

Computer Sciences Corporation

Donald G. DeBuck  
Vice President and Chief Financial Officer

May 12, 2008

Office of the Secretary  
Public Company Accounting Oversight Board  
1666 K Street, N.W., 9<sup>TH</sup> Floor  
Washington, DC 20006-2803

**Re: PCAOB Rulemaking Docket Matter No. 25, “Proposed Auditing Standard – Engagement Quality Review and Conforming Amendment to the Board’s Interim Quality Control Standards”**



**FILED ELECTRONICALLY (comments@pcaobus.org)**

Dear Board Members and Staff,

Thank you for the opportunity to comment on the Public Company Accounting Oversight Board’s (the “Board”) proposed rule, “Proposed Auditing Standard – Engagement Quality and Conforming Amendment to the Board’s Interim Quality Control Standards” Release No. 2008-002 (the “Proposed Standard”), which was issued February 26, 2008. We commend the Board on its comprehensive efforts to involve all relevant constituencies in formulating this auditing standard.

We have supported the efforts of the President, Congress and the Securities and Exchange Commission to enhance investor confidence in the integrity of our financial reporting system. Accurate and reliable financial information is fundamental to investor confidence, and quality audits are an essential component of the US financial reporting system. As a result, auditing standards which address audit quality are critical to high standards for audits of public companies and sustaining the improvements to the financial reporting system in the United States realized through the regulatory refinements enacted under Sarbanes-Oxley.

While the Proposed Standard may help improve audit quality, it is only one of several ways through which audit quality is achieved and it is important to maintain the proper balance between the cost of these measures and resulting benefits. We are gravely concerned the Proposed Standard, in fact, will result in unintended consequences and significant costs, wholly disproportionate to the resulting benefits. Accordingly, we think the Board should use every possible means to mitigate the cost of these measures to registrants and, ultimately, investors.

- We are greatly troubled by what appears to be a fundamental change in the level of assurance expected to be achieved from the engagement quality

review, one which we believe is inherently inconsistent with the essential nature of the concurring review process.

- We have significant concerns regarding the exhaustive scope of required procedures which must be performed by the engagement quality reviewer and the prohibitively high cost of these audit procedures without commensurate benefits.
- We also believe the desired level of assurance, scope of procedures and documentation required under the Proposed Standard could significantly impact the timing of the final stages of an audit which could adversely impact the timeliness of issuer filings.
- Finally, we think the issues requiring reconsideration are so significant and pervasive that we suggest the Board reissue the Proposed Standard upon revision for further public comment to give adequate consideration to the viewpoints of all affected constituencies.

We have provided further information regarding these concerns, as well as other significant comments, concerns and suggestions, in the following paragraphs. We also have included detailed responses in Exhibit I to the specific questions for which the Board is seeking comment.

### **Engagement Quality Review: Level of Assurance**

We are greatly troubled by what appears to be a fundamental change in the level of assurance expected to be achieved from the engagement quality review, one which we believe is inherently inconsistent with the essential nature of the concurring review process. Under the PCAOB Interim Standards, concurring review procedures are designed to enable the reviewing partner to express negative assurance. This requires the reviewing partner to deny his concurrence if, in the course of his procedures, he concludes that any matters have come to his attention which would cause him to believe the audit had not been performed in accordance with the audit standards of the PCAOB or the financial statements had not been prepared in conformity with generally accepted accounting principles.

The Proposed Standard attempts to increase the level of assurance by applying what is more nearly a legal standard but one which is not practicable. The Proposed Standard would require the reviewer to deny his concurring approval of issuance of the report if he knows or should have known “(1) the engagement team failed to obtain sufficient competent evidence in accordance with the standards of the PCAOB, (2) the engagement team reached an overall inappropriate conclusion on the subject matter of the engagement, the firm’s report, if a report is to be issued, is not appropriate in the circumstances, or the firm is not independent of its client.” We do not believe this level of assurance is consistent with the overall objective of a concurring review process.

### **Scope of Required Procedures**

Procedures required under the Proposed Standard are far more exhaustive than practicable or necessary to achieve the necessary assurance. Review of all high risk areas of the engagement for a global client would not only be duplicative but would likely not be feasible. A scope this exhaustive could potentially require a parallel global engagement team working directly under the supervision of the quality reviewer. This would not only result in substantial additional cost without commensurate benefit but could also significantly and adversely impact audit timing and the timeliness of issuer filings with the SEC.

