs or auditors of EGCs than on other issuers or auditors of other issuers?

I have actually signed my firm's name to a consent. There would be no greater "compliance with existing auditing requirements" whether I signed my name or the firm's; I'd perform the same procedures.

While I agree with the Board's conclusion that a requirement for the signing partner to individually sign a consent does not change that partner's professional obligations, that is only true during the period that partner is in fact the signing partner. The first quarter following a five-year rotation, that partner would be required to continue to provide consents as his or her name would be on the opinion incorporated by reference. The same would be true of a newly retired partner. It would also be true for at least two years following a change in auditors as the predecessor firm's opinions would continue to be incorporated into filings and consents of the firm and the signing partner's consent would still be required. The Board's characterization of the giving of a consent as an administrative process with minimal involvement by these former partners whose names would simply be added to the consent given by the firm underestimates the professional obligations of those who give a consent for the use of their names; giving a consent is not just a matter of form. One must perform appropriate subsequent events procedures, including reading the entire document, making inquiries of the current auditors, obtaining management representation letters – it's not just a mere signing of one's name to a consent; it's doing enough work so that you are professionally willing to give that consent. Additionally, if the Board believes that the partners' names could simply be included in the firms' consents, then it is apparent that at least some members of the Board understand that the individual partner is not the "Lone Ranger" in the conduct of an audit but is one individual in the firm's overall structure to perform the audit. Concluding that a partner's individually signed consent is unnecessary when it comes to the consent process is inconsistent with any assumptions underlying the arguments for disclosure of the lead partner's name and necessarily presumes the partner has no right to refuse to consent to the subsequent use of his or her name.

12. Would the reproposed amendments increase the engagement partner's or the other participants' sense of accountability? If so, how? Would an increased sense of accountability for engagement partners or other participants have an impact on audit quality? If yes, please provide specifics.

With respect to disclosure of the lead audit partner's name, this question is insulting to anyone in the profession and must have been proposed to the Board by someone who has hidden behind a corporation or law firm name to somehow avoid taking personal responsibility for his/her actions.

On the other hand, I do understand that the Board's inspectors have found instances of smaller firms relying on the work of other audit firms overseas and not supervising those firms as required by professional standards. This failure to follow professional standards would not be cured by the disclosure of the other firm's existence; auditors who are unwilling or unable to directly supervise the work of other firms (a requirement when they assume responsibility for the other firm's work and make no reference to it in the auditors' opinion) are not going to change that behavior based on the proposed disclosures. Users who read auditors' reports containing the proposed disclosures may presume all such auditors are failing to supervise those other firms and draw erroneous conclusions about the quality of the registrants' financial statements and the quality of the auditors' work.

I believe these instances of inappropriate reliance on other auditors is likely limited to smaller firms that do not have large international networks of integrated affiliated firms. I further believe this situation should not be addressed by means of disclosure but directly through the Board's registration and inspection process. The Board's algorithms for identifying potential registrant audits for inspection should be able to identify registrants

with significant overseas operations. The Board's inspectors could then focus their efforts with respect to triennially inspected firms on these higher risk situations.

13. What costs could be imposed on firms, issuers, or others by the reproposed requirement to disclose the information about other participants in the auditor's report? Please provide any available empirical data. Will there be greater or lesser effects on EGCs or auditors of EGCs than on other issuers or auditors of other issuers?

If consents are required from other participants in the audit then costs will increase as those other participants will spend time performing all the procedures necessary to give their consents. As noted above, these are not perfunctory administrative actions. Issuers will pay for that time not only with cash, but with the added administrative time it takes to coordinate the consent process. Information must be gathered and shared; the document in which their names will appear either directly or by incorporation must be provided to them to be read; they must update their knowledge of the operations they serve since the date they last performed work at that location; they must consider any changes or new information up to the moment at which they give their consents which means all of this effort is happening simultaneously whether it's the middle of the day in the US or the middle of the night in Asia.

14. What costs could be imposed by the application of the consent requirement to other firms that are named in the auditor's report? Please discuss both administrative costs to obtain and file consents with the SEC, as well as any indirect costs that might result. How could insurance or other private contracts affect these costs?

