

**From:** [Daniel Regis](#)  
**To:** [Comments](#)  
**Subject:** FW: Docket 034: Proposed Auditing Standards on the Auditors" Report  
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I appreciate the opportunity to respond to the PCAOB's Release 2013-005 regarding proposed changes to the Auditors Report. I have several specific concerns about the proposal and they are enunciated below.

## PERSPECTIVE

To put my comments into context, I am a former Audit Partner with one of the Big Four having served for over thirty years in various offices in both line and leadership positions. Following that, I was in the venture capital business for over ten years and financed a number of technology companies that became publicly listed during the mid to late 90's. Currently, I am the Chairman of the Audit Committee of Cray Inc. (CRAY), Chairman of the Enterprise Risk Committee of Columbia Banking System Inc. (COLB) where I also serve as a member of the Audit Committee and designated financial expert. I am the immediate past Chairman of the Board and member of the Audit Committee of ART Technology, Inc. (ARTG). I also sit and have Chaired several investment committees for endowed foundations and do so as General Partner of our private investment vehicle, Regis Investments, LP. I have, therefore, a broad background as both a provider and user of audit services.

## CRITICAL AUDIT MATERS (CAM)

By far my greatest concern is with the expansion of the audit report to include commentary upon CAM's. The present Pass/Fail test of the auditor's report has served us well for many years and should not be degraded. CAM's profile and auditor involvement would undoubtedly become a very comprehensive list and will dominate the report by sheer volume because auditors will be very reluctant to omit anything that could later be used as a basis for oversight deficiency or litigation. And for what? Most of the commentary will likely concentrate on matters already full vetted either in the Footnotes to the Financial Statements under Significant Accounting Policies or in the MD&A (where such policies are repeated and further explained as to impact). I am also concerned that there will be an unintended consequence because there will be an understandable reluctance by auditors and management to routinely and openly discuss matters requiring a robust dose of judgment with Audit Committees for fear or raising matters to the level of CAM's that heretofore were considered of secondary or tertiary importance. I submit that the present results-oriented rather than process-oriented reporting process is superior and should be retained.

## ADDITIONAL INFORMATION

Auditors have long considered other information contained in documents filed with the SEC and that practice is codified in AU 550 which states that the auditor shall “read” and “consider” whether such information is consistent with the audited financial statements on which an opinion is rendered. While the proposal appears, on the surface, not to change that responsibility significantly, the requirement to “read” and “evaluate” as well as develop a conclusion that there are no “material inconsistencies with the financial statements” and/or a “material misstatement of fact” proposes a significant new burden on auditors. Furthermore, the proposal extends that responsibility beyond the immediate-filed report (e.g. 10K) to anything to which it references (e.g. Proxy) and pertains not just to information that is contained or derived from the audited financial statements but to other data as well. While I have not canvassed all of the major accounting firms, at least two have suggested that this change will require significant additional audit work and extended procedures. I sincerely doubt the cost/benefit of this proposal and suggest that it be dropped. If the PCAOB were, in the alternative, to require language in the auditor’s report of the type that auditors now give under AU 550, I would not oppose that suggestion.

## AUDITOR TENURE

The issue of auditor tenure should be left in the hands of the Audit Committee which is responsible for this matter under Sarbanes Oxley. The tenure of the auditor is already available to anyone who wishes to do some modest research and the facts are that it is not perceived by investors as an important data point. Furthermore, it is not the real issue that Audit Committees deal with when they are considering appointment or reappointment. It is far more important to know the tenure, skill set and industry-specific credentials of the specific engagement team than the duration of the business association. I am not satisfied that this provides any meaningful information and believe it should simply be dropped. In the alternate, I would suggest a more thorough discussion in the annual Audit Committee report as to the process by which auditor selection is accomplished.

Thank you for your consideration.

Daniel C. Regis