



Monty Garrett  
Vice President Finance

December 11, 2013

Office of the Secretary  
Public Company Accounting Oversight Board  
1666 K Street, N.W.  
Washington, D.C. 20006-2803

**Re: PCAOB Rulemaking Docket Matter No. 034**

Dear Mr. Secretary:

Verizon Communications Inc. ("Verizon") appreciates the opportunity to comment on the Public Company Accounting Oversight Board's ("PCAOB" or the "Board") proposed auditing standard on The Auditor's Report on the Audit of Financial Statements When the Auditor Expresses an Unqualified Opinion; The Auditor's Responsibilities Regarding Other Information in Certain Documents Containing Audited Financial Statements and the Related Auditor's Report; and Related Amendments to the PCAOB Standards (together the "proposal").

We support the Board's goal to provide investors with the information necessary to make informed decisions; however, we believe that management, not a company's auditors, should be the primary source for providing investors with information about the company's business and operational risks. While we understand that some modifications to the auditor's report may be desirable, we believe that the Board should carefully assess whether aspects of the current proposal will blur the line between the unique responsibilities of management and auditors. Moreover, we believe certain changes could negatively impact audit quality in ways that would be expensive, and could lead to investor confusion, disagreements between preparers and auditors, and inhibit open communication between management, the audit committee and auditors.

***Critical Audit Matters***

We believe the subjective nature of the proposal's criteria for identifying critical audit matters may lead to several potential issues in practice. Without a defined structure or precedent concerning the methods for determining critical audit matters, we foresee potential differences in opinion between auditors and preparers as to the number of critical audit matters, the wording used to describe them and their significance. We are concerned that the resulting discussions between these parties to identify critical audit matters under this proposal may ultimately lead to a reduction in the quality of the overall audit process in order to complete the auditor's report given the filing time restrictions. We also foresee situations where companies with similar audit issues receive substantially different audit reports. This could include identifying different critical audit matters or identifying the same critical audit matters with different descriptions. While some investors have indicated that this situation is not problematic for

them (as they are used to reviewing differing Management's Discussion & Analyses), other investors may wrongly conclude that significant differences exist between the companies and make invalid investment decisions.

In addition to the high level of subjectivity in the current proposal, we believe there is potential for duplication of information. We are concerned that critical audit matters focusing on the background of the matter rather than the audit procedures used to address the matter create the potential for duplication. For instance, we believe the examples provided in the proposal include redundancies with Item 303 of Regulation S-K, which requires management to identify and discuss critical estimates that are used in critical accounting estimates and policies. If critical audit matters are to be included in the auditor's report, the report should focus on audit procedures and reference to the background information within the financial statements, management's discussion and analyses, or other information.

Another unintended consequence of the proposal relates to the possibility for confusion by the investor or user of the audit report. The auditor will identify, describe and refer to the relevant financial statement accounts and disclosures for each critical audit matter; however, no conclusion or resolution is communicated for each matter. While we do agree that communication of a conclusion for each critical audit matter may lead to a piecemeal opinion, we anticipate that investors will have trouble connecting the critical audit matters to the "pass or fail" nature of the audit opinion. If critical audit matters are included in the auditor's report, the report should indicate these matters did or did not cause an audit finding or deficiency. In addition, we believe there is ambiguity in the current proposal concerning disclosures related to the audit matters not considered critical. If the auditor determines a matter not to be a critical audit matter in accordance with the proposal, then the additional disclosure should not be warranted. Eliminating this requirement will ultimately benefit investors as they will be relieved of the burden of sorting through extraneous levels of reporting. Finally, if investors have questions or request clarification on descriptions of critical audit matters, preparers will be put in the position of answering for the auditor which further blurs the role of preparer and auditor.

#### ***Other Information Outside of the Financial Statements***

We recommend the Board limit the proposal as it relates to other information to identifying material inconsistencies with financial statement information that is included as part of a company's filing. Auditors currently have the responsibility to read non-financial statement information in public filings to ensure such information is materially consistent with the audited financial statements. The additional auditor requirements to provide attestation that other information falling outside the financial statements, such as management's discussion and analysis or other information incorporated by reference, is free from material misstatements of fact could be unreasonably burdensome. We are concerned that requiring these additional procedures will add significant cost with little countervailing benefits for investors, as the expertise of auditors may not extend to information beyond the financial statements. We believe an audit over areas that are not based on authoritative accounting requirements would create a costly, time intensive process for the auditors and preparers, and would ultimately make timely reporting more difficult. In addition, imposing this additional requirement may actually have the unintended effect of causing companies to reduce the financial information they include in their MD&A.

#### ***Other Auditor Report Proposed Changes***

We do not oppose the proposed change to provide investors with information about the auditor's independence and tenure, although we do not necessarily believe communicating this information will enhance an investor's understanding of a company. The name of the current auditor's report includes the word "independent", which we believe is sufficient for investors to understand the auditor's obligations related to independence.

We commend the Board's efforts to enhance the communications to investors regarding audit information; however, we strongly believe there are significant unintended consequences and implementation concerns with the current proposal.

Thank you for the opportunity to comment on this proposal.

Sincerely,

A handwritten signature in black ink, appearing to read "Monty Garrett", written in a cursive style.

Monty Garrett  
Vice President - Finance