From my own personal experience coordinating with other auditors and predecessor auditors, it is a hassle to get consents from other auditors every time one does a filing; that is why very few registrants have other audit firms involved in the audit. Every filing that even incorporates a Form 10-K by reference requires the consent of each and every audit firm named. It is a process that cannot be avoided when a registrant changes auditors; it takes time and is billed for. "Other auditors" do incur costs to give their consents; they spend considerable time reading the document to be filed, updating subsequent events, comparing information in the document to information they know from their prior experience and so on. In my own firm, every SEC filing was also reviewed by SEC reporting specialists in the National Office. All of this time is billed to the former client registrant. If the registrant also needed to get consents from other entities in addition to the former lead auditor, that process would be magnified. The monetary cost is not what the Board would consider significant; however the time cost on senior registrant personnel can be as this process occurs at a time when they do not have hours to spare. Additionally, as in any situation where there has been or continues to be a dispute with a predecessor auditor, that auditor may refuse to give its consent. One of my own experiences with that situation relates to Molex Corporation (2003) where Deloitte & Touche was unwilling to provide consents. The SEC will not force any auditor to provide a consent; accordingly, Molex was required to have all prior years re-audited by its new auditor. If the Board expands the universe of entities required to give consents, it increases the potential that an entity will refuse to do so likely resulting in the need to re-audit that portion of the registrant for the necessary periods or engage new specialists to perform the applicable services for those periods. This would be costly monetarily and also create delays in the registrant's reporting that could lead to de-listing as in the case of Molex.

15. Would application of the consent requirement to other firms named in the auditor's report result in benefits, such as improved compliance with existing requirements? Will there be greater or lesser effects on EGCs or auditors of EGCs than on other issuers or auditors of other issuers?

From a benefits standpoint perhaps it will expand the universe of potential defendants in US law suits. If that occurs, perhaps the overseas audit firms will stop providing consents or will adjust their fees to compensate for any perceived increase in risk. To the extent those firms perceive an unacceptable level of risk, such as with some EGCs for example, it may be more difficult to get those firms to participate in the audit unless they are firms affiliated with one of the major accounting firms and are professionally bound to do so.

16. Would disclosure of the extent of other participants' participation, within a range rather than as a specific number, provide sufficiently useful information to investors and other financial statement users? Why or why not? Would the reproposed requirement to disclose the extent of other participant participation within ranges impose fewer costs than a specifically identified percentage?

I do not see how this will truly help users and as noted previously, the audit committee has this information. If an issuer has operations around the world a user would understand that there are auditors involved around the world. For example, Walmart has operations around the world; about 25% of its sales are overseas; a majority of its stores are overseas. Based on Walmart's segment note, it is possible that none of those overseas operations would comprise sufficient assets or revenues such that any individual audit firm in any one country would be disclosed in the EY opinion. On the other hand, Proctor & Gamble reports a majority of its sales are overseas as are a majority of its assets and that no one country accounts for more than 10% of the total business. Knowing that the Deloitte firm in the UK or in Japan accounts for 3% to 10% of the total audit hours might lead users to attempt to infer some direct relationship between audit hours and the size of the operations in those countries – information not disclosed in the segment note. That inference may or may not be misleading; however, to the extent users are attempting to discern this level of detail related to segment reporting, it would appear to me more appropriate that they petition the SEC for more detailed disclosure in MD& A or petition the FASB for a lower threshold for segment reporting.

17. Would increasing the threshold for individual disclosure of other participants to 5% from the originally proposed threshold of 3% improve the relevance of the disclosure? Would it reduce potential costs? Would another threshold, such as 10%, be more appropriate? If so, why?

Again, as I see no real benefit from this disclosure in the first place; changing the percentage threshold would be equally meaningless.

18. Under the reproposed amendments disclosure would not be required when audit work is offshored to an office of the firm that issues the auditor's report (even though that office may be located in a country different from where the firm is headquartered), but disclosure would be required when audit work is performed by a foreign affiliate or other entities that are distinct from the accounting firm issuing the auditor's report.

> *a. Should all arrangements whether performed by an office of the firm issuing the auditor's report in a country different from where the firm is headquartered, a foreign affiliate or another entity that is distinct from the accounting firm issuing the auditor's report be disclosed as other participants in the audit? Why or why not?*
>
> I fail to see how this information is useful. The auditor is engaged as a firm, not on an office by office basis. Is the PCAOB concerned that there are "low quality audits" being conducted in some part of the world? There probably are; and there is probably low quality production of goods on the part of registrants in those same locations. The audit committee takes that into account as it gets reports from management and has experience with the audit firm over time; it does not hire a firm on an office by office basis but evaluates the quality of the audit firm as a whole. As noted above, proposed disclosures of this nature undermine the authority and responsibility of the audit committee.
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> *b. Is it sufficiently clear how the disclosure requirement would apply in the context of offshoring? If not, how could this be made clearer?*
>
> Again, this is the job of the audit committee. All the large firms have "US offices" based overseas and use personnel in those locations who are "employees of the US firm". Moving individuals from one "office" to another is likely no more difficult than transferring someone down the hall or across the street. The distinction seems artificial at best. As a practical matter, if the US personnel are not satisfied with the quality of the work they get from their colleagues overseas, whether in an off-shore office or an affiliated firm office, they will move swiftly to remedy that. If the audit committee is not satisfied and

the audit work pertains to a significant location, the committee will put significant pressure on the lead audit firm to improve the situation.