### **Review of Engagement Documentation**

The review of engagement documentation would be substantially more expansive than currently required and could, in addition to the scope of procedures, present formidable challenges in practice. We believe the resulting delays and costs would greatly exceed the resulting benefit. We suggest the documentation subject to review include memoranda which summarize the relevant engagement matters, such as engagement planning; materiality and risks; significant accounting, auditing and financial reporting matters; high-risk transactions and balances; summary of unadjusted audit differences; management's report on internal control over financial reporting; and audit independence.

### **Qualifications of the Engagement Quality Reviewer**

It is not entirely clear whether the Board intended to raise the level of competency required to perform the role of engagement quality reviewer. The Proposed Standard could be interpreted to require that the engagement quality reviewer possess the same level of knowledge as the engagement partner. This would unquestionably result in resource constraints, particularly in view of the concurring reviewer rotation requirements. We recommend the Proposed Standard incorporate less prescriptive guidance and allow greater professional judgment in determining the necessary qualifications for the role.

### **Independence, Integrity and Objectivity**

Strict interpretation of the proposed requirements relating to objectivity could be interpreted to imply that:

- The engagement quality reviewer may not consult with specialists used by the engagement team as they may not be considered objective.
- These requirements may discourage timely consultation with the engagement quality reviewer.
- Existing audit practice management responsibilities, such as the roles of professional practice director, partner-in charge of the audit practice within an office, or global engagement partner, may be construed as supervising the

engagement team and therefore ineligible to function as the engagement quality reviewer despite the fact that these practice roles would not appear to interfere with their objectivity.

As a consequence we believe further clarification is necessary to avoid the foregoing unintended consequences.

### **Cost Benefit Considerations**

We think the costs under the Proposed Standard do not appear to be reasonable in relation to the benefits to be achieved. Based on discussions with representatives of national public accounting firms, we believe the full cost of these requirements has been greatly underestimated. In addition to the cost implications, we believe there could be fairly serious resource constraints and timing issues.

### **Applicability**

The applicability of the Proposed Standard to the auditor's review of interim financial information is not entirely clear since the standard is more narrowly framed in the context of an audit. Further clarification of the application of these requirements to audit procedures of interim financial information may be beneficial.

In addition, the Board has indicated it intends the Proposed Standard to apply to attestation engagements, in addition to audits. Since attestation engagements are governed by the attestation standards, we suggest the Proposed Standard be incorporated directly into, and as a part of, the PCAOB attestation standards, in addition to inclusion in PCAOB audit standards.

### **Transition**

The Proposed Standard would be effective for reports issued after December 15, 2008. We do not believe the proposed transition would afford auditors sufficient time to address the process and resource challenges which the Proposed Standard would entail, particularly in view of the timing surrounding the public exposure process of the PCAOB and SEC. We recommend these requirements under the Proposed Standard be effective for engagements beginning one year after issuance of the Proposed Standard.

We thank you for the opportunity to express our views in this letter. If you have any questions or would like to further discuss our comments, please feel free to contact me at (310) 615-1686.

Sincerely,

Donald G. DeBuck

Computer Sciences Corporation

Chief Financial Officer

cc:

Mr. Mark W. Olson, Chairman

Mr. Daniel L. Goelzer, Board Member of the PCAOB

Mr. Bill Gradison, Board Member of the PCAOB

Mr. Charles D. Niemeier, Board Member of the PCAOB

Mr. Thomas Ray, Chief Auditor

**Response to the Questions Set Forth in PCAOB Release No. 2008-002, “Proposed Auditing Standard – Engagement Quality Review” (the “Proposed Standard”)**

1. The proposed standard does not explicitly state an overall objective of an engagement quality review. Should this standard state such an objective? If so, what should be included in the objective?

**We believe it would be helpful to include an objective. In our view, the objective should be to provide a reasonable level of assurance the engagement team has performed their examination in accordance with PCAOB auditing standards, the financial statements have been prepared in accordance with generally accepted accounting standards and the audit report is appropriate in the circumstances.**

**We are greatly troubled by what appears to be a fundamental change in the level of assurance expected to be achieved from the engagement quality review, one which we believe is inherently inconsistent with the essential nature of the concurring review process. Under the PCAOB Interim Standards, concurring review procedures are designed to enable the reviewing partner to express negative assurance. This requires the reviewing partner to deny his concurrence if, in the course of his procedures, he concludes that any matters have come to his attention which would cause him to believe the audit had not been performed in accordance with the audit standards of the PCAOB or the financial statements had not been prepared in conformity with generally accepted accounting principles.**

**The Proposed Standard attempts to increase the level of assurance by applying what is more nearly a legal standard but one which is not practicable. The Proposed Standard would require the reviewer to deny his concurring approval of issuance of the report if he knows or should have known “(1) the engagement team failed to obtain sufficient competent evidence in accordance with the standards of the PCAOB, (2) the engagement team reached an overall inappropriate conclusion on the subject matter of the engagement, the firm’s report, if a report is to be issued, is not appropriate in the circumstances, or the firm is not independent of its client.” We do not believe this level of assurance is consistent with the overall objective of a concurring review process.**

2. Should an engagement quality be required for all engagements performed in accordance with the standards of the PCAOB? If not, when should an engagement quality review be required?

**We think the engagement quality review should be required for all engagements subject to PCAOB auditing or attestation standards.**

3. Are the qualifications of an engagement quality reviewer appropriately described in the proposed statement? If not, how should they be revised?

**It is not entirely clear whether the Board intended to raise the level of competency required to perform the role of engagement quality reviewer. The Proposed Standard could be interpreted to require that the engagement quality reviewer possess the same level of knowledge as the engagement partner. This would unquestionably result in resource constraints, particularly in view of the concurring reviewer rotation requirements. We recommend the Proposed Standard incorporate less prescriptive guidance and allow greater professional judgment in determining the necessary qualifications for the role.**

4. Should the proposed standard allow the engagement team to consult with the engagement quality reviewer during the engagement? Would such consultation impair the reviewer's objectivity?

**We feel it is critical for the engagement team to confer timely with the engagement quality reviewer as matters arise throughout the course of the audit to facilitate expeditious conclusion of the audit, as well as timely issuer filings with the SEC. We believe such consultation contributes to the quality of the audit and does not in any way compromise their objectivity.**

5. Are the description of the scope and the extent of the engagement quality review procedures contained in the proposed standards appropriate? If not, how should they be changed?

**Procedures required under the Proposed Standard are far more exhaustive than practicable or necessary to achieve the necessary assurance. Review of all high risk areas of the engagement for a global client would not only be duplicative but would likely not be feasible. A scope this exhaustive could potentially require a parallel global engagement team working directly under the supervision of the quality reviewer. This would not only result in substantial additional cost without commensurate benefit but could also significantly and adversely impact audit timing and the timeliness of issuer filings with the SEC.**

6. Is the risk-based approach to the engagement quality review described by the proposed standard sufficient to identify significant engagement problems? If not, how should the proposed standard be changed?

**We support a risk-based approach but feel the scope of procedures under the Proposed Standard is overly broad, burdensome and unnecessary to achieve the objective of the engagement quality review.**

7. Are the proposed requirements for the review of the engagement team's documentation appropriate? If not, how should they be changed?

**The review of engagement documentation would be substantially more expansive than currently required and could, in addition to the scope of procedures, present formidable challenges in practice. We believe the resulting delays and costs would greatly exceed the resulting benefit. We suggest the documentation subject to review include memoranda which summarize the relevant engagement matters, such as engagement planning; materiality and risks; significant accounting, auditing and financial reporting matters; high-risk transactions and balances; summary of unadjusted audit differences; management's report on internal control over financial reporting; and audit independence.**

8. Is the description of the timing of the engagement quality review, as proposed, appropriate? If not, how should it be changed?

**We concur with the proposed timing of the engagement quality review.**

9. Is the standard for the engagement quality reviewer's concurring approval of issuance appropriate? If not, how should it be changed?

**As mentioned in our response to Question 1 above, we strongly feel a negative assurance standard would be more appropriate to the objectives of the engagement quality review process.**

10. Are the documentation requirements for an engagement quality review appropriate? If not, how should they be changed?

**We think the guidance regarding documentation of the engagement quality review is not sufficiently clear and could potentially result in significant duplication of documentation prepared by the engagement team. This could further exacerbate potential issues surrounding audit timing and timeliness of issuer filings with the SEC mentioned in our response to Question 5 regarding the overly broad scope and extent of engagement quality review procedures.**

11. Should the proposed standard require documentation of the engagement quality review to comply with other provisions contained in AS No. 3? If so, which provisions would be appropriate?

**We think documentation of the engagement quality review should generally be subject to the same documentation principles generally applicable to the balance of the audit. However, we feel clarification may be necessary to avoid duplication.**