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**From:** suzanne shatto [shamlet76@gmail.com]  
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Docket 034 : Concept Release on Possible Revisions to PCAOB Standards Related to Reports on Audited Financial Statements and Related Amendments to PCAOB Standards

<http://pcaobus.org/Rules/Rulemaking/Pages/Docket034.aspx>

i am an investor.

i have been watching the auditing controversy for some time.

in my opinion, the auditors have forgotten why they are going through this exercise.

someone has to comment on information presented to the SEC and investors and other stakeholders. it should be the auditors.

this is a business climate that is in a crisis brought about by the lack of truthfulness individually by companies and collectively by economic entities.

it is important to know:

if the commercial entity does not have the means to carry on the activities which are the subject of the audit. so far, only the "going concern" paragraph addresses this. auditors need to consider whether there might be events that would affect future revenues, such as the audit of a biotech that has an FDA submission in clinical trials, in the process of an FDA clearance process or an FDA drug submission process. in this case, future revenues certainly could be addressed by noting the possible application, the possible market for this submission. the investors can figure out whether they wish to invest in such a company.

it is important to know if the inventory is incorrect. the auditor should be required to do more than rubberstamp the inventory. the auditor should look at the inventory and verify that it is there. they should see that the inventory is not counterfeit. they might have to verify a count, whether by random sampling or counting it themselves or roughly estimating inventory. this same thing is true of accounts receivable, accounts payable. this issue might be particularly of concern in the securities business. i don't think an inventory reconciliation has been done in over 30 years. we all know what happens when we skip inventories. the clearinghouse has been "netting" long and short positions, has not been delivering particular stock certificates. if valid and legal stock certificates do not exist, what is the auditor going to do?

do customers exist? do vendors exist? is the inventory obsolete? are the accounts receivable to sold as to be uncollectable? how do these measures compare with the industry?

if there are "off-balance sheet items", i think an explanation of this should be required. in my view, anytime you take something off the balance sheet, you are creating a likely misstatement.

if management's discussion is misleading, what are auditors going to do?

if false records are presented or suspected, what would an auditor do?

i think resignation is not specific enough. as you know, the content of resignation letters that are filed with the SEC are notoriously blank about the causes of the resignation.

the reason that the auditors are hired is so that stakeholders can be assured that the financials fairly state the position of the entity and warrant that they are independent and impartial. auditors are often our eyes and ears. this is their role.

i also think that as audits become more complicated, they will need more time to complete the work.

i think auditors need a plan to address these items. the current model does not appear to address many possible situations that would impact the investment value or commercial interests in the marketplace. so at the very least, auditors need to redraft the current boilerplate statement.

while auditors are not in the law enforcement field, their work product might be required, should there be a legal/criminal question.

suzanne hamlet shatto