

September 30, 2011

Via email to [comments@pcaobus.org](mailto:comments@pcaobus.org)

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. 34  
*Concept Release On Possible Revisions To PCAOB Standards Related to  
Reports On Audited Financial Statements*

Dear Sirs,

We write to the Board to comment on its June 2011 Concept Release, *Possible Revisions to PCAOB Standards Related to Reports on Audited Financial Statements*. We appreciate the opportunity to share our views on the Concept Release.

United Therapeutics Corporation is a biotechnology company focused on the development and commercialization of unique products to address the unmet medical needs of patients with chronic and life-threatening conditions.

We appreciate that the Board has conducted extensive outreach in relation to the Concept Release, including soliciting input both before and after the issuance of the release and organizing a recent roundtable on this subject. As an initial matter, however, we question the premise on which the Concept Release is grounded: that investors and other users of financial statements actually desire “more” information about the financial statements. We have not heard and are not aware that our investors believe that additional information about company financial statements is vital. Investors already receive robust information about company financial results, including the financial statements and notes thereto and MD&A, and have the assurance on these results provided by the auditor through the audit report and have access to the auditor at the company’s annual meeting. We recognize that some groups speaking on behalf of investors espouse this view, but we do not believe it is one generally held in the marketplace. In any event, empirical evidence on the actual benefits that investors might hope to attain from any of the ideas in the Concept Release is needed if the Board determines it is appropriate to proceed.

In addition, if there is in fact an information deficit that is caused by the current financial reporting framework, we urge the Board to work in coordination with the other standards-setters, particularly the SEC and FASB, to evaluate the manner in which the standards may need to be modified, rather than implementing sweeping changes to the audit report which would result in significant costs to companies.

**I. The Board Should Not Move Forward With The Auditor's Discussion & Analysis Concept.**

We firmly believe that including an Auditor's Discussion & Analysis (AD&A) in an audit report would be a mistake. Management should remain the source of disclosure in the first instance about the company's financial statements; the auditor's role is and should remain to provide assurance about that information. Adopting an AD&A would fundamentally alter the role of an auditor by making the auditor an original source of information about the company. Indeed, there is a risk that the auditor's role could be transformed from that of an independent, objective third party to that of a party who can influence the operations and direction of a company by providing a platform to articulate inherently subjective judgments about a company and its financial statements. And disclosures about these judgments could be influenced by any number of external forces – the economic environment, the dynamic relationship between the auditor and the client, and even stylistic choices about disclosures, to name a few.

In addition, providing additional statements from the auditor on management estimates, judgments, accounting policies, and "close calls" encountered during the audit would not make company financial statements easier to understand. Instead, we believe an AD&A would only serve to burden users with additional disclosures that, at best, provide some limited information that has not already been presented by management and, at worst, risk confusing readers and perhaps causing a lack of confidence in both the company's management and the auditors. Investors and other users of a company's financial statements would have to weigh and reconcile information provided by the auditor, the company's management, and, in some cases, the audit committee. This would not provide clarity, but would generate additional complexity and confusion.

An AD&A also would complicate the interaction the auditor has with the audit committee and, as a result, would impede an effective corporate governance process. Currently, auditors, audit committees and management have robust discussion about financial reporting issues. The AD&A concept would require that the substance of these discussions should then be reflected in the AD&A prepared by the auditor. This could drastically alter the relationship and dampen the flow of communication among these parties. The healthy dialogue that occurs among audit committees, management and auditors on issues related to accounting judgments and management estimates could become adversarial and thus strained as the auditor may dominate conversations on considerations related to AD&A disclosures the auditor might have to make in order to protect themselves from potential legal and regulatory exposure.. At a minimum, demands on audit committees would increase as they would have to spend additional

time analyzing and discussing the AD&A with the auditor. These foreseeable developments in the wake of an AD&A would undermine, rather than further, good corporate governance and would be detrimental to investors' interests.

Also, because an AD&A would place the auditor in the position of making original disclosures about the company, it would expose not only the auditor, but also the company, to new legal risks. For example, plaintiffs' attorneys inevitably will look to parse distinctions between statements made by the auditor and management and will seek to exploit these perceived distinctions.

Finally, although the empirical data to support any of the ideas in the Concept Release appears to be lacking, in the event such benefits are identified, the Board must rigorously examine those benefits against the extensive costs and the addition burdens that the concepts in the release would engender. This is particularly true in relation to the AD&A, which would require the auditor to expend extensive time and effort preparing the AD&A including multiple layers of internal review. As a predictive matter, it is reasonable to assume that these efforts to prepare an AD&A would result in considerable expense to the client. Given the accelerated reporting schedules that public companies now confront, the time and effort to fashion an AD&A also could put increased pressure on meeting these deadlines. Together, we believe these costs plainly outweigh any benefit that might be identified that the AD&A has to offer.

## **II. The Board Should Not Require Auditors To Provide Assurance On Information Outside Of The Financial Statements.**

The Concept Release also suggests that the Board may consider a proposal that would require auditors to provide assurance on information outside of the financial statements, such as information in Management's Discussion & Analysis (MD&A) and earnings releases. We do not support moving ahead with this concept. Current PCAOB standards require the auditor to review such information and consider whether it is inconsistent with the financial statements or constitutes a material misstatement of fact. This regime provides reasonable protection for investors while also appropriately balancing the costs that could arise from more intrusive requirements.

The costs of an attest engagement of the MD&A or other information outside of the financial statements would not be worth the marginal benefit that may be attained through conducting additional procedures. It may take considerable time and effort to complete these additional attest engagements. And, performing attest procedures in relation to earnings releases could delay the release of this information to the market. As noted in the Concept Release, the PCAOB standards currently permit such an engagement, but those engagements are rarely conducted. The fact that companies have not embraced this additional attest engagement suggests that the costs of the engagement generally outweigh any benefits.

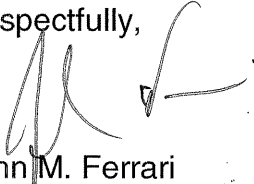
To the extent that certain information currently presented in the MD&A is deemed useful and that assurance of such information by auditors would be desirable, the

PCAOB should work with other standards-setters to consider whether the financial reporting standards should be modified so that such information is presented as disclosure in the notes to the financial statements.

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Thank you for the opportunity to offer our comments on this important issue. If you have any questions regarding these comments, please do not hesitate to contact me by email, [jferrari@unither.com](mailto:jferrari@unither.com), or telephone, 301-608-9292, extension 1729.

Respectfully,



John M. Ferrari  
Chief Financial Officer and Treasurer