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DEC 1 3 2011

Office of the Secretary,
PCAOB
1666 K Street, N.W.
Washington, D.C. 20006-2803

RE: PCAOB Rulemaking Docket Matter No. 37

Dear Board members,

I serve as Chair of the Audit Committee for Strategic Hotels & Resorts, Inc., a real estate investment trust that is publicly traded on the New York Stock Exchange. In addition, my prior experience includes serving on the Boards and chairing the Audit Committees of Gaylord Entertainment Company and Equity Inns, Inc. Previously, I was the partner-in-charge of the audit practices of Arthur Andersen's Memphis and Little Rock Offices. I would like to provide you with my comments on PCAOB Release No. 2011-006, PCAOB Rulemaking Docket Matter No. 37, your concept release on auditor independence and audit firm rotation.

I do not agree that requiring mandatory rotation of audit firms will further the goals of increasing auditor independence, objectivity, and professional skepticism. While these are crucial to protecting the public interest and to maintaining investor confidence, I believe that the changes made since enacting Sarbanes-Oxley have significantly improved the framework to bolster those three broad objectives. Codifying that the audit committee -- rather than management – is responsible for the selection and oversight of auditors, requiring mandatory partner rotation every five years, and the creation of the PCAOB as an independent entity to oversee the auditing profession have all made real progress in accomplishing the goal of increased auditor independence. While I believe a continued focus on maintaining and improving the level of auditor independence and their professional skepticism is important, I do not feel that requiring mandatory rotation of audit firms is the best answer.

I think your concept release does a good job of addressing the pros and cons of mandatory firm rotation. As I understand it, the arguments in favor of mandatory rotation are that by limiting the stream of potential audit fees, and by knowing that another firm would be following in a set number of years, an auditor would be less likely to be influenced by "pressure" from management. The cons include the increased costs that would likely be associated with periodically changing auditors, especially in a period of economic weakness and increased global competition, concern that audit quality may suffer in the early years of an engagement, and that mandatory rotation could exacerbate these problems.

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In my view, mandatory rotation does nothing to reduce management pressure, to the extent it exists. In my more than 40 years' experience as both an engagement partner and now as a director, I have never experienced "pressure" to reach an incorrect conclusion. There have been instances of misunderstanding the accounting standards, or what to do when no standard fits the specific question, but never pressure to make a wrong decision. However, to the extent "pressure" exists, it is on the engagement partner rather than the accounting firm. These firms are now so large that no one engagement can "move the needle" as it relates to that firm's financial performance. I believe the better rulemaking is to require that the firms' national professional standards groups not be overridden by any engagement partner. This provides the correct defense – it is now the firm, not any individual partner, making major practice decisions. I do not believe any of the major public accounting firms will "stretch" to accommodate any client, no matter how large, because all of the firms understand the extreme financial and reputational risks of doing so. To summarize, while I'm not convinced a client can successfully pressure a firm, the risk of that happening to one engagement partner, working on one engagement, might exist.

Mandatory audit firm rotation could actually have the unintended opposite effect on auditor independence and skepticism. For example, mandatory auditor rotation could increase the potential for pressure, since all firms would be constantly in the market to compete for new business. Those accounting firms perceived as being management-friendly based on references from their prior or current audit clients might have an advantage in gaining new business; such an arrangement would result in less independence, not more. I believe that at least part of the thought process in making the audit committee responsible for selection and oversight of auditors, was that it would reduce the potential for management to pressure auditors. Our Audit Committee has quarterly meetings with the auditors without management present to insure that the auditor can discuss any potential issues without repercussions from management. Most or all audit committees follow this best practice. Today, if a firm changes auditors, I think a red flag goes up with investors and other users of the financial statements questioning why. If firm rotations were to become common, I question whether it might it be easier for changes of auditors that are being made for the wrong reasons to more easily "slip under the radar."

With respect to the idea that changing firms provides a fresh look, I agree with that. However, I believe that the current mandatory engagement and concurring partner rotations, along with the non-mandatory changes that

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happen as a result of people making career moves and other factors, provide plenty of "fresh" looks. For example, in my seven years as Strategic's Audit Chair, we have had four engagement partners, two quality review partners, three relationship partners and various changes in the audit staff.

With respect to the negative aspects of mandatory rotation, there would be significant costs associated with changing firms. I think the 20% increase in costs mentioned in the concept release may be a reasonable minimum estimate. More importantly than cost, however, is that there could be an initial decrease in audit quality that results from a change in auditors. There is a learning curve associated with the first few years of any new audit engagement. While a firm may already have some familiarity with the industry, there are differences in structures, processes and people that must be understood before an audit can be effective. The more complex the business, the longer it takes to gain that knowledge. One of the concerns you express in the concept release, is that you have seen instances where auditors are too reliant on management responses to audit inquiries without sufficiently challenging or evaluating management's assumptions. In my experience, this is often the result of the auditor not understanding the business, not pressure from management.

In addition, mandatory rotation limits the Audit Committee's ability to choose the best qualified firm. As a practical matter, we start off being effectively limited to one of the "big four" audit firms. Combine that with the fact that different firms having different industry skills, and others are ineligible because they are providing independence disqualifying non-audit services, and the number of available firms is quite limited. If we as an Audit Committee are to be held responsible for assuring the integrity of the Company's financial statements and the independence and quality of the audit process, please don't limit our likely auditor choice to only one or two other firms. What good would it do to rotate between only two firms every five years, if the other two are disqualified because of independence issues? I have seen this disqualification scenario in several companies.

If the real issue is that audit firms are not appropriately challenging management's assumptions, it takes a large leap of faith to conclude that this is occurring because of management pressure or a perceived lack of independent thinking on the part of auditors. The real answer is that these problems are simply audit failures, not driven by external factors.

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I don't believe audit firm mandatory rotation will have the intended positive results, it may vastly limit our choice of an independence-qualified firm with appropriate industry skills to succeed the incumbent, and the significant increased costs are unjustified. There has to be a better answer.

Sincerely,

Robert P. Bowen

Robert P. Bowen
Director and Audit Committee Chair,
Strategic Hotels & Resorts, Inc.