



National Association of State Boards of Accountancy

◆ 150 Fourth Avenue North ◆ Suite 700 ◆ Nashville, TN 37219-2417 ◆ Tel 615/880-4201 ◆ Fax 615/880/4291 ◆ Web www.nasba.org ◆

December 16, 2011

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

By mail and e-mail to: comments@pcaob.org

RE: Concept Release on Auditor Independence and Audit Firm Rotation No. 2011-006

To the Members of the Public Company Accounting Oversight Board:

We appreciate the opportunity to offer comments to the Public Company Accounting Oversight Board (“PCAOB”) on its Concept Release on Auditor Independence and Audit Firm Rotation (the “Concept Release”). The National Association of State Boards of Accountancy’s (NASBA) mission is to enhance the effectiveness of State Boards of Accountancy.

We agree with the Board’s objective to emphasize professional skepticism in the auditor’s role in achieving high quality audits. The PCAOB is now interested in comments on whether mandatory rotation of audit firms would significantly enhance auditors’ objectivity and willingness to resist management pressure. NASBA offers the following comments on the Concept Release from a regulatory perspective.

The principal belief underlying the consideration of mandatory rotation of audit firms is that long-term engagements of audit firms breed “coziness” - the loss of professional skepticism, objectivity and independence. The suggested solution is to require mandatory rotation of firms after a certain number of years.

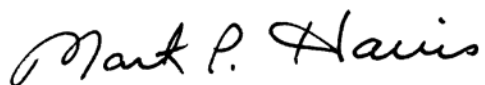
Mandatory rotation of audit firms could result in significantly higher audit fees, loss of institutional knowledge of a client’s business, lowering of audit quality in the first years of rotation and loss of the experience of auditors in specialized industries. Mitigating the effects of undue familiarity are the ongoing changes in the ranks of management. In our view, an evaluation of the effects of management changes should also be considered in a more holistic approach, taking into account such other variables that may threaten auditor objectivity. To justify mandatory rotation of audit firms, it is necessary to establish that there is a strong correlation between length of service and loss of professional skepticism, objectivity and independence. We believe the PCAOB should undertake such research prior to requiring mandatory rotation. We also suggest that the PCAOB focus on other measures to address professional skepticism.

We believe that the audit committee is in the best position to judge whether to re-appoint an audit firm or change auditors. The PCAOB might be able to explore ways to assist audit committees in their determination of whether or not the engagement partner, concurring partner and the audit firm have performed (or intend to perform) the engagement and discharged their responsibilities to maintain their professional skepticism, objectivity and independence.

The PCAOB's inspection process has resulted in improvements in internal controls and audit quality. We believe that the PCAOB should continue to review and explore additional ways for audit firms to enhance quality control to improve monitoring and oversight of audit engagements in addition to the firms' internal inspection programs.

We appreciate the opportunity to comment on the Public Company Accounting Oversight Board's Concept Release on Auditor Independence and Audit Firm Rotation.

Sincerely,

Handwritten signature of Mark P. Harris in black ink.

Mark P. Harris, CPA
NASBA Chair

Handwritten signature of David A. Costello in black ink.

David A. Costello, CPA
NASBA President & CEO