
From: Eric Smith [mailto:topjet@blazemail.com]
Sent: Tuesday, October 05, 2010 9:05 PM
To: Comments
Subject: Docket 031 : Concept Release on Possible Rulemaking Approaches to Complement Application of Section 105(c)(6) of the Sarbanes-Oxley Act of 2002

I am a concerned citizen. Oversight of supervisory responsibilities at accounting firms is sorely lacking, whether due to pride or arrogance, and the result has been major audit blunders like Enron.

I cite the Report on the 2007 National Single Audit Sampling Project conducted by the Audit Committee of the President's Council on Integrity and Efficiency (PCIE), and the Executive Council on Integrity and Efficiency (ECIE) where 35.5% of A-133 audits were substandard and 16% were of limited reliability. "Supervision not documented" was a deficiency cited as an occurrence creating a reduction in audit quality. Should the PCAOB engage a national study of its issuers, it might find that the same conclusion may be drawn.

We hold CEOs and CFOs accountable by requiring them to sign off on financial statements because we expect them to take responsibility for their numbers. Why do we not hold auditors accountable for their work-product in a similar way?

More than ever, investors, boards of directors, and financial statement users demand accountability and transparency from corporate management and their auditors. How can these goals be achieved without the proper assignment of responsibility to individuals? What went wrong and how could it have been prevented? Specifically, when performing an audit failure autopsy, one ought to be able to determine the steps missed, why they were missed, and the person responsible for that failure.

My intention is not to scapegoat any individual, but to take a hard look at the supervision and assignment of responsibilities with that individual. If s/he was an experienced auditor and acted with due diligence, then let the documented record reflect his/her vindication. Otherwise, the firm may have made a mistake in the proper supervision and assignment of responsibilities and should be held accountable. The auditor's documentation should be transparent to dispel any confusion over accountability.

Eric Smith