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

Subject: PCAOB Rulemaking Docket Matter No. 034

Board Members:

Thank you for the opportunity to comment on PCAOB's Proposed Auditing Standard and Proposed Other Information Standard (also referred to herein as "Proposed Standards").

Background

For the last 13 years, my occupation has been that of an Investor/Director. As an investor, I have invested in numerous public companies and private enterprises. I serve or have served on four public company boards listed on either the NYSE or NASDAQ generally as the Audit Committee Chairman and Audit Committee Financial Expert (ACFE). Prior to that time, I spent 37 years (29 years as a partner) with KPMG LLP. My primary experience at KPMG included serving many types of clients as an audit partner, managing and area partner, and international partner.

Perspective of My Comments

As a former KPMG partner, I am precluded from serving on boards of companies they audit. As a result, KPMG does not perform audits for any of the three boards I currently serve, but I have used and had exposure to all the "Big Four" CPA firms and several smaller CPA firms in various capacities. My comments in this letter are solely mine and not attributable to any public accounting firm or the boards that I serve. Having sat on both sides of the table and being a sophisticated investor provides me with a somewhat unique perspective to comment on the matters in the PCAOB's Proposed Standards.

Position Overview

As an experienced audit committee chairman and investor, I am not opposed to changing the annual external auditor's report and expanding the external auditor's scope of work if both can be accomplished in a meaningful manner and on a cost effective basis. Further, I appreciate and agree with the PCAOB's proposed retention of the standard pass/fail model in the external auditor's report and that other proposals were considered during its process. However, the PCAOB's Proposed Standards usurps the audit committee's responsibilities, generally serves to confuse and perhaps misleads stakeholders and users of financial statements, and adds unwarranted costs for public companies.

Further, while I appreciate reviewing the matters set forth in the Proposed Standards, I do not believe these are the major issues of the day. Some suggestions of areas where the PCOAB could spend its valuable time are set forth at the end of this letter.

Position Major Reasons

The major reasons for my position on the key aspects of the Proposed Standards are set forth in the following paragraphs.

Proposed Auditor Reporting Standard:

- Addressee of Auditor's Opinion – the PCAOB is proposing that the external auditor's (referred to herein as "auditor") report be addressed to the shareholders and board of directors of the company. While I have not performed a review of public company annual reports, my boards already follow this practice. Therefore, I do not foresee this as a major issue that requires a change to current reporting.

- Addition of Notes to Financial Statements in Auditor's Opinion – the PCAOB is also proposing to have the auditor's opinion include the notes to financial statements and refer to both as financial statements thereafter in the auditor's opinion. The notes are an integral part of financial statements and the basic financial statements generally contain a footnote indicating that they should be read in conjunction with the basic financial statements, but notes are not financial statements. What is the purpose of this change and why is it needed? Required disclosures are necessary in the notes to financial statements and are read along with the financial statements. Accordingly, I do not believe the notes need to be mentioned in the auditor's report; certainly not in the way it is currently proposed.

- Auditor Independence – requiring the auditor to state its independence requirement is repetitive during a time when we should be looking for ways to reduce and make additional disclosures more meaningful. Auditors already provide audit committees with letters stating their independence and appropriate disclosures are made public in the audit committee reports. Other key elements are an audit committee's oversights and management's determinations of independence. In addition, since an existing auditing standard requires that the title of the auditor's report is "Report of Independent Registered Public Accounting Firm," that is sufficient to communicate the auditor's independence and that the audit firm is registered with and meets all of the applicable legal and regulatory requirements of the PCAOB.

- Audit Tenure – Determining and disclosing the number of years that the auditor has audited a company should generally be an easy exercise. However, this is a backdoor attempt to addressing mandatory auditor rotation and would certainly be misleading and confusing to investors and users of financial statements. For example, if an audit firm had served a company for say 20 years, an investor might jump to the conclusion that something is wrong which could be far from the truth. Audit committees are required by law to evaluate, engage, and compensate the audit firm because they have all the facts to make such determinations, not investors and users. An audit firm serving a company is evaluated each year by the audit committee, and a determination is made whether to seek proposals from other qualified audit firms. In addition, there are substantial safe guards in this process. In my example of 20 years' service, there would have been four different audit lead partners and numerous staff serving on these audits. Restrictions on other prohibitive services to the audited company and non-selling of other services by the auditor also safeguard independence. Further, disclosing the audit tenure as XX number of years without disclosing any context around and reasons for such tenure (which context and reasons would not be practical to disclose, given the many factors that go into the audit committee's decision as to the selection of the audit firm that is engaged) would be an incomplete disclosure that at a minimum would not be meaningful, and likely would be misleading and confusing.

Accordingly, the proposal for disclosing audit tenure should be abandoned and removed from the Proposed Standard.

- Critical Audit Areas – the Proposed Standard would require that the auditor provide a description of the critical audit areas, describe the considerations that led to auditor to determine that the matter is a critical audit area, and refer to the relevant accounts and disclosures. Listing the critical audit areas is one thing, but providing additional discussion would be less relevant and less useful to investors, expanding the audit report in a nonsensical fashion where the key elements get lost, and adding significant and meaningless costs to enterprises. Of greater concern, is how does an investor or user of the financial statements bridge the gap between the critical audit areas disclosed by the auditor and the major risk factors disclosed by a company in its filings? Perhaps the only users of such information would be potential litigants, academic research, and the PCAOB in its inspection process. Further, one citing of academic research over 10 years old is very weak support for such a change.

