

**WRIT**

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December 11, 2013

Office of the Secretary  
PCAOB  
1666 K Street, N.W.  
Washington, D.C.

Re: PCAOB Rulemaking Docket Matter No. 034

Dear Board Members and Staff:

We appreciate the opportunity to comment on PCAOB Release No. 2013-005 (“Exposure Draft”) related to the auditor’s report and to the auditor’s responsibilities regarding other information. Washington Real Estate Investment Trust (“WRIT”) is a publicly traded real estate investment trust with a diverse portfolio of properties in the Washington metro region.

We appreciate the thorough process the Public Company Accounting Oversight Board (“Board”) has undertaken to evaluate the auditor’s report and the auditor’s responsibilities to make the report more informative, useful and relevant to financial statement users. However, we believe that key provisions in the Exposure Draft would add significant time and expense to audits without commensurate benefits. We discuss our specific objections and propose alternatives in our responses to the following questions provided in the Exposure Draft:

#### **Auditor’s Report**

**6. The proposed auditor reporting standard would require the auditor to describe the auditor’s responsibilities for other information and the results of the evaluation of other information. Would the proposed description make the auditor’s report more informative and useful? Why or why not?**

The existing other information standard requires the auditor to consider whether the other information is materially inconsistent with information in the financial statements. The exposure draft would enhance the auditor’s responsibility with respect to other information by adding procedures for the auditor to perform and would require communication of the procedures performed and their results in the auditor’s report.

We do not object to adding to the audit report a description of the extent and nature of the existing standard for auditor's review of other information. We prefer that any modifications to the auditor's report be clear and objective. We believe that standardized language provides value for financial statement users by minimizing the potential for misunderstanding and facilitating comparisons across companies.

We are opposed to any expansion of the scope of the auditor's responsibilities on other information. We believe that such an expansion requires a significant increase to the scope of an audit. In particular, the management discussion and analysis ("MD&A") section of the Form 10-K contains extensive disclosures, many of which contain prospective financial information. A requirement for the auditor to perform additional procedures on these disclosures would inevitably entail a substantial increase in the time, effort and expense needed to complete an audit. In addition to this added expense, this increase in audit scope could cause financial statement preparers to adapt the nature and extent of their MD&A disclosures to be readily reviewable by the auditor and to meet SEC filing timelines. We believe that the potential costs and unintended consequences of changing the auditing standards for other information clearly outweigh the potential benefits to financial statement users, and that the Board should simply require a description of the existing other information standard in the auditor's report. In addition, such information is reviewed by management as part of the financial statement disclosure process.

### **Critical Audit Matters**

**10. Would the auditor's communication of critical audit matters be relevant and useful to investors and other financial statement users? If not, what other alternatives should the Board consider?**

**11. What benefits or unintended consequences would be associated with the auditor's communication of critical audit matters?**

The Board is proposing that communication of critical audit matters be included in the auditor's report. The Board defines critical audit matters as matters that:

1. involved the most difficult, subjective, or complex auditor judgments;
2. posed the most difficulty to the auditor in obtaining sufficient appropriate evidence; or
3. posed the most difficulty to the auditor in forming the opinion on the financial statements.

The Exposure Draft indicates that critical audit matters would ordinarily include matters of such importance that they are:

1. documented in the engagement completion document, which summarizes the significant issues and findings from the audit;
2. reviewed by the engagement quality reviewer; or
3. communicated to the audit committee.

While we are supportive of the Board's objective to make the auditor's report more informative for the investor, we have several concerns about the proposed communication of critical audit matters.

First, the proposed content of the critical audit matters is largely duplicative of items that should already be covered in the "critical accounting estimates" section of the MD&A. We therefore do not believe that the addition of critical audit matters to the auditor's report would add significant new information for the users of the financial statements. On the contrary, duplicating elements of the quarterly filings in the auditor's report would likely make the financial statements more confusing for the users.

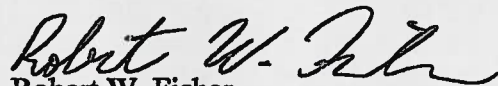
Further, we believe that over time the volume of items considered to be critical audit matters will expand. In an effort to be thorough, the auditor may end up including extensive lists of critical audit matters in their audit reports. We question the usefulness of multi-page auditor's reports for financial statement users, as any useful information in the auditor's report would be obscured by the potential volume of disclosures.

Finally, we are concerned that critical audit matters could be used by the plaintiff's bar in asserting claims against public companies. Issues and findings from the audit or matters reviewed by the engagement quality reviewer could be improperly construed as potential areas of misstatement. We firmly believe that communications between the auditor and a company's audit committee should remain confidential for matters that do not rise to the level of material weakness.

We propose that the auditor should be required to provide in the auditor's report a more thorough description of auditing procedures performed, without disclosure of critical audit matters. If the Board believes that financial statement users need more information about subjective or complex items in the financial statements, then this would be better addressed through improved standards for MD&A disclosures.

Thank you for the opportunity to comment on this Exposure Draft. If you have any questions or would like to discuss our comments and concerns, please contact Robert Fisher, WRIT's Director of Financial Reporting, at (301) 255-0825 or [bfisher@writ.com](mailto:bfisher@writ.com).

Sincerely,



Robert W. Fisher

Director of Financial Reporting