May 28, 2010

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

Re: PCAOB Rulemaking Docket Matter No. 030

Dear Sir or Madam:

We appreciate the opportunity to respond to the Public Company Accounting Oversight Board's (PCAOB or the "Board") *Proposed Auditing Standard Related to Communications with Audit Committees and Related Amendments to Certain PCAOB Audit Standards* ("proposed standard"). Our responses herein are predicated on our understanding of the proposed standard, as written, without full knowledge of the basis for the Board's conclusions. To the extent further disclosure is provided as to the Board's basis for certain provisions, our responses may require reconsideration.

We fully support the Board's objective to enhance the relevance and effectiveness of the communications between the auditor and the audit committee. While we support the overall objective, we have concerns about certain provisions in the proposed standard. These concerns can be summarized into the following overall observations:

- The proposed standard could be perceived as diminishing the role of management, as the financial statement preparer, in the financial reporting process by placing certain non-audit responsibilities on the auditor. Although we fully support the objective of two-way communication between the auditor and the audit committee, the proposed standard focuses on the auditor – audit committee relationship rather than the more robust three-way communication that should exemplify financial reporting governance between management, as preparer, auditors and the audit committee. We fully endorse and respect the role of auditors in an efficient capital market; however, certain of these required communications, in our opinion, could have the unintended effect of compromising the independence of the auditor on the audit engagement.

- The proposed required communications with the audit committee are quite voluminous, and in some cases are already required to be included in other materials reviewed by the audit committee (for example, the Form 10-K). We are concerned that truly critical issues may be missed if the audit committee is overwhelmed with information.

This letter repeats each of the specific questions posed by the Board in bolded typeface followed by our responses. Unless the context otherwise requires, references to "our," "us," or "we" mean the Audit Committee of the Board of Directors of Sprint Nextel Corporation.

<u>Objectives of the Auditor</u>

Question 1 **- Are the objectives of the auditor in the proposed standard appropriate? If not, why? Should other matters be included in the objectives?**

The first three objectives of the proposed standard are appropriate and desirable. We have a fundamental concern with the fourth proposed objective, which is stated as "evaluating the adequacy of the two-way communications between the auditor and the audit committee to support the objectives of the audit". This objective implies that only two significant parties (the audit committee and the auditors) are required to communicate in order to support the objectives of the audit. We believe that the proposed standard should refer to "three-way" communication to include management as a critical part of the process. While we agree with the core principle of auditor independence underlying the Sarbanes-Oxley Act of 2002, and believe that direct and robust communication by the Audit Committee with the auditors is critical, we are concerned that the proposed standard does not recognize the important role of management in the audit process. Management has responsibility for the financial statements, and it is management that should play the key role in discussing accounting matters such as critical policies, estimates and judgmental areas with the audit committee. While the auditors should participate in these discussions, they should not be tasked with the responsibility of regulatory communication, and should not be a substitution for a robust dialogue between management and the audit committee. We believe that this standard should help to focus the auditors on expanding on management's dialogue with the audit committee and educating the audit committee as to the procedures the auditor performs to ensure management's assertions are accurate. We also believe that this "three way" focus will help to eliminate duplicative communications and ensure that important information is not overlooked or not given due discussion because it is included in excessive, unnecessary information. We suggest that this perspective be taken in the objectives section and throughout the standard.

Question 2 **- Are the objectives adequately articulated? Should the articulation of the objectives focus on the outcome that should be achieved by performing the required procedures?**

With the exception of our concern outlined in response to Question 1, the objectives are adequately articulated.

<u>Establish a Mutual Understanding of the Terms of the Audit</u>

Question 3 - Is it appropriate for the proposed standard to require that an engagement letter be prepared annually? If not, why?

We agree that it is appropriate for the auditors to furnish a written audit engagement letter annually in order to establish a mutual understanding of the terms of the audit. We also suggest the proposed standard be enhanced by including a recommendation that auditors highlight significant changes from the prior year engagement letter to the audit committee. We also believe that auditors should fully explain all provisions limiting auditor liability in the audit process.

Question 4 - Are there other matters that would enhance investor protection that should be added to an engagement letter? If so, what other matters should be included in an engagement letter?

The current matters required for inclusion in the engagement letter are sufficient.

<u>Obtaining Information Related to the Audit</u>

Question 5 - Is the proposed requirement to inquire of the audit committee appropriate? What other specific inquiries, if any, should the proposed standard include for the auditor to make of the audit committee?

Yes, it is important that the auditors engage in a robust discussion with the audit committee regarding risks of material misstatement and fraud risks, as well as inquire as to specific complaints or concerns that have been brought to the attention of the audit committee. We suggest that the proposed standard link this requirement to the required communications of audit strategy and risks which should be completed during the planning phase of the audit and updated, as appropriate, prior to final report issuance.

Overview of the Audit Strategy and Timing of the Audit

Question 6 - Are the requirements to provide information on the auditor's audit strategy and timing of the audit appropriate? Does the auditor need more guidance related to the requirement to provide information on the auditor's audit strategy? If so, what type of guidance would be helpful?

Yes, the proposed requirements are appropriate; although we believe such discussions, specifically those concerning significant risks, should be led by management with involvement from the auditor. We suggest that the proposed standard be enhanced by providing a suggested timeline for these communications, such as within the first seven months of the fiscal year, so that the discussions occur early enough in the audit process to allow time for auditors to implement adjustments to the audit process as a result of input received from the audit committee and/or management. We also suggest that auditors be required to include information about senior members of the engagement team, including their relevant qualifications and experience, to help the audit committee in assessing the qualifications of the audit engagement team.

Question 7 - Is it sufficiently clear which types of arrangements should be communicated to the audit committee related to the roles, responsibilities, and locations of firms participating in the audit?

Yes, this requirement is sufficiently clear.

Accounting Policies, Practices, and Estimates

Question 8 - Are the proposed requirements regarding the auditor's communication responsibilities with respect to accounting policies and practices sufficiently clear in the proposed standard (e.g., is the difference between a critical accounting policy and a significant accounting policy or practice adequately described)?

We feel that management should have the primary responsibility for communicating with the audit committee regarding accounting policies and practices, as well as critical accounting estimates. The proposed standard as written, including the Note at the end of paragraph 12 which states that management "may" communicate the above matters, appears to place the ultimate responsibility of communicating these fundamental accounting issues on the auditors. This implicitly diminishes management's role in leading the robust discussions that should occur with the audit committee. We believe a more appropriate alternative is to require auditors to be present at these discussions which would then provide the appropriate forum for discussion without unnecessary duplication. Auditors should not be a substitute for robust discussions between management and the audit committee, rather a supplement to management's discussion where they believe that further clarification is required, and auditors should offer their evaluation of the quality of the Company's financial reporting.

Notwithstanding the fundamental issue addressed above, we also have the following concerns with the proposed standard.

The proposed requirement in paragraph 12(a)(ii) for the auditor to communicate "the anticipated application by management of accounting or regulatory pronouncements that have been issued but are not yet effective and may have a significant effect on financial reporting" is duplicative with the requirements of Staff Accounting Bulletin Topic 11-M *Disclosure of the Impact That Recently Issued Accounting Standards Will Have on the Financial Statements of the Registrant When Adopted in a Future Period* to disclose such information in the financial statements. This disclosure requirement is the responsibility of management in their capacity as the financial statement preparer. Requiring external auditors to develop their own estimates of impact and effect could compromise their independence in the audit process. Audit committee communication requirements would become more voluminous as a result of this proposed standard, which would increase the likelihood that important issues will not be thoroughly discussed with the audit committee due to communication of too much information. We do not believe this will provide any communication of further value between the auditor and the audit committee beyond the disclosures already required for such matters.

Although we support disclosure of audit engagement team consultations with national office for significant or material matters, we do not endorse a disclosure requirement of all audit engagement team consultations with their national office. We believe this requirement ultimately will reduce, not enhance, the frequency of consultations, both formal and informal, that currently occur within audit firms. We are concerned that this required communication may reduce or impede the likelihood of further communication between the engagement team and the national office. We believe that communication between the auditor and their national office is often informal and helpful in allowing the engagement team to assess accounting matters. If this informal communication is subject to specified regulatory disclosures, it will require additional complexity in the process within each accounting firm which could diminish a healthy debate on client issues.

Although we do not support such disclosure, if required, we believe further clarification needs to be included about what consultations need to be reported, as audit firms have varying degrees of “formal” and “informal” consultations. These consultations can range from a formal issue raised with the firm’s National Office, to informal phone calls or “hallway discussions” with another professional in a local office or non-national office. Currently, there would likely be subjectivity involved in deciding what consultations need to be reported. To increase clarity and consistency, we would suggest requiring that auditors only disclose significant matters on which they consulted with their National Office or with a Firm-designated subject matter expert. In addition, to ensure this communication serves its intended purpose, we believe it necessary and critical to include (a) the name of the partner(s) engaged within the national office on each topic and (b) the accounting firm’s basis for a final conclusion including, but not limited to, the applicable authoritative literature upon which the Firm’s conclusion is based. We believe this additional requirement will provide further accountability within each Firm’s consultation processes, highlight when a Firm is taking a position based on GAAP versus their own interpretation of accounting matters, and encourage engagement partner(s) to participate in the consultation process in a role commensurate with their auditor responsibility.

Question 9 - Is it helpful to include in the proposed standard the audit committee communications required by the SEC relating to accounting matters?

No, the proposed standard should reference the SEC standards, but should not include duplicative information.

Question 10 - Is the definition of critical accounting estimates appropriate for determining which estimates should be communicated to the audit committee?

The definition is appropriate; however, refer to our responses to Questions 8 and 11 with regards to the requirement for communicating with the audit committee about critical accounting estimates.

Question 11 - Are the communication requirements regarding critical accounting estimates appropriate? If not, how should the proposed standard be modified to provide appropriate information to the audit committee?

In addition to our fundamental concern discussed in Question 8 above that the primary responsibility for communicating these matters lies with management, we are also concerned that the proposed communications with regards to critical accounting estimates could not be prepared independently. The proposed requirement seems to be asking auditors to put a range around management’s estimates, which are based on management’s judgments. This would put the auditors in the role of management, which would seem to be a violation of auditor independence. Further, the SEC already recommends that Management’s Discussion & Analysis in the Form 10-K include the effects of the critical accounting policies applied, the judgments made in their application, and the likelihood of materially different reported results if different assumptions or conditions were to prevail (Financial Reporting Release No. 60), and therefore its presentation to the audit committee would be duplicative.

We also have a concern that the information required by paragraph 12(b) of the proposed standard would be extremely voluminous and could lead to the audit committee missing a piece of information that it might deem truly critical because it is embedded within a lengthy presentation.

For the above reasons, we propose that paragraph 12(b) of the proposed standard be removed.

Management Consultations with Other Accountants

Question 12 - Should this requirement be expanded to include consultations on accounting or auditing matters with non-accountants, such as consulting firms or law firms?

Similar to our response to Question 8, such communication should be the responsibility of management not the independent auditor. Of course, if those consultations result in an accounting conclusion by management that is not consistent with GAAP, the independent audit firm should disclose such matters to the audit committee.

Going Concern

Question 13 - Is the communication requirement on going concern clear? If not, how could the requirement be clarified?

We believe the going concern communication requirement is sufficiently clear.

Corrected and Uncorrected Misstatements

Question 14 - Are the requirements appropriate regarding the communications for uncorrected misstatements?

Yes, we agree with the requirements regarding communications for uncorrected misstatements.

Question 15 - Should all corrected misstatements including those detected by management be communicated to the audit committee?

Our response is dependent on how the Board defines corrected misstatements in the context of this proposed requirement. We agree that the audit committee should be informed of corrected misstatements which represent out-of-period adjustments. However, we do not believe that items detected during a Company's close process, utilizing existing controls over financial reporting, constitute corrected misstatements unless those items represent out-of-period adjustments. The identification of which party, management or auditor, detects potential intra-period misstatements is often unclear and subjective due to timing of audit procedures in relation to the controls process. Further, corrected misstatements identified by the auditor are accumulated and evaluated by auditors for purposes of analyzing the implications on the company's internal controls over financial reporting, and any which rise to the level of a significant deficiency or material weakness would already be communicated to the audit committee as required by Auditing Standard No. 5 *An Audit of Internal Control Over Financial Reporting That Is Integrated with An Audit of Financial Statements*. Therefore, we recommend that the proposed standard be revised in paragraph 18 to say "The auditor should also communicate those corrected misstatements ~~that might not have been detected except through the auditing procedures performed~~ <u>which have been corrected outside of the period to which they apply</u>, including the implications such corrected misstatements might have on the financial reporting process".

Form and Content of Communications

Question 16 - Like the existing standard, the proposed standard would allow the auditor to communicate many matters orally or in writing. Should the standard require that all or certain matters be communicated to the audit committee in writing? If only certain matters should be communicated to the audit committee in writing, what are those matters?

The standard should recommend that all required communications presented during scheduled audit committee meetings (whether in person or telephonic, regular or special meetings) be presented in a written format in order to prevent misunderstandings or, alternatively, be provided in writing subsequent to the scheduled meeting as deemed necessary by the audit committee. Communications which occur outside of scheduled meetings (i.e. a phone call with the audit committee chair to discuss an issue which arose subsequent to the scheduled closing meeting) should be followed up on a timely basis with a communication in writing when the matter is considered significant.

Timing

Question 17 - Are the requirements in the proposed standard on the timing of the auditor's communications appropriate? Should only certain matters be communicated annually? If so, which ones?

We agree with the proposed requirement that communications be performed on an annual basis prior to the issuance of the audit report. Potential changes in the macro-economic environment, the company's business or industry, and the composition of the audit committee and audit engagement team are all factors which indicate that these communications should be formally refreshed on an annual basis.

Adequacy of the Two-Way Communication Process

Question 18 - Does the requirement to evaluate the adequacy of the communication process promote effective two-way communications? Is more information on this requirement needed?

Please refer to our response to Question 1 in which we articulate our fundamental concern that the standard should speak to a "three-way" communication process which would include management. Notwithstanding that objection, we believe that a requirement for the auditor to evaluate the adequacy of the communication process would be perfunctory and not value added. This could result in a "check the box" approach in which the auditor would be highly unlikely to conclude that inadequate communication is occurring.

Other Communication Requirements

Question 19 - Are these other communication requirements appropriate and sufficiently clear? What other communication requirements should the proposed standard include, if any?

Yes, the other communication requirements are sufficiently clear and relevant to the audit committee's role as overseers of the audit process and the auditor relationship.

Question 20 - Are the matters included as significant difficulties in paragraph 21 of the proposed standard appropriate? What other matters should be included as significant difficulties?

Yes, we believe the matters included as significant difficulties in paragraph 21 are appropriate.

Question 21 - Are any of the requirements included in the proposed standard inappropriate for auditors to communicate to audit committees based on the size or industry of the company under audit?

No, we do not believe any of the requirements are inappropriate based on the size or industry of the company under audit.

Appendices

Question 22 - Is the information included in Appendices A - C to the proposed standard sufficiently clear? Should the appendices include other matters, e.g., should other items be included in an audit engagement letter?

Other than as addressed in our responses to Questions 1-21, we believe the information included in Appendices A-C to the proposed standard is appropriate.

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We appreciate the opportunity to express our views and would be pleased to discuss our comments or answer any questions that the PCAOB staff or the Board may have. Please contact Ryan Siurek (913-315-7600) regarding our submission.

Sincerely,

Larry C. Glasscock

Larry C. Glasscock
Chairman of the Audit Committee of the Board of Directors

cc: Robert Brust, Chief Financial Officer
Ryan Siurek, Vice President-Controller
Mary Pat McCarthy, KPMG
Mike Power, KPMG