

American Federation of Labor and Congress of Industrial Organizations



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March 17, 2014

Sent via e-mail to comments@pcaobus.org

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

Re: Rulemaking Docket Matter No. 029: Improving Transparency Through Disclosure of Engagement Partner and Certain Other Participants in Audits

Dear Ms. Brown:

On behalf of the American Federation of Labor and Congress of Industrial Organizations (the "AFL-CIO"), I appreciate the opportunity to comment to the Public Company Accounting Oversight Board (the "PCAOB") regarding its proposed auditing standards on improving the transparency of audits, PCAOB release No. 2013-009 dated December 4, 2013. The proposed amendments will require disclosure in the auditor's report of the name of the engagement partner and disclosure in the auditor's report of the names, locations, and involvement of other entities that took part in the audit.

The AFL-CIO is the umbrella federation for U.S. labor unions, including 56 unions representing 12.5 million union members. Union-sponsored and Taft-Hartley pension plans hold more than \$540 billion in assets. Union members also participate directly in the capital markets as individual investors and as participants in pension plans sponsored by corporate and public-sector employers. Like all investors, union members and their pension plans will benefit from receiving more information about audits and the auditors whose work is vital to preventing accounting fraud.

The AFL-CIO commends the PCAOB's proposal to improve audit transparency by requiring disclosure of the names of audit engagement partners and the names and locations of independent audit firms and others who took part in the audit. This additional disclosure will help users of financial statements become better informed

about the quality and reputation not only of the audit firm but also of the engagement partner and any third parties who are responsible for conducting the audit. In our view, these improvements to audit transparency are long overdue.

The disclosure of engagement partners and the names, locations, and involvement of other entities that took part in the audit will enhance proxy voting by shareholders on audit firm ratification votes. Shareholder ratification of the company's selection of its auditor is an important corporate governance safeguard to help ensure effective audits. With the proposed disclosures, shareholders will be better able to evaluate whether engagement partners and any third parties participating in the audit have a history of financial restatements, disciplinary hearings, or litigation.

While we are pleased the PCAOB has proposed requiring the name of the engagement partner to be disclosed in audit reports, we believe the disclosure lacks the weight of requiring the engagement partner to sign his or her name on the auditor's report in addition to the audit firm's name. Other professions such as attorneys personally sign their work product. We find the absence of the engagement partner's signature difficult to understand given that chief executive officers and chief financial officers must personally certify company financial statements.

In conclusion, the PCAOB's proposed amendments will benefit investors by making audits more transparent. Disclosure of engagement partners and the role of third parties who take part in audits will provide valuable information to those who rely on financial statements. For example, these disclosures will aid the development of an information clearinghouse listing any sanctions, suspensions and litigation against engagement partners or other third parties involved in conducting audits. Investors can already obtain this type of information about brokers and investment advisers.

Thank you again for the opportunity to comment on the proposal. If you need any additional information, please contact me at 202-637-5152 or brees@afcio.org.

Sincerely,

A handwritten signature in black ink, appearing to read 'Brandon J. Rees', written in a cursive style.

Brandon J. Rees
Acting Director, Office of Investment