

December 11, 2013

Office of the Secretary
PCAOB
1666 K Street, N.W.
Washington, D.C. 20006-2803

Via email

Re: PCAOB Rulemaking Docket Matter No. 034

Dear Sir or Madam:

We appreciate the opportunity to comment on the proposed changes to audit standards in PCAOB Release No. 2013-005. AK Steel is a \$6 billion producer of flat-rolled carbon, stainless and electrical steels, primarily for automotive, infrastructure and manufacturing, construction and electrical power generation and distribution markets.



We do not believe the proposal to disclose critical audit matters is appropriate. In our opinion, readers may misconstrue a listing of critical audit matters to represent a summary of the only important issues affecting the financial statements and, as such, may focus on those issues to the detriment of other important disclosures that may not be deemed to be a critical audit matter. The auditor's report should not become a summary of critical accounting issues in lieu of a thorough analysis of the financial statements and other disclosures. In addition, we believe a reader may conclude that the critical audit matters represent an opinion on a part of the financial statements at a higher level than the financial statements taken as a whole (e.g., "The financial statements have been audited, but [critical audit matter] has really been audited thoroughly and is 100% right.").

Further, the identification of critical audit matters will be subject to a great degree of judgment and the conclusion of what is and isn't a critical audit matter could differ greatly between different auditors and different companies. We are concerned that disclosure of critical audit matters might expose auditors and registrants to liability for not disclosing something as critical even though the auditors may have properly identified and audited the issue.

We believe that drafting the disclosures of the critical audit matters would also be overly time consuming and would introduce the potential for greater tension in the relationship between auditor and management and increase audit costs, outweighing any potential utility of the disclosure. In part, this may be caused by the need to disclose the considerations that led the auditor to determine that the matter is a critical audit matter. Because the auditor has greater access to privileged information than the general public, the considerations that the auditor relied on to determine a critical audit matter may include information that has not been publicly disclosed, either due to immateriality or sensitivity. For example, the existence of a significant control deficiency may increase the criticality of an audit matter in the eyes of the auditor, but that same fact is not required to be disclosed by management because it does not rise to the level of a material weakness. Thus, disclosure of critical audit matters may exceed the level of disclosures required by existing SEC requirements and U. S. generally accepted accounting principles. Attempts by the auditor and management to synchronize these disclosures will likely result in much greater time-intensive discussion and additional drafting of footnotes, audit report and other disclosures, as well as audit costs, without rendering significant benefit to the reader. Traditionally, the auditor's report has

largely been standardized and generally consistent amongst audit firms. This proposal would raise the stakes of how critical matters are disclosed to the public and, as a result, management will be very concerned with how those messages are worded and whether they are consistent with how they are disclosed in other areas of the annual report. This would significantly change the process by which the auditor's report was drafted, reviewed and approved, with much greater management involvement in drafting the auditor's report. We believe a clear distinction of responsibility should be maintained—management's responsibility for preparation of the primary financial statements and related disclosures and the auditor's responsibility for testing management's financial statements and disclosures. The disclosure of critical audit matters would certainly blur that division of responsibilities due to disclosure of risk factors and other company-specific matters outside of the financial statements and notes.

If the Board proceeds with requiring a disclosure of critical audit matters, we believe that the requirement to refer to the relevant financial statement accounts and disclosures that relate to the critical audit matter may necessitate a reference to disclosures outside the audited financial statements and notes, such as reference to management's discussion and analysis or the critical accounting estimates section in the Form 10-K. The Board should consider how reference to disclosures that may not be included in the audited financial statements would affect the ability of the auditor to identify and describe critical audit matters in the auditor's report.

We note that the proposal suggests the communication of critical audit matters could help to alleviate the information asymmetry that exists between company management and investors. We believe that information asymmetry is not an issue between management and investors, but rather, an issue as to whether all investors are on equal footing. Management will *always* have more information than an investor because of their role. We believe that if a reduction of information asymmetry is desired, it is a financial reporting issue to be addressed by the FASB and the SEC, not through disclosures in the auditor's report.

We agree with your proposed additional standard language on registration with the PCAOB and the requirement for the auditor to be independent. We believe that the emphasis on the auditor's independence is desirable and hope that this helps to clarify the relationship between the company and the auditor. We also believe that the proposal to disclose the auditor's tenure may be valuable to some investors who might believe that a long tenure reduces auditor independence. However, we don't believe that including the auditor's tenure in the auditor's report is appropriate. We believe that this disclosure in the auditor's report may lead to questions of the credibility of the auditor or their conclusion if presented in this context. Ultimately, the company's audit committee and auditor must determine whether or not the auditor is independent prior to the audit and the issuance of the auditor's report. We believe that tenure information would be more appropriately disclosed in the proxy statement, where a discussion of tenure and fees can be placed in the proper context of addressing independence as part of the discussion of engagement/re-engagement of the auditor.

We believe the proposal would not make clearer the auditor's role in reviewing other information in annual reports filed with the SEC containing the financial statements and the related auditor's report. We believe that the "conclusion" proposed by the PCAOB would be misunderstood by the reader to represent a greater level of involvement by the auditor with that other information than intended. Also, we believe the incorporation by reference of the proxy statement and other items would leave the auditor in a strange position of having written a "blank check" for reporting on their involvement with other information that may not even have been drafted before the issuance of the auditor's report and that will be incorporated in the annual report in the future.

If you have any questions, please feel free to contact Roger K. Newport (513.425.5270 or roger.newport@aksteel.com) or Gregory A. Hoffbauer (513.425.2099 or greg.hoffbauer@aksteel.com).

Sincerely,

Roger K. Newport
Vice President, Finance and Chief Financial
Officer

Gregory A. Hoffbauer
Controller and Chief Accounting Officer