



# Colegio de Contadores Públicos Autorizados de Puerto Rico

*Protegemos el bienestar económico de nuestro pueblo*

September 18, 2012

Mr. James R. Doty  
Chairman  
Public Company Accounting Oversight Board (PCAOB)  
166 K Street NW  
Washington DC 2006-2803

Re: PCAOB August 16, 2011 Concept Release

Dear Chairman Doty:

Enclosed please find Resolution No. 4, titled Mandatory Rotation of Auditors, adopted by the Puerto Rico Society of CPAs ("the Society") on its General Assembly celebrated September 1, 2012.

We support the general concept of this initiative in terms of improving the professional independence, objectivity and skepticism proposed by the PCAOB. We also endorse your continuing initiatives to develop alternatives to improve them.

However, in the specific matter of the proposal for a mandatory rotation of the auditors in public companies issued by the PCAOB on its August 16, 2011 Concept Release, we (the Society) are enclosing our written oppositions to such provision. In this opposition, we are joining efforts with other peer organizations such as the American Institute of Certified Public Accountants (AICPA).

Will appreciate if you forward this document to those concerned. We also reiterate our availability to discuss this matter in further detail if you so desire.

Sincerely,

Kenneth Rivera Robles, CPA, Esq.  
President  
Puerto Rico Society of CPAs

CC: AICPA, NASBA

**Resolution Number 4**  
**Adopted by the General Assembly of the**  
**Puerto Rico Society of CPAs**  
**September 1<sup>st</sup>, 2012**

**MANDATORY ROTATION OF AUDITