



December 6, 2013

Office of the Secretary
Public Company Accounting Oversight Board (PCAOB)
1666 K Street, N.W.
Washington, DC 20006-2803

PCAOB Rulemaking Docket Matter No. 034

Board Members,

The Accounting & Auditing Committee and the Public Companies Subcommittee of the Accounting & Auditing Committee of The Ohio Society of CPAs are pleased to provide comment on the proposed auditing standard dealing with the auditor's report (PCAOB Release 2013-005, dated August 13, 2003).

While we generally concur with the direction of this recent release and the proposed changes, including retention of the pass/fail model in the auditor's report, elimination of the supplemental narrative report (described as an auditor's discussion and analysis (ADA)), and the proposed enhancements to certain standardized language in the auditor's report, there are several areas where we would recommend alternatives be given further consideration by the Board, including:

- **Critical Audit Matters**--The proposal includes a requirement that Critical Audit Matters be delineated by the auditor in their report. We believe this proposed expansion of the auditor report will most likely mirror the detailed disclosures already included in the Critical Accounting Policies and Use of Significant Estimates area of the Form 10-K filed annually by publicly held companies with the Securities and Exchange Commission (SEC).

Redundant inclusion of this type of information within the auditor's report will add to the length of that report without providing any truly unique information to the investor or other user of the financial statements. In an attempt to satisfy PCAOB expectations, we believe auditors will likely err on the side of including more, not less, of such identified Critical Accounting Matter disclosures and that such narrative in the end will therefore become watered down and boilerplate. Since the auditor already reviews similar disclosures prepared by management within the Form 10-K, we believe the onus should remain with the company within the existing Critical Accounting Policies disclosures in the Form 10-K. No further repeating of this information in the form of Critical Audit Matters in the auditor's report is beneficial. We also believe that this will add to the costs of the audits and for the negligible benefits to the users of the financial statements we do not believe these additional costs are warranted.

- **Auditor Independence**-- The proposal includes adding a statement regarding auditor independence. The auditor's report already includes the word "independent" and states that the audit was performed in accordance with PCAOB standards, which sets the independence standards. The proposed wording of "United States federal securities laws

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and the applicable rules and regulations of the SEC and the PCAOB” does not provide any further clarification.

- **Auditor Tenure**-- The proposal includes adding references to the year the auditor began serving as the company’s auditor, to provide investor and other financial statement users with information about the length of the relationship between the auditor and the company. We do not believe this information is relevant within the auditor’s report on annual financial statements, but would be more appropriate, within a company’s proxy statement filed on Form 14-A (Proxy).

With Proxy rule changes made on broker voting of shares, it is fairly common to have a proposal reconfirming the appointment of the external auditor included in the Proxy. In this context (as part of the Proxy), citing auditor tenure is relevant and useful to the investors in support of their vote on an external auditor. As a reference within the auditor’s report, we believe this information is not relevant and could serve to inadvertently overshadow the pass/fail opinion being expressed by the auditor.

Beyond the areas of concern above, we would also express our support and suggestions for these particular aspects:

- **Field Testing**--We believe the Board should undertake field testing as a part of the process in finalizing any changes contemplated in the auditor’s report and that such field testing should include participation from the auditor, investor and reporting company communities.
- **Other Information** --We also note changes are contemplated for dealing with other information in annual reports filed with the Securities and Exchange Commission. We understand those changes would include:
 1. Apply auditor responsibility to other information contained in a company’s annual report as filed with the SEC, that contain the company’s audited financial statements and related auditor report.
 2. Enhance auditor responsibility on that other information by added procedures for the auditor to perform in evaluating that information based on relevant audit evidence obtained and conclusions reached during the audit.
 3. Require auditor evaluation on other information for any material misstatement of fact or material inconsistency with amounts or information or in the manner of presentation in the audited financial statements.
 4. Require communication in the auditor’s report on their responsibility for reviewing other information and the results of such auditor evaluation.

We believe that auditors currently perform procedures on this other information and that the proposed change is only beneficial if the intent is to standardize practice in this area across audit firms and to clarify for users what the auditors’ responsibility and results of their procedures are. The primary objective in evaluation of this information should be to ascertain that no material discrepancies or misstatement of fact exist with regards to the other information as presented versus related views as provided in the audited financial statements and related footnote disclosures.

This is a focused and cost-beneficial objective for the auditor as part of their review. Currently, the auditors have a responsibility to read and “consider” the other information. We do not believe it is clear as to what the difference between “consider” and “evaluate” would be. In addition, we question whether there would be a separate materiality for the other information. Financial statement materiality is based on the financial statements taken as a whole, including qualitative factors. Will this same materiality be used for the other information? Finally, some other information may not relate to the historical results reported in the audited financial statements, such as projections and proposed changes by the Company. How will the auditor “evaluate” this information?

If through interpretative application by the PCAOB, this process results in this other information becoming the end focus of audit work and part of the scope of the auditor’s opinion on the fairness of the financial statement and footnotes, we believe the impact will be to add notable cost to the audit process and potential delays in filing. It is not clear such expanded audit process in this area would be cost beneficial; we would recommend any changes in this area be specifically defined by the PCAOB as to purpose. We believe this goal should be standardization of existing practice for reviewing other information outside the financial statements as opposed to significant expansion of the audit process to encompass other material as part of the overall audit process and audit opinion rendered by the auditor.

We would welcome any opportunity to further assist the PCAOB in its deliberations on this proposal and to answer any questions you may have on the above comments and recommendations.

Best Regards,

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