

August 29, 2016

Public Company Accounting Oversight Board  
Attention: Office of the Secretary  
1666 K Street, NW  
Washington, DC 20006-2803

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

**Re: Rulemaking Docket Matter No. 034 – Proposed Auditing Standard – *The Auditor’s Report on an Audit of Financial Statements When the Auditor Expresses an Unqualified Opinion* and Related Amendments to PCAOB Standards**

Dear Members of the Board:

This letter is submitted on behalf of UnitedHealth Group Incorporated (“UnitedHealth Group” or the “Company”), a diversified health and well-being company dedicated to helping people live healthier lives and making the health system work better for everyone. UnitedHealth Group employs more than 200,000 individuals, is a Fortune 10 company with annual revenues expected to exceed \$180 billion in 2016 and a market capitalization in excess of \$134 billion as of June 30, 2016. We report financial information under the generally accepted accounting principles in the United States (“U.S. GAAP”), and we file public financial statements in accordance with the regulations of the United States Securities and Exchange Commission (the “SEC”).

We appreciate the opportunity to provide our comments in response to the Public Company Accounting Oversight Board’s (“PCAOB” or the “Board”) Rulemaking Docket Matter No. 034 as discussed in PCAOB Release No. 2016-03 dated May 11, 2016 (the “Proposed Standard”). The Company, together with the other four leading publicly-traded managed care companies in the United States (Aetna, Inc., CIGNA Corporation, Humana Inc., and Anthem, Inc.), commented on the PCAOB’s concept release related to Rulemaking Docket No. 034 (the “Concept Release”) in our letter dated September 28, 2011 (“2011 Joint Comment Letter”).

We acknowledge the PCAOB's objective to improve the relevance and usefulness of the auditor's report, and do not object to certain proposed enhancements to the auditor's report that we would consider minor, such as standardizing the form of the report. However, many of the concerns expressed in our 2011 Joint Comment Letter continue to exist in the Proposed Standard with respect to critical audit matters (“CAMs”) as determined by the auditor. Additionally, we do not agree auditor tenure should be added as a basic element of the auditor’s report.

## Critical Audit Matters

In our 2011 Joint Comment Letter on the Concept Release, many concerns were raised related to an Auditor's Discussion and Analysis ("AD&A"). These concerns continue to exist in the Proposed Standard in the form of CAMs, which would require the auditor to provide audit-specific information about challenging, subjective, or complex aspects of the audit as they relate to the relevant financial statement accounts and disclosures.

Under the current distinct frameworks that govern financial reporting and auditing, the roles of all parties involved are clear. *Companies* are responsible for compiling and disclosing financial information in accordance with U.S. GAAP and SEC reporting requirements for the purpose of providing users of financial statements with relevant, useful information about our businesses. *Auditors* are responsible for forming independent, informed opinions about whether or not we have fulfilled that responsibility. Finally, *audit committees and boards of directors* are responsible for active and independent oversight of management regarding the adequacy of internal controls, integrity of the financial statements, compliance with legal and regulatory requirements, and risk management; and a significant component of this role involves dialog and discussion with the auditors regarding the results of their audit procedures.

With respect to CAMs, our primary concern is that the addition of these to an auditor's report could alter the balance of duties within this framework by partially shifting responsibilities for reporting to our auditors. Additionally, enacting the proposed changes could have the effect of implying, in a subtle way, that audit committees are not capable of, or effective in, carrying out the responsibilities traditionally reserved for them. We believe that the Board's intention is to find a way to *supplement* our existing financial reporting; but in practice we believe that the proposed changes would have the effect of *diluting*, and potentially *supplanting* our own reporting to varying degrees to the detriment of users of our financial statements.

We do not believe that implementation of CAMs is appropriate as contemplated in the Proposed Standard. CAMs could undermine the role of the audit committee, which is independent from management and already represents the shareholders in its oversight of and direct communications with the auditors. Though we recognize CAMs would focus on challenging, subjective or complex areas of the audit, we believe it would be rare in practice for those matters to differ from critical accounting estimates which are already required to be disclosed by management. Furthermore, we believe CAMs would ultimately provide little incremental value to users of financial statements since, over time, "boilerplate" language would be unavoidable and the information provided in such reports would likely gravitate towards the lowest level of acceptable disclosure for the purpose of minimizing legal exposure. At the same time, auditors would face significant risks by deviating in any meaningful way from the statements and commentary provided by management (or by choosing to highlight different areas), so their reporting would most likely mirror the

company's reporting. The creation of duplicative disclosures does not add value or provide decision-useful information to our investors.