19. Are there special considerations for alternative practice structures or other nontraditional practice structures that the Board should take into account regarding the reproposed requirement to disclose other participants in the audit?

I have no experience working with alternative practice structures, but again this is the job of the audit committee to understand not the investment market place.

20. Under the reproposed amendments, the auditor would be required to include the extent of participation of persons engaged by the auditor with specialized skill or knowledge in a particular field other than accounting and auditing ("engaged specialists") in the total audit hours and to disclose the location and extent of participation of such persons. The engaged specialists would not be identified by name, but would be disclosed as "other persons not employed by the auditor."

a. Is it appropriate to require disclosure of the location and extent of participation of engaged specialists? If not, why?

Again this is an audit committee responsibility and is directed at smaller firms who do not have consulting groups staffed with all the valuation, actuarial and other specialists that the big firms have. The audit committee has this information and for smaller registrants the audit committee must make the decision whether to stay with a smaller firm that uses outside experts or incur the increased costs of engaging a national or international audit firm.

b. Would there be any challenges in or costs associated with implementing this requirement for engaged specialists? If so, what are the challenges or costs?

To the extent those specialists do not have time reporting systems, they will likely develop them to capture the hours spent by their employees on an engagement by engagement basis. There may be a hidden cost down the road however. If the message here is that in some way audit firms that do not have all the necessary in-house specialists are professionally inferior to those that do, we may see an increase in mergers among smaller firms and the growth of consulting practices in those firms as they hire the necessary specialists. Alternatively they may not be engaged by audit committees to perform audits due to pressure from users who draw inferences from the fact that a small firm does not have its own actuaries for example. This does not seem to be consistent with recent sentiments that there is too much concentration among audit firms and too little opportunity for smaller firms to continue serving their clients once those clients opt to become public.

21. In the case of other participants that are not public accounting firms (such as individuals, consulting firms, or specialists), is the participant's name a relevant or useful piece of information that should be disclosed? Does disclosure of the participant's location and the extent of the participant's participation provide sufficient information?

As noted previously, evaluation of the audit firm’s capabilities is the job of the audit committee not the users. Audit committees have this information so disclosure would be irrelevant and merely undermine the authority of those committees.

22. If the Board adopts the reproposed amendments for auditors to disclose the name of the engagement partner and certain information about other participants in the audit in the auditor's report, should the Board also require firms to disclose the same information on Form 2 or another PCAOB reporting form? Why or why not?

The PCAOB already knows who the individual auditors are so this is obviously not for use by the Board; it is going to be used by those who want to mine data – and who do not read the auditors' reports. If the Board believes this is valuable to users, then it should insure that users read the auditors' reports to get this information as well as the other information included in the auditors' reports. The Board has spent extensive time recently on projects to purportedly improve the information content of the auditors' reports; any action (such as this) that would direct users away from actually reading such reports is counter-productive. This request by investors or other users to have a data base in which to find this information outside the auditors' reports supports my own belief that they do not in fact read auditors' reports – and likely don't read very much of the registrants' financial statements.

23. Are the reproposed amendments to disclose the engagement partner's name and information about other participants in the audit appropriate for audits of brokers and dealers? If yes, are there any considerations that the Board should take into account with respect to audits of brokers and dealers?

If the Board concludes that this is useful to users of financial statements, then it should apply to all financial statements not just a subset of financial statements.

24. Should the reproposed disclosure requirements be applicable for the audits of EGCs? Are there other considerations relating to efficiency, competition, and capital formation that the Board should take into account when determining whether to recommend that the Commission approve the reproposed amendments to disclose the engagement partner's name and information about other participants in the audit for application to audits of EGCs?

If the Board concludes that this is useful to users of financial statements, then it should apply to all financial statements not just a subset of financial statements.

25. Are the disclosures that would be required under the reproposed amendments either more or less important in audits of EGCs than in audits of other public companies? Are there benefits of the reproposed amendments that are specific to the EGC context?

EGCs may be more likely to be audited by smaller firms. To the extent any or all of these proposed amendments are aimed at improving audit quality, I would submit that they will not have that impact. The Board's inspection process can have that impact and I would encourage the Board to focus its resources on the inspection process rather than the standard setting process. I believe the Board should adopt the process employed for the past seventy years by the SEC for the establishment of GAAP: work primarily through the private sector on standard setting and concentrate on enforcement.

I appreciate the opportunity to offer my comments.

Sincerely,

s/ James L. Fuehrmeyer, Jr.

James L. Fuehrmeyer, Jr. MBA, CPA
Associate Teaching Professor