

December 13, 2011

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

File Reference: PCAOB Rulemaking Docket Matter No. 37

Dear Secretary:

CVB Financial Corp. appreciates the opportunity to provide comments on the Public Company Accounting Oversight Board's (PCAOB) Rulemaking docket Matter No. 37 "Auditor Independence and Audit Firm Rotation" (the "Concept Release").

CVB Financial Corp. is a bank holding company for Citizens Business Bank, a financial services company based in Ontario, California. Citizens Business Bank serves 41 cities with 43 business financial centers and five commercial banking centers in the Inland Empire, Los Angeles County, Orange County and the Central Valley of California.

We understand the PCAOB's concerns of enhancing auditor independence, objectivity and professional skepticism. The Concept Release focuses its attention on the topic of audit firm rotation. While we endorse the concept of increasing auditor independence, objectivity and professional skepticism, we believe that the topic is much broader than simply mandating the rotation of the audit firm.

We believe that the rotation of audit firms, in and of its self, is very unlikely to produce significantly greater independence, objectivity and professional skepticism between the audit firms and their clients. There are many laws, rules and regulations promulgated by the Securities and Exchange Commission, United States legislature (Sarbanes Oxley Act of 2002) and other professional authoritative bodies that, if complied with should provide adequate safeguards regarding auditor independence, objectivity and professional skepticism.

The Sarbanes Oxley Act of 2002 ("SOX"), in an attempt to strengthen auditor independence, required the audit engagement partner to rotate from that position after five years and the reviewing partner also has to rotate from that position on the engagement team. In addition, SOX limited services that the audit firm could provide an audit client without impairing engagement independence. There were many more actions taken by legislation or the promulgation of rules by professional bodies that strengthened requirements for the auditor to remain independent. Audit firms were required to issue

an independence letter to their clients indicating they were independent in substance and in form. They also had to be appointed and their fees approved by the Audit Committee of the Board of Directors. Audit committee members were required to be independent by listing exchanges and a member of the audit committee had to be designated as a financial expert. The financial expert was to have competence in the ability to read the financial statements with an understanding of their compliance with required disclosures.

The audit firms of public registrants also came under the supervision of the PCAOB and were subject to their periodic inspections. Audit firms had already been under peer reviews prior to the PCAOB being formed for the oversight of public registrant audit firms. One of the premises used in the discussion of requiring the mandatory rotation of audit firms is that the PCAOB has been encountering repeat findings during their inspections. Repeat findings may in fact result from any number of reasons including; inadequate training, misunderstanding of the facts, the complexity of the transaction being audited, inadequate supervision of the engagement team, under utilized subject matter experts and etc. Those individual circumstances should be dealt with on a one on one basis with the firms or professionals involved. Enforcement actions such as greater education requirements on specific topics, a larger percentage of engagement hours required for engagement management and subject matter experts should be considered as alternatives to correcting repeat findings, prior to a mandate of auditor rotation.

We believe that the mandatory rotation of auditors will sacrifice audit quality, particularly in specialized industries and large multi-national entities. As examples, the utility, gaming, airline, and mining industries possess unique accounting principles in the preparation of their financial statements. Since these industries generally have a limited number of entities in a specific geographic area, it would not be uncommon for audit firms to have to relocate the engagement team with the required industry expertise to undertake an audit engagement. This would probably drive up the cost of the audit engagement. In addition, retention of technically competent industry professionals becomes challenging as engagement team members possess uncertain job security in a constantly rotating client base.


Multi-national engagements periodically require the utilization of internationally affiliated audit firms. Often times these affiliated firms do not have the industry expertise to perform the referral instructions provided by the consolidated financial statement referring engagement team. A firm rotating on to a multi-national engagement would have an extensive lag in understanding the clients systems, personnel, locations, product offerings, accounting principles used, etc. The new auditor would rotate on to the new engagement after the year end financial statements are completed and filed with the respective regulatory body. Undertaking a new multi-national client would be very challenging as the new auditor would have to identify resources in each geographic area, follow professional literature involving predecessor/successor auditor communications, perform new client acceptance procedures, and review prior year audit work papers of the predecessor auditor. The new firm would then be required to do the first quarter review of their new clients Form 10-Q to be filed with the Securities and Exchange Commission

within forty days of quarter end. This seems unworkable or at a minimum sacrifices audit quality in the short-term.

In conclusion, we believe that there are many challenges in the adoption of a mandatory auditor rotation policy. We believe that there are adequate safeguards in previously legislated laws and professional bodies promulgated rules that make the mandatory auditor rotation unnecessary. We would suggest that the PCAOB reconsider the trade-offs of a mandatory auditor rotate requirement versus stronger enforcement or modifications to existing authoritative literature in its mandate of strengthening auditor independence, objectivity and professional skepticism. The continuation of repeat inspection findings should be dealt with individually with the respective firms or individuals and should not be an underlying assumption that auditors are not independent, lack objectivity and professional skepticism where a need to rotate auditors is the best solution.

Thank you for considering our views. Please feel free to contact me if you would like to discuss our concerns regarding the proposal.

Sincerely,

A handwritten signature in cursive script that reads "Richard C. Thomas".

Richard C. Thomas, CPA  
Executive Vice President and CFO