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August 11, 2016

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

VIA Email: comments@pcaobus.org

Re: PCAOB Rulemaking Docket # 034 (Reproposed Rule)

I am writing to express my opinions regarding the above referenced Reproposed Auditing Standard (Proposal) - *The Auditor's Report on an Audit of Financial Statements When the Auditor Expresses an Unqualified Opinion*. I previously commented on the original proposal in my letter dated December 10, 2013. While I appreciate the Board's efforts to enhance investors understanding of the current audit process and the auditor's responsibilities as it relates to providing an attestation on management's assertions regarding its Company's financial statements and internal control over financial reporting, I do not support some of the requirements contained in the Proposal.

Critical Audit Matters

The Proposal would require the auditor to make certain disclosures in the audit report regarding each critical audit matter (CAM), as defined. While the definition of a CAM in the new Proposal is an improvement as compared to the CAM definition in the original proposal, my concern with the CAM requirements in the Proposal remain unchanged: the determination and description of CAMs would have the auditor going beyond an attestation on management's financial statements and internal control over financial reporting, as a CAM ultimately provides disclosure regarding the nature and extent of the procedures performed by the auditor, and in some cases may result in the auditor's disclosure of information regarding the Company that is otherwise not required to be included in the Company's financial statements (including the footnotes)¹. The auditor should not be the source of any disclosure regarding a Company; if the auditor believes additional disclosures are required in the financial statements or other parts of a Company's periodic filings, existing auditing standards address the auditor's responsibilities in such an event, including communicating such concerns with the audit committee.

¹ See, for example, the illustrative disclosure regarding Company A beginning on page 32 of the Proposal. Much of the information in the first paragraph of the example does not represent disclosures that would normally be included in the footnotes to the Company's financial statements. The guidance in the Proposal that the auditor is normally not expected to provide information about the Company that has not been made publicly available by the Company is not responsive to this concern, as the guidance also indicates an exception to this expectation when such information is necessary to describe the principal considerations that led the auditor to determine that a matter is a CAM or how the matter was addressed in the audit.

Of course the Board has statutory oversight authority in respect to auditors. But the Board has no oversight authority with respect to registrants or the form and content of a registrant's financial statements and other disclosures in their periodic filings with the SEC. Accordingly, I question whether the Board has the appropriate authority to adopt the Proposal as it relates to the CAM requirements, because as drafted the CAM requirements in the Proposal appear to go beyond disclosures regarding the auditor and the scope of the auditor's procedures in connection with their attestation engagements.

The disclosure and discussion of CAMs could also result in confusion on the part of investors as to the subject matter of the CAMs, and is inconsistent with the "pass/fail" model which the Board appropriately determined should be retained. The illustrative examples of hypothetical disclosures of CAMs in the Proposal essentially say "here is a CAM, here is why we determined it was a CAM, and here in general are the audit procedures we performed in connection with our audit of the relevant financial statement account(s) associated with the CAM." The auditor's disclosure and discussion of each CAM would likely be viewed as a piecemeal opinion and/or a qualification to their overall opinion, despite the required disclosure that "the CAMs communicated do not alter in any way our opinion on the financial statements, taken as a whole, and we do not provide separate opinions on the critical audit matters or on the accounts or disclosures to which they relate."

As with the original proposal, it appears that the Board's objective in disclosing CAMs is to essentially highlight areas where a Company's management, in preparing its financial statements, has to apply significant judgment and/or make significant accounting estimates. Current SEC rules already require disclosure of such financial statement areas – the Critical Accounting Policies section of MD&A. This is the appropriate place for such financial statement areas to be disclosed, by management, and not by the auditor.

The proposal for disclosure and discussion of CAMs should not be included in any final Standard. However, if the Board believes that highlighting in the auditor's report the areas where a Company's management, in preparing its financial statements, has to apply significant judgment and/or make significant accounting estimates (on the basis that such areas would reasonably be expected to have an impact on the scope of the auditor's work), then this can be accomplished by the inclusion of the phrase to the standard auditor's report as contained in the Proposal, as indicated below.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management (including those significant estimates made by management as described in the "Critical Accounting Policies and Estimates" section of this Annual Report), as well as evaluating the overall presentation

of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

Audit Tenure

My views regarding disclosure of auditor's tenure in the audit report remain unchanged from the original proposal. Statutorily, the decision on which audit firm to engage is the sole responsibility of the audit committee. The audit committee is in the best position to make that decision, taking into consideration all factors the audit committee deems relevant. Some factors may generally be consistent from Company to Company, while other factors may be unique to a specific Company. Regardless, the audit committee ultimately makes the decision. Disclosure of audit tenure by the auditor in a vacuum without any additional disclosure regarding what factors went into the committee's determination on what firm to engage (and for whatever period of time the committee has determined to engage such firm) would be an incomplete disclosure, at a minimum, and potentially misleading.

The Board notes that there is no agreement as to any correlation between the length of an auditor's tenure and audit quality. The Board has failed to provide any persuasive rationale for requiring such disclosure by the auditor in the audit report. For these reasons, it is inappropriate for the auditor to disclose in its audit report the audit tenure as contained in the Proposal. The Board notes that some registrants are voluntarily disclosing auditor tenure in their annual proxy statements. If such disclosure of auditor tenure is to be mandated, it should be left to the SEC to make that determination.

Thank you for your consideration of these comments and suggestions.

Sincerely,



Greg Swalwell