



December 12, 2011

Via email: comments@pcaob.org

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

**PCAOB Rulemaking Docket Matter No. 37
Concept Release on Auditor Independence and Audit Firm Rotation**

Dear Sir/Madam:

Cracker Barrel Old Country Store, Inc. ("Cracker Barrel") appreciates the opportunity to comment on the Public Company Accounting Oversight Board ("PCAOB") Concept Release on Auditor Independence and Audit Firm Rotation (the "Release").

While we agree with the PCAOB initiative to improve auditor independence, objectivity and professional skepticism, we believe mandatory audit firm rotation would not result in improvements to these stated objectives nor would mandatory firm rotation enhance the quality of the audit or the financial statements.

We believe that mandatory auditor rotation would negatively impact the quality of audits and simultaneously increase costs for all public companies. To our knowledge, there have been no studies indicating that auditor rotation would reduce the number of accounting deficiencies identified by the PCAOB during inspections or that auditor incumbency actually caused such deficiencies. We can reasonably expect that implementation of mandatory auditor rotation will increase costs and reduce efficiency, particularly in the early stages of the new auditor's tenure, with no clear objective evidence that an increase in auditor independence, objectivity and professional skepticism of any kind will result.

In today's complex environment, an effective audit requires a deep level of knowledge about a company's industry, its operations and financial history. This institutional knowledge is essential to the proper and timely completion of an audit, has carefully been developed over time and would be significantly impacted, most likely diminished, by implementing mandatory auditor rotation. At the beginning of each rotation, an audit firm would have a steep learning curve to overcome in order to acquire the required institutional knowledge. Such a learning curve will require considerable investments of time and financial resources by both company management and audit firm personnel, every time there is a rotation of audit firms. The idea of mandatory audit firm rotation is not new and has been discussed in various forums for years. Most recently, Congress considered including mandatory firm rotation in the Sarbanes-Oxley Act (the "Act") but

it was ultimately excluded from the final legislation. Instead, the Act required the General Accounting Office (“GAO”) to conduct a study related to the issue. In 2003 the GAO issued the results of their study which concluded the GAO believed that mandatory audit firm rotation may not be the most efficient way to enhance auditor independence and audit quality considering the additional financial costs and the loss of institutional knowledge of a public company’s previous auditor of record. In addition, the 2003 GAO results indicate that changing audit firms increases the risk of an audit failure in the earlier years of new audit engagements as the firm learns about the company and its industry. Likewise, we believe the loss of institutional knowledge would reduce the effectiveness of audits and increase the risk of audit failures and accordingly do not support mandatory auditor rotation.

We also believe that mandatory auditor rotation is unnecessary because there are already numerous elements in place designed to promote auditor independence, objectivity and professional skepticism. Our Audit Committee is charged under the Act with the responsibility for overseeing the work of our auditors, including monitoring auditor independence, objectivity and professional skepticism, and is already in the best position to evaluate our auditors and determine the benefits and costs of retaining them or rotating to another firm. We expect that is true at most, if not all, publicly traded companies in the United States. In addition, independence, objectivity and skepticism are qualities our Audit Committee insists upon not only from our external audit firm, but in all personnel, external or internal, involved in the financial reporting process. Mandatory partner rotation and employee turnover at the audit firm already strikes an appropriate balance between (i) the need for checks and balances and a periodic fresh look and (ii) the benefits of existing and developed over time institutional knowledge that would be lost in the event of a mandatory changeover of all personnel involved in the external audit process. Finally, internal reviews and particularly PCAOB inspections provide an existing safeguard and should provide additional insight into the causes of audit failures and potential enhancements to audit processes without the need for mandatory firm rotation.

It should also be noted that there would be significant time commitments for management, the Audit Committee and the Board of Directors associated with evaluating and selecting new auditors on a recurring basis. Finally, there would be a significant burden in maintaining independence for large multi-national companies with multiple rotating firms that have audit and non-audit service needs. Among other issues, this is likely to limit the pool of possible audit firms to such a degree (perhaps between two firms only) that any possible benefit from mandatory auditor rotation is well below the significant costs associated with the rotation.

In light of the obvious and recurring increased costs resulting from mandatory auditor rotation and recent changes that have already resulted in an improvement in auditor independence, objectivity and professional skepticism, the benefits of implementing mandatory rotation should be clear, in excess of the costs by a significant margin, and certain to result in demonstrable improvement. We do not believe the Release demonstrates this is the case. The Release does not clearly show that mandatory auditor rotation will significantly enhance auditor independence, objectivity and professional skepticism, particularly given the advancements in this area over the past decade acknowledged by the Release. Consequently, the Release also does not demonstrate that the benefits of implementing mandatory auditor rotation will exceed the costs or, in fact, that any benefit at all is certain to result. Based on this, we do not believe that mandatory auditor rotation should be implemented because it will not significantly enhance

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auditor independence, objectivity and professional skepticism and the certain costs outlined above of implementing it would far outweigh any possible benefits.

Thank you for your consideration and the opportunity to present our thoughts on this important topic.

Sincerely,

Richard J. Dobkin
Director
Chairman, Audit Committee

Lawrence E. Hyatt
Senior Vice President &
Chief Financial Officer