

August 14, 2009

Mr. J. Gordon Seymour
Office of the Secretary
Public Company Accounting Oversight Board
1666 K Street, NW
Washington, DC 20006-2803

Re: PCAOB Rulemaking Docket No. 029 – Engagement Partner Signature on the Audit Report

Dear Mr. Seymour:

We are members of the Auditing Section of the American Accounting Association, and are writing to commend the PCAOB for formally considering requiring the engagement partner's signature on the audit report. As you are aware, the U.S. Department of the Treasury's Advisory Committee on the Auditing Profession recommended that the PCAOB undertake a standard-setting initiative mandating the engagement partner's signature on the auditor's report. We believe that such a requirement is likely to have a number of positive effects, including a change in partner behavior that would positively influence audit quality, and an increase in transparency for audit and financial statement users. We are not advocating any specific requirements of the partner sign-off (e.g., which partners should be required to provide signatures); rather, we want to highlight why having one or more individuals provide a personal signature on the audit report has strong potential merit (addressing Questions 1-3 of the July 28th Concept Release). Below we describe the basis for our belief, including references to relevant research. This letter represents our views, which are not necessarily the views of our universities, the American Accounting Association, or the Auditing Section of the American Accounting Association.

While the academic literature does not directly address the issue of partner sign-off, research (e.g., DeZoort, Harrison, and Taylor 2006; Johnson and Kaplan 1991; Kennedy 1993) shows that accountability (which would likely result from having to provide a personal signature on the audit report) reduces auditors' biases in information processing and enhances auditors' consensus and effort. We believe that there is a persuasive body of evidence suggesting accountability effects are robust across a variety of groups representing different ages, professional interests, and hierarchical levels. Further, the psychology literature (Schlenker, Britt, Pennington, Murphy, and Doherty 1994) highlights that individual sense of responsibility for performance "flows" from accountability. We also find it very interesting that a recent research study (Cohen, Krishnamoorthy, and Wright 2009) reports that 68% of practicing auditors interviewed believe that the SOX Section 302 requirements for CEO and CFO certification have had a positive effect on the integrity of financial reporting. Reasoning would suggest that certification by an audit partner, in the form of a personal signature, would have a

similar positive effect on the performance of the audit. We also refer you to Carcello, Bedard, and Hermanson (2009), who expressed strong support for audit partner signatures on the audit report.

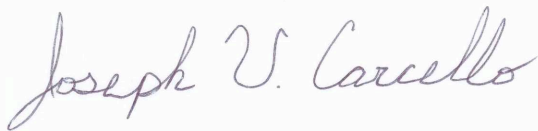
We acknowledge that the current research does not definitively settle the issue of partner sign-off, and we recognize that researchers may learn about other effects of partner sign-off with additional research. However, we believe that currently there is a strong basis for anticipating that partners, and hence audit quality, would be affected by the accountability pressure resulting from providing a personal signature.

Thank you for your work on this very important initiative and your continued focus on the public interest.

Sincerely,

A handwritten signature in black ink, appearing to read "A. Gramling".

Audrey Gramling, Past President, Auditing Section of the American Accounting Association,
Kennesaw State University

A handwritten signature in black ink, appearing to read "Joseph V. Carcello".

Joseph Carcello, Ernst & Young Professor and Director of Research – Corporate Governance
Center, University of Tennessee

A handwritten signature in black ink, appearing to read "Todd DeZoort".

Todd DeZoort, Professor of Accounting and Accounting Advisory Board Fellow, The University
of Alabama

A handwritten signature in blue ink, appearing to read "Dana Hermanson".

Dana Hermanson, Dinos Eminent Scholar Chair and Professor of Accounting, Kennesaw State
University

References:

- Carcello, J. V., J. C. Bedard, and D. R. Hermanson. 2009. Responses of the American Accounting Association's Tracking Team to the recommendations of the Advisory Committee on the Auditing Profession. *Accounting Horizons* 23 (1): 69-84.
- Cohen, J. R., G. Krishnamoorthy, and A. Wright. 2009. Corporate governance in the post Sarbanes-Oxley era: Auditor experiences (March 8). Available at SSRN: <http://ssrn.com/abstract=101402>.
- DeZoort, T., P. Harrison, and M. Taylor. 2006. Accountability and auditors' materiality judgments: The effects of differential pressure strength on conservatism, variability, and effort. *Accounting, Organizations and Society* 31 (4/5): 373-390.
- Johnson, V. E., and S. E. Kaplan. 1991. Experimental evidence on the effects of accountability on auditor judgments. *Auditing: A Journal of Practice & Theory* 10 (Supplement): 96-107.
- Kennedy, J. 1993. Debiasing audit judgment with accountability: A framework and experimental results. *Journal of Accounting Research* 31 (2): 231-245.
- Schlenker, B., T. Britt, J. Pennington, R. Murphy, and K. Doherty. 1994. The triangle model of responsibility. *Psychological Review* 101 (4): 632-652.