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March 14, 2014

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

Re: PCAOB Rulemaking Docket Matter No. 29

As someone who has been an institutional investor for more than a quarter century, I write in support of the concepts contained in PCAOB Rulemaking Docket No. 29; specifically that the identity of the engagement partner and the identity of other participants in a public company audit be made public.

By way of background, I have directly invested or overseen more than \$100 billion in institutional investments in my career. I have served as Deputy Comptroller for New York City, in which position I was both the investment advisor for and a trustee on the various New York City pension funds totaling more than \$80 billion at the time; served as chair of Sears Canada's investment committee overseeing the investments of that company's multi-billion pension fund; served on approximately five investment committees overseeing not-for-profit endowment/pension or other funds totaling more than \$100 million; and currently serve as a trustee for a family of mutual funds and insurance trusts with aggregate assets of more than \$8 billion. I have also been active in various industry groups, including co-founding the International Corporate Governance Network (ICGN), and have been honored by various industry groups, such as the National Association of Corporate Directors and the ICGN. Finally, I have consulted to such major investors as Legg Mason, Nomura and SBLI USA.

Simply put, I think the proposed requirements can increase accountability and audit quality.

I believe this for two reasons. First, as others have noted, it is generally agreed that personally identifying your work correlates to increased pride and craftsmanship. While the primary responsibility for the quality of the audit will and should remain with the audit firm, personally identification should have a salutary effect on the care with which the engagement partner conducts the audit. There is a reason that most great craftsmen – in virtually every genre – sign their work. It reflects pride. Proactively mandating that identification is a well-established method to encourage that pride. That is the reason the Sarbanes Oxley legislation requires identification of senior corporate officials on issuers' financial statements. It certainly seems proportionate to require that the individuals examining those accounts also be identified.

The second reason is that information is the lifeblood of the marketplace. The audit firms, I believe, overwhelmingly take their obligation for quality control seriously. However, it is beyond argument that the individual engagement partner affects audit quality. Investors, who are the consumers of the financial statements and audit reports, have an interest in the identity of an engagement partner for a multiplicity of reasons. While most people focus on the negative, such as identifying an engagement partner who has overseen flawed audits in the past, or for independence reasons (Section 203 of the Sarbanes Oxley act requires individual auditor rotation after five years), I think it equally likely that investors would be interested in the positive. For example, when a company changes audit firms, there is a fear that the change has been made because the issuer is shopping for a low price with little regard for quality. Or, worse, that the issuer has had friction with the previous audit firm and is looking for a more pliable firm that fulfils its audit mandate with less professional skepticism than the previous incumbent. It would be nice for investors to be able to look at the new engagement partner and note that he/she has a great deal of expertise in technology or automotive or finance or whatever the main business is of the issuer. That would be reassuring to the market, and show that the issuer has made the change for positive, rather than negative, reasons.

Finally, as to the identification of other audit participants, that seems intuitively obvious. If audit firm "x" signs the audit opinion, we investors assume that audit firm "x" has done the work. But, as the Reproposal makes clear, some of the work may be done by either affiliated or unaffiliated entities. That reality, particularly for multinational companies, means American investors may be dependent upon unidentified other audit participants for assurance. And, given the fact that problems in other jurisdictions may affect American companies and their investors (e.g. this week's revelations about Citibank's Mexican operations), it seems only right that we know whether or not other firms have been involved, so that we can judge their qualifications and reputations. The increasing global nature of business and capital markets makes this ever more important.

I thank you for this opportunity to submit my comments.

Sincerely,

Jon Lukomnik  
Managing Partner