

December 11, 2011

Office of the Secretary
PCAOB
1666 K Street, N.W.
Washington, D.C. 20006-2803

Re: PCAOB Rulemaking Docket Matter No. 37

Dear Chairman Doty,

As students of Louisiana State University, we would like to state our opinion on the concept release pertaining to auditor independence and firm rotation. Though the overall objective of this release is to enhance the work of the public auditing industry, several problems arise regarding this proposal that must be addressed and considered prior to implementation. A lack of expertise, a limited amount of firms from which to attain these services, and an increased opportunity for failure are all problems that will arise due to the introduction of this regulation. Subsequently, these problems have the potential to offset the positive impact of requiring the rotation of audit firms. As suggested by Daniel Goelzer in an edition of the *Journal of Accountancy*, the SEC or PCAOB should attain the power to implement the rotation requirement on a case-by-case basis in the event that a board inspection finds that long tenure and lack of independence have led to audit failure. Secondly, the PCAOB can impose special obligations on audit committees if the auditor was to be retained for over the limit of 10 to 15 years. Therefore, the burden of proof would lie with the audit committee to justify the need for auditor retention.

However, if the mandatory audit firm rotation requirement is necessary to enhance objectivity and independence, subsequent procedures should be implemented to ensure the effectiveness of this new requirement. The *Journal of Accountancy* recommends procedures such as “an increase of internal supervision, oversight requirements for the first year or two of a new engagement, increased required communications between predecessor and successor auditors, or other steps auditors could be required to take during the transition from one firm to another.”

Though most firms see this new requirement as a burden, a series of inspections over the course of nine years has led to the conclusion that this new process would increase the independence, objectivity, and integrity of the audit profession. The costs might outweigh the benefits within the first few years of implementation, but once adapted to the environment and global audit profession, the requirement will prove to substantially increase the viability of the auditing industry and the individual auditors within it.

In our opinion, the recommendation of audit firm rotation by the PCAOB has the potential to affect the audit profession in a very positive way. While some drawbacks do exist with this impending regulation, the overall effect will largely be positive. The rotation of audit firms every 10 years will greatly enhance the objectivity and independence of audit professionals, making it much harder for audit professionals to carry on relationships with the same clients for several years. This new requirement will prohibit these relationships from developing, relationships that have been viewed as leading to a lack of attention to detail and a decrease in subjectivity. The board must consider the amount and level of work being rotated and the work already performed to satisfy the auditor's clients. The other side of the argument must not be lost, however, as the changes will affect the fees and input required by audit clients.

In conclusion, we are in favor of this new PCAOB regulation. The benefits that will be experienced are largely favorable, making the global industry of professional auditors that much more accountable for their professional conduct. Through the effort of several individuals, the mandatory rotation of audit firms has the potential to change the landscape of the audit profession in a positive manner, a manner that will enhance the financial accountability and objectivity of the global business landscape as a whole.

Sincerely,

Ann Saucier

Chris Ulfers

Students of the Accounting Department of Louisiana State University