

Office of the Secretary
Public Company Accounting Oversight Board
1666 K Street, NW
Washington, DC 20006-2803

June 6, 2020

Dear Madame Secretary and PCAOB Staff:

Thank you for your request for comment in connection with your Interim Analysis of Critical Audit Matter (CAM) Requirements. With timely assessment and reaction, the PCAOB has the opportunity to eliminate the requirements before the effort is magnified with non-accelerated filers. To summarize my point of view, the costs of the requirement to disclose CAMs do not support the benefits.

My views on the CAM requirements stem primarily from my role as Audit Committee Chair at Bio-Rad Laboratories (BIO: NYSE). The views I express are exclusively mine.

CAM disclosure requirements assume an interest by financial statements users in the financial statement audit process which is not supported by the behaviors of the users. An assumption about benefits of the required disclosure is increased understanding by users of financial statements as to the difficulty in auditing estimates. Since its appearance in Bio-Rad's Form 10-K filed on March 2, 2020 with the SEC, the Company has received zero questions or comments about their CAM disclosure. Not only was their no interest in the disclosures, there was no apparent interest in the underlying estimates that were the focus of the CAM disclosure.

Directing attention to a financial statement estimate merely because of the difficulty in auditing the estimate seems misleading. In the preparation of financial statements, management highlights transactions and balances which require estimates that are material to the financial statements. Simply because an estimate does not warrant consideration as a CAM, does not mean that a slight change in actual results in comparison to the estimate will be insignificant to reported results in the future. The disclosure requirement may lead to false confidence in financial statement estimates which are not mentioned in a CAM disclosure.

Questions asked of audit committees in the PCAOB's request for comment:

4. Have audit committees experienced any changes in the financial reporting process as a consequence of CAM communications in the auditor's report? For example, has the communication of CAMs led to changes in controls or practices around financial reporting and disclosure? Did CAM communications result in any reconsideration of, or changes to, disclosures management made in company filings?

In short, no. Other than the efforts to prepare and review the new required disclosures, no controls were changed, no disclosures were modified and none of our processes were modified. Further effort was required to prepare for potential investor or shareholder questions arising from the CAM disclosures.

5. Have CAM communications had any impact on how audit committees approach their role and responsibilities?

No change in approach by the Bio-Rad Audit Committee. The complexity of the estimates considered for CAM disclosures were already part of the conversations of the Committee with management and with KPMG.

6. Not applicable to audit committees
7. Did CAM requirements lead to changes in communications between auditors, audit committees, or preparers? For instance, were there changes in the nature or frequency of communications during the audit process? Did audit committee members ask more or different types of questions? Was there more of a focus on matters that were identified as CAMs?

In short, no. There was no change in the nature, frequency, or types of communications between the Committee and management or KPMG. Because the CAM disclosure was not finalized until the very end of the audit process, the Committee's focus on matters underlying the CAM had no chance to change but, in retrospect, I doubt any change in focus would have resulted from advance knowledge of the specific CAM disclosures.

During the 2019 audit of Bio-Rad, KPMG worked through several potential matters for disclosure. The direct costs billed by KPMG for the CAM effort exceeded \$100,000. Bio-Rad's internal efforts to oversee the CAM disclosures was not isolated to permit an estimate of the costs. Bio-Rad's management and Audit Committee were concerned about the possibility of disclosing original information about our business model and the relationship with our customers, so consideration of draft disclosures was not perfunctory. Eventually, all direct and indirect costs of CAM disclosures will be borne by corporations and indirectly by the investing public. It is not possible to estimate the total cost of direct, indirect, and internal costs incurred for the new disclosures to Bio-Rad but certainly more than \$200,000. Since there is no evidence of interest in the Bio-Rad disclosure, the costs seem unreasonable.

The challenge with any survey of stakeholders is that, when offered information, the inclination is to respond "yes, that information might be useful". A meaningful survey would need to incorporate cost of the information. There is a cost to this regulation but, since it is not directly borne by the recipient, user queries have little meaning.

Madame Secretary and PCAOB Staff

June 6, 2020

Page 3

I believe the attention and resources of management, audit committees, and auditors would be more effectively used elsewhere and support the revocation of this experimental disclosure. I appreciate the opportunity to express my views.

Sincerely,

A handwritten signature in black ink, appearing to read "Melinda Litherland". The signature is fluid and cursive, with the first name "Melinda" written in a larger, more prominent script than the last name "Litherland".

Melinda Litherland

Bio-Rad Audit Committee Chair