



November 30, 2011

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

RE: PCAOB Rulemaking Docket Matter No. 37

I am writing as the Chairman of the Audit Committees of CMS Energy Corporation (CMS Energy) and its wholly owned subsidiary, Consumers Energy Company (Consumers Energy). CMS Energy, whose common stock trades on the New York Stock Exchange, is a domestic energy company engaged in electric and natural gas utility services and independent power production, operating through subsidiaries in the U.S., primarily in Michigan. CMS Energy's market capitalization is approximately \$5 billion. Consumers Energy, the principal subsidiary of CMS Energy, provides electricity and/or natural gas to more than 6 million of Michigan's 10 million residents.

My career has consisted of almost 40 years as a commercial banker, most of which was dedicated to credit analysis, commercial lending, and loan portfolio management. Furthermore, over the last 20 years, I have served on the boards of directors of five public companies, once as chairman of the board. On three of those boards I served on the audit committee, twice as chairman. Additionally, I now serve as a trustee of the Munder Series Trust, a 1940 Act registrant, and formerly served as Chairman and CEO of its investment manager, Munder Capital Management. In all of these roles, I have reviewed the financial statements of numerous public companies and have depended heavily on the capability, independence, and integrity of audit firms to ensure that those financial statements are accurate and reliable.

Presently, I am a member of the Midwest Audit Committee Network, a group of 17 audit committee chairs from leading companies in Illinois, Indiana, Michigan, Minnesota, Missouri, and Wisconsin. This group is committed to improving the performance of audit committees and enhancing trust in financial markets.

I appreciate the opportunity to comment on Public Company Accounting Oversight Board (PCAOB) Release No. 2011-006, *Concept Release on Auditor Independence and Audit Firm Rotation* (the Concept Release). I believe that my background qualifies me to assess and provide constructive comments on the Concept Release.

While the PCAOB's objective of ensuring auditor independence, objectivity and professional skepticism is an important one, it is not clear that mandatory audit firm rotation would achieve any meaningful improvement in these areas. Furthermore, the negative consequences of mandatory audit firm rotation could outweigh any potential benefits. Mandatory rotation of audit firms could create unnecessary burdens on companies while impairing audit quality and diminishing the benefits of the audit committee's role in engagement oversight.

Increased Audit Costs

If the PCAOB mandates audit firm rotation, companies could incur significant costs. As discussed in the Concept Release, a survey conducted by the General Accounting Office in 2003 found that public accounting firms estimated that first-year audit costs would increase by more than 20 percent if mandatory audit rotation were implemented. On top of expected audit fee increases, mandatory audit firm rotation would require extensive time and effort by both the auditor and the company in order for the auditor to gain a thorough understanding of the company's operations and processes. Mandatory audit firm rotation could not only increase audit costs significantly, it could repeatedly disrupt the normal operations of a company and require both the company and the audit firm to reallocate time and resources.

Decreased Audit Quality

In order to conduct an effective audit, auditors require a broad understanding of the company's operations, processes, and internal controls, as well as the specialized accounting rules and practices of the industry in which the company operates. Generally, the longer an auditor's tenure with a company, the greater its technical knowledge of the company's business and industry and the better its understanding and judgment of critical accounting policies and estimates used by the company. An experienced auditor can better anticipate potential risks or problems the company might encounter in the near- or long-term future. Under mandatory audit firm rotation, such knowledge and comprehension gained by the auditor through years of experience would be lost.

CMS Energy and Consumers Energy operate in a highly regulated, specialized industry. Expertise in such an industry may be concentrated in a small number of audit firms. In the electric and gas utility industry, the majority of companies are audited by two of the "Big Four" firms, as these firms have the most extensive industry experience. An audit firm achieves such expertise by having a portfolio of clients that operate in a given industry; this affords the firm the opportunity to devote resources and training to the auditing of companies in that industry. Mandatory audit firm rotation could severely constrain an audit firm's ability to obtain and sustain industry expertise and, as a result, the quality of audits could suffer.

In addition, if companies were required to rotate audit firms periodically, the audit firms could have less incentive to maintain high service levels throughout the course of the audit in order to retain the engagement. Rather, as a result of mandatory audit firm rotation, firms might find that they are assured a place in the rotation, simply due to an imbalance of supply and demand. Complacent audit firms with less incentive to provide high-quality service would result in lower-quality audits.

Audit Committees Best Suited to Select and Oversee Auditors

Of the audit committee's many responsibilities, the primary one is overseeing the financial reporting process. Indeed, many of the audit committee's duties (e.g., monitoring internal control processes and overseeing the internal audit function; appointing, compensating, overseeing, and, if necessary, terminating the independent auditor; overseeing compliance and

risk management activities, etc.) relate to activities that support its primary objective of ensuring that investors receive high-quality information from the company. In the performance of these duties, the Sarbanes-Oxley Act requires that, among other things:

- all audit committee members be independent of company management;
- the independent auditor report directly to the audit committee;
- the auditor provide to the audit committee a report on critical accounting policies, alternative principles, and all written communications between the auditors and management; and
- the audit committee discuss and resolve disagreements between management and the auditor.

Essentially, the Sarbanes-Oxley Act designated the audit committee to act as an empowered representative of the companies' shareowners. Throughout the Concept Release, it seemed that, in general, the PCAOB failed to recognize or regard appropriately the seriousness with which audit committees take this responsibility. Given its independence, its awareness of the company's audit needs, and its other responsibilities, the audit committee is in the best position to select and oversee the independent auditor and to evaluate whether the auditor's independence has been compromised. An audit firm rotation requirement would severely hinder and undermine the audit committee's ability to oversee the financial reporting and audit process.

Over time, the audit committee and the independent auditor often develop a true partnership relationship, with the goal of ensuring that the company's shareowners receive accurate and reliable information from the company. Under mandatory audit firm rotation, this relationship would be lost, to the detriment of shareowners.

In conclusion, while I appreciate the PCAOB's objective of ensuring auditor independence, objectivity, and professional skepticism, it is not clear that mandatory audit firm rotation is a constructive means to this end. Mandatory rotation of audit firms will increase audit costs while also lowering audit quality. Furthermore, mandatory audit firm rotation would impair the audit committee's ability to exercise its responsibility to oversee the financial reporting and audit process on behalf of the shareowners. Thank you for the opportunity to comment on the Concept Release.

Sincerely,



Michael T. Monahan
Chairman of the Audit Committee of the Boards of Directors
CMS Energy Corporation and Consumers Energy Company