



UNIVERSITY OF
NOTRE DAME

102 Mendoza College of Business
Notre Dame, Indiana
46556-5646 USA

MENDOZA COLLEGE OF BUSINESS
DEPARTMENT OF ACCOUNTANCY

Telephone (574) 631-7324
Facsimile (574) 631-5544
Web site www.nd.edu/~acctdep

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

RE: Rulemaking Docket Matter No. 025
Proposed Auditing Standard – Engagement Quality Review

Members of the Board,

I appreciate the opportunity to submit my comments to the Board with respect to the proposed auditing standard on engagement quality review. I retired from public accounting in 2007 after 27 years at Deloitte & Touche LLP and am currently a full-time faculty member at the University of Notre Dame teaching undergraduate and graduate courses in accounting and auditing.

My comments are as follows:

1. Should the standard require an EQR for other kinds of engagements performed according to PCAOB standards? If so, what types of engagements should be included and what should an EQR of such engagements entail?

The PCAOB's oversight responsibilities extend to all engagements related to filings with the Securities and Exchange Commission. Accordingly, I believe that EQR should be required for all filings in which the auditors' opinion/review report is included or incorporated by reference. The applicability of PCAOB standards to an engagement commences with the first filing of a company's financial statements in an initial public offering. The potential for impact on the broader public commences with an IPO and the audit of the financial statements included in such document should be of the same quality as that for all other public companies. Accordingly, EQR should be required in connection with those and all other registrations of securities and should include engagements to provide a letter to underwriters.

Finally, EQR should be required of all communications related to the audit or review engagement including communications with those charged with governance. The engagement quality reviewer will have the base of knowledge necessary to help insure such communications are comprehensive.

2. Is the objective in the re-proposed standard appropriately formulated? Does it articulate the purpose of an EQR?

I believe the objective is appropriately stated.

3. Will this objective contribute to a more thoughtful and effective EQR?

The objective states what an EQR should be and what I believe an EQR has been, when properly performed. The objective will not contribute to a more thoughtful and effective EQR; however, the standard as a whole likely will.

4. Is it appropriate to explicitly require a reviewer from within the firm to be a partner or an individual in an equivalent position?

I believe it is absolutely appropriate for an engagement quality reviewer to be a partner or equivalent.

5. Should the standard allow qualified accountants who are not employed by an accounting firm to conduct the review?

As an accommodation for smaller firms who do not have sufficient numbers of partners, I believe it is appropriate. However, I believe it should be restricted to those situations where personnel constraints make it necessary. The routine “out-sourcing” of EQR as a means to enhance engagement profitability should not be encouraged.

The Board should consider requiring the engagement quality reviewer be licensed as a CPA. The discussion in the release referred to the possibility that those outside the firm who are qualified to perform such reviews might be, for example, retired partners or professors of accounting. While it may seem implicit in PCAOB Interim Quality Control Standards (QC 40), the discussion in that standard is not specific as to what actually constitutes competency to function as the practitioner in charge of the audit of a public company. Holding a current, active license would help insure that the engagement quality reviewer has maintained some minimal level of continuing professional education that is relevant to the current practice of public accounting and conduct of audits.

6. Should the standard prohibit the engagement partner from serving as the reviewer for a period of time following his or her last year as the engagement partner? If so, is two years sufficient, or should it be extended?

I agree a two year restriction is appropriate, however I do not believe it should be restricted to the partner responsible for the engagement. Many larger engagements have multiple partners involved who should be considered for this restriction. Additionally, a new partner who would not have been subject to rotation requirements as a manager could have spent a number of years serving the registrant prior to becoming a partner and should not be placed in the position of functioning as the engagement quality reviewer for his former client and former engagement supervisor. All professional personnel should have a two year restriction prior to being assigned as the engagement quality reviewer. If the Board does not believe there are risks related to this area for these other personnel, then I question the rationale for the restriction related to the lead engagement partner.

7. Are the descriptions of the scope and extent of EQR procedures contained in the re-proposed standard appropriate? Will the performance of these procedures result in a high-quality EQR? If not, how should these procedures be revised?

The procedures as stated are appropriate. However, the Board should consider adding a statement to the effect that the engagement quality reviewer be given access to any and all documentation and engagement personnel he or she believes necessary to accomplish an effective review. This could become a source of contention in those situations where the engagement quality reviewer is from outside the firm. Neither the engagement partner nor the engagement partner’s firm should have the ability to limit the scope of the EQR.

8. Are the specifically required procedures appropriately tailored to reflect the difference in scope between an audit and an interim review?

They are; however I suggest the Board consider an additional requirement that the engagement quality reviewer consider the need to review selected working papers from the preceding annual audit (if this is a recurring engagement) such as the engagement completion document, summary of corrected and uncorrected misstatements, and any other materials the engagement quality reviewer believes is necessary to establish or regain familiarity with the client and so perform an effective EQR of the interim information. This is important for a newly assigned engagement quality reviewer and may be particularly important for a reviewer from outside of the firm as discussed in my comments to the preceding question.

9. Do the specifically required procedures sufficiently focus the reviewer on areas of highest risk? Are there other procedures that should be required?

I believe the procedures focus on areas of risk, but again the language should not be such as to suggest a limitation on what engagement quality reviewers can do should they conclude that additional procedures are necessary.

10. Is the standard for the engagement quality reviewer's concurring approval of issuance appropriately described in the re-proposed standard? Is the first condition appropriately tailored to reflect the difference in scope between an audit and an interim review?

I believe the standard is appropriate; no report should be issued without the concurrence of the engagement quality reviewer. I believe the first condition would provide me with sufficient guidance were I functioning as an engagement quality reviewer.

11. Are the documentation requirements in the re-proposed standard appropriate? If not, how should they be changed?

I believe the requirements are appropriate. They give the engagement quality reviewer sufficient leeway to determine how best to document the completion of the review. It permits development by the firms of standardized checklists, templates for memoranda, electronic completion documents or some combination of these and accordingly is not burdensome.

Finally, as I stated in my comment letter on the earlier version of this standard, I believe that the engagement quality review process is a "second line of defense" in the area of engagement quality. Accordingly, I encourage the Board to consider a project to address the qualifications and duties of the members of the engagement team – the "first line of defense" – with respect to engagement conduct and quality.

I appreciate the opportunity to offer my comments.

Sincerely,

s/ James L. Fuehrmeyer, Jr.

James L. Fuehrmeyer, Jr. MBA, CPA
Associate Professional Specialist
Department of Accountancy
University of Notre Dame
Notre Dame, IN 46556-5646