



May 17, 2012

VIA ELECTRONIC MAIL

Public Company Accounting Oversight Board  
Office of the Secretary  
1666 K Street, NW  
Washington, D.C. 20006

**Re: PCAOB Rulemaking Docket Matter No. 038 (Proposed Amendments to Certain PCAOB Auditing Standards Regarding Significant Unusual Transactions and Other Proposed Amendments to PCAOB Auditing Standards)**

Dear PCOAB:

I appreciate the opportunity to comment on the Public Company Accounting Oversight Board's (PCAOB or Board) proposed rules, **Docket Matter No. 038 (Proposed Amendments to Certain PCAOB Auditing Standards Regarding Significant Unusual Transactions and Other Proposed Amendments to PCAOB Auditing Standards)**. I am an experienced auditor of subsidiaries of public companies subject to PCAOB standards and rules and an auditor of referring broker dealers that are not public companies that will be subject to PCAOB standards and rules. I believe my experience as a broker dealer auditor, as well as my experience as a bank auditor, auditor of subsidiaries of public companies and committee member of our state society of CPA's Banking and Stock Brokerage Committees allow me to bring a useful perspective.

Please note that all comments are those of the undersigned, Howard Gluckman, C.P.A., and do not represent any opinion of my firm or any other individual members or employees or consultants of my firm, Metis Group Certified Public Accountants LLC.

I support the Board's efforts in proposing these rules and I find them generally well thought, well written and clear. I generally do not support additional clarifications, which could limit the professional judgment necessary to comply with the standards and unnecessarily increase the cost, especially to smaller reporting entities. Current auditing standards should suffice for any qualified auditor. Under current standards an auditor is required to and will investigate all significant related party transactions and discuss them with management and the audit committee, as deemed appropriate in the circumstances.

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I therefore find that some of the positions can only bring additional steps that will lead to additional auditor hours and costs when they would not add to the quality of the audit engagement or its conclusions or public safety in reporting.

I respectfully request the Board to consider the following suggestions before finalizing the rules.

1. The proposed standard requires the auditor to communicate to the audit committee, in a timely manner and prior to the issuance of the auditor's report, the auditor's evaluation of the company's identification of, accounting for, and disclosure of its relationships and transactions with related parties. An auditor currently reports to an audit committee his audit findings from the audit of the financial statements as a whole, any reportable conditions, and internal control reporting under SOX, if applicable. If the company has an adequate system of internal control, already being reported upon and audited in connection with SOX and/or the SEC, that system should and will cover related party transactions. If not, the auditor would currently be required to report to the audit committee such a deficiency, which by definition would be significant. If an auditor has any comments about how the company handles and reports on related party transactions, they appear to be covered by the current auditing standards and reporting requirements to audit committees.

This proposal seems to establish a new separate report of "the auditor's evaluation of the company's identification of, accounting for, and disclosure of its relationship and transactions with related parties." I would assume the auditor will have to set up a separate audit program, work papers, partner review, and second partner review for this new reporting requirement. Clearly there also will have to be a separate fee for this work.

The proposal does not appear to have any waiver for non-significant or immaterial items. A lot of companies, especially subsidiaries of a group, have related party transactions that are handled properly, and are reported satisfactorily whether the amounts are material or not. There may be no need to discuss such cases with an audit committee or prepare a special audit program/procedure and special report. This proposal seems to require a separate program and separate reporting to the audit committee in even such a case.

I believe the proposal should have a waiver for execution, preparation and issuance of this audit report to the audit committee and specific communication to the audit committee, when the related party transactions are either already well known and discussed, not unusual in their nature, or not material or significant. When there is no risk of misleading financial statements, why add new requirements which will waste valuable time and resources?

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2. The proposed standard would amend AU sec. 333.06 for audits and interim reviews to require that the auditor obtain written representations from management indicating that management has disclosed to the auditor the names of all of the company's related parties and all relationships and transactions with related parties. The proposed standard also would amend AU 333.06 to require the auditor to obtain a written representation from management that there are no side arrangements or other arrangement (either written or oral) undisclosed to the auditor. The current AU 333 already requires the auditor obtain written representation from management that related party transactions have been properly recorded and disclosed in the financial statements. The additional mention specifically of "the names of all of the company's related parties and all relationships and transactions with related parties" only seem to imply that this is more important than other significant parts of audit information the auditor must obtain from management. Obviously, the auditor cannot evaluate related party transactions without knowing who the related parties are, as well as the various possible relationships. This line of reasoning by the PCAOB can lead to a requirement that the management representation letter include statements that the auditor was supplied the names of all banks dealing with the company, the names of all lenders, the names of all significant customers, the names of all executives, etc. Because without the auditor having all that information accurately supplied by management too, the auditor cannot properly perform the audit, and there is a risk of material misstatement. Continue this line of reasoning and the management representation letter will become a book. It is already difficult for management to understand all the implications of the current management representation letter.

The proposal lacks a definition of what is meant by "side arrangements or other arrangement" for this specific representation from management to have sufficient usefulness. Again, if management cannot clearly understand what they are representing, what value is that? We will only end up with management testifying in some future court proceeding that they signed the management representation letter, but really no one knows what it all means.

I thank you again for the opportunity to offer my thoughts on the proposal. I would be happy to discuss any of these matters. You can reach me at 212-643-0099 extension 242 or by email at [hgluckman@metisgrouppllc.com](mailto:hgluckman@metisgrouppllc.com).

Respectfully submitted,

*HGluckman*

Howard Gluckman, C.P.A.