  Requiring all of the Proposed Standard's disclosures also usurps an audit committee's oversight responsibilities during the audit process. Bear in mind that a company already discloses its major risk factors and critical accounting policies in various sections of public filing documents that provides ample information for investors and others.

  Accordingly, the proposal for critical audit areas requirement should be abandoned and removed from the Proposed Standard.

- Use of Explanatory Paragraph – the PCAOB is proposing that while it would not require the auditor to emphasize a matter (except for matters already proscribed in its existing standards), but it would permit the auditor to add such explanatory language paragraphs based upon the auditor's judgment and used a subsequent event disclosure as an example. Despite the PCAOB's intention, adding an explanatory paragraph further convolutes the auditor's opinion and serves only to confuse investors and other users. What if the auditor's judgment differs from a management's judgment? Further, explanatory paragraphs may draw undue attention to a particular matter as opposed to the overall financial statements where the reader should be focused. The PCAOB would be better served to limit explanatory paragraphs to specific areas set forth in its current standards.

- Fraud Language – the addition of the phrase, "whether due to error or fraud" is generally understood by investors and users of financial statements, and again could be viewed as repetitive which should be guarded against. Of equal importance, the PCAOB should be assured that by adding this phrase, no additional time would have to be spent by the auditor. If the PCAOB cannot be assured, then the phrase should be deleted from the Proposed Standard.

- "Evaluating" Accounting Principles and Financial Statement Presentation – the auditor performs an "assessment" of the accounting principles used and significant estimates made by management and evaluates the overall financial presentation during each audit. The PCAOB proposes to change from assessing to evaluating. What is the purpose of this change, and does this substitution of "evaluating" require more work by the auditor? If so, the PCAOB should rethink this proposed change.

Proposed Other Information Standard:

- "Evaluation" of Other Information **-** audit committees, preparers, investors, and users of financial statements understand that the auditor reads information outside the financial statements and notes thereto in filings for any inconsistency and misleading disclosure. Should an inconsistency or misleading disclosure occur, the auditor would discuss that matter with management, and if not satisfactorily resolved, it would bring the matter to the audit committee for resolution. The auditor also communicates to the audit committee that no inconsistency or misleading information was found. This process works very well in practice today and has done so for decades.

  Why then is it necessary for the auditor to add "evaluation" language on other information to its opinion? The fear here is that "evaluation" turns into increased auditing and documentation, which would be fueled by the PCAOB's future inspection efforts requiring additional work. As a result, the key issue becomes one of cost/benefit.

  Further, the addition of this requirement, if needed, should be undertaken by the Securities and Exchange Commission (SEC) as a part of its rulemaking process, not the PCAOB. The SEC could decide whether to proceed or not by addressing if this is the best way to protect investors and whether the benefit of such a requirement exceeds the costs to companies and their shareholders, or alternatively whether current practice is sufficient. Only after this process is complete, should the PCAOB address expanding the auditor's report.

In summary, I do not foresee the PCOAB's Proposed Standards adding value to the auditor's opinion. If adopted in their present form, some of the proposed requirements would impinge on an audit committee's responsibilities and incur unnecessary costs. Indeed, a few of the Proposed Standards would serve to confuse and perhaps mislead shareholders and other potential investors and users of financial statements. My suggestion is that the PCOAB end this project and move on to more worthwhile undertakings. At a minimum, the Proposed Standards should omit requirements relating to Audit Tenure, Critical Audit Areas, and Evaluation of Other Information for the reasons cited herein.

Before closing my comments on the Proposed Standards, let me take this opportunity to provide some constructive comments that are intended to be helpful to the PCOAB in other areas where the PCOAB could directly or indirectly be a catalyst for change.

- The PCOAB inspections are important to our public companies and audit firms. The auditor advises an audit committee when an inspection will be performed. However, it mystifies me that as part of the inspection process, the PCOAB does not undertake to discuss any improvements resulting from the inspections with the audit committee chair. I believe that both the PCOAB and the chair could benefit from the inspection process.

- As an investor, I believe a qualified ACFE should serve on each audit committee of every public company. SOX listed the proper requirements for a qualified ACFE when the Act was passed, but unfortunately this was changed due to public comments received by the SEC. Long before SOX was enacted, my audit experience with companies is they were far better served when a CPA sat on the audit committee. Much still needs to be done, and the PCOAB could work as a catalyst with the SEC to revisit this matter.

- The PCOAB could be proactive and assist in addressing disclosure overload and achieving fewer complexes in accounting and reporting.

- While I appreciate that the PCAOB's responsibility is to regulate the auditors of entities reporting to the SEC, my impression about the mindset used in the inspection process gives me concern. Too often, we hear about criticism of auditors and the audit firms or disagreements about judgmental matters. These comments are not recent but have existed since the formation of the PCAOB. I do not believe that was SOX's intent for the role of the PCAOB, and it is certainly not helpful to the profession or shareholders.

  Like the PCAOB, I believe in a zero tolerance for improper audits and that appropriate actions should be taken. However, as to subjective decisions where multiple answers are acceptable and handled through a proper audit process under the prevailing requirements at the time, I find it inappropriate for the PCOAB to insist that its determination is the only correct result in a given situation. Proactive work with the audit firms to enhance audit quality should be the goal. Revisiting these areas internally might be of value to the PCOAB and to the public companies its serves.

I appreciate the opportunity to provide my comments to the PCOAB and trust you will find them helpful in your pursuits for improving the audits of public companies.

Sincerely,

Cecil H. Moore Jr

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