Though we believe duplication is most likely to occur, there is also risk of conflicting information being disclosed in the CAMs, or the CAMs disclosing competitively sensitive information. The Proposed Standard includes an explanatory note to address concerns about the auditor potentially becoming the source of original information, however, does not completely eliminate our concern. As previously stated, we believe financial statements, including disclosures of challenging, subjective, and complex estimates and areas are the responsibility of management. We believe it would be very rare for an auditor to deem something a CAM due to auditor judgment, which didn't first require management judgment. Auditors may not be consistent in identifying CAMs, and could identify inappropriate CAMs, for example based on industry benchmarking exercises. Exercising unbiased professional judgment may be difficult in practice, for legal exposure reasons, which could result in over reporting of CAMs, including CAMs related to areas not disclosed by management. Any unreconciled 'inconsistent or competing information' could be a source of great tension and disagreement between management, audit committees, and auditors and could lead to breakdowns in communication that would diminish the quality of financial reporting and auditing as a whole.

While certain investors may demand more transparent disclosure from public companies, we believe that reforms in that area should appropriately come from the standard-setters best positioned to enact them: the Financial Accounting Standards Board ("FASB") and the SEC.

Finally, the Proposed Standard requires auditors to describe how a CAM was addressed in an audit. We do not believe an auditor's procedures would be useful to users of the financial statements, and would also undermine the responsibilities of the audit committee. Publicly disclosing audit procedures would expose auditors to scrutiny from the public on whether their procedures were sufficient. A user of the financial statements does not necessarily have enough insight into a company or knowledge of auditing procedures to determine what procedures are appropriate given the facts and circumstances of a given company. The sufficiency of audit procedures should be determined through an auditor following generally accepted auditing standards, auditor judgment, an audit firm's quality control procedures, as well as through regulation by the PCAOB, among other things. The addition of these disclosures could result in increased audit procedures by the auditor to ensure that any and all possible procedures are performed, which could help mitigate auditor liability.

Audit risk is conceptually different than business risk, and not all of the risks businesses face impact the scope and conduct of an audit. More reporting on how and when specific audit procedures were conducted will not likely change how a strategic investor assesses the future prospects of our businesses, and will instead increase audit costs with little to no corresponding benefits to the investing community.

**Thomas E. Roos**  
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## **Auditor Tenure**

As further discussed in our comment letter to the SEC dated September 8, 2015 on SEC Release No. 33-9862 File No. S7-13-15, UnitedHealth Group does not believe disclosure about auditor tenure is necessary or effective. Requiring such disclosure implies there is a correlation between the length of an independent auditor's engagement and audit quality. However, as the Proposed Standard acknowledges, studies that have examined the role of auditor tenure on audit quality have reached mixed conclusions. We believe this to be particularly true in our complex and highly regulated industry. What matters most for companies such as ours is having a well-staffed and sufficient number of auditors with a deep understanding of the technical accounting principles applicable to our industry and our business.

UnitedHealth Group routinely chooses to disclose certain information in our proxy materials or other publicly available information that is not required under regulatory standards. Though we do not believe it should be a requirement within an auditor's report, UnitedHealth Group chooses to disclose auditor tenure within our audit committee disclosures in the proxy materials. We routinely engage with shareholders to determine which disclosures investors are interested in receiving, and take this feedback into consideration when preparing our disclosures. We believe auditor tenure should be a voluntary disclosure to be performed by the company and not the auditors, based on a company's unique facts and circumstances and investor base. We believe this information should be optionally included within other publicly available information, such as the proxy materials, where a company is able to further elaborate on auditor tenure such that inappropriate conclusions are not drawn by users.

## **Summary and Conclusion**

We recognize the PCAOB's objective to improve the relevance and usefulness of the auditor's report, however, believe the provisions regarding CAMs and auditor tenure do not achieve this objective. As we and other commenters have already suggested, the proposed changes regarding CAMs could potentially undermine the responsibilities and credibility of management teams and audit committees; adversely affect relationships among auditors, audit committees, and our management teams; and increase auditor legal exposure (which therefore increases costs to companies and investors with little to no added benefits). These are all significant potential effects that we strongly urge the Board to avoid.

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# UNITEDHEALTH GROUP\*

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We appreciate your consideration of our comments on the Proposed Standard. If we can provide further information or clarification of our comments, please call me.

Sincerely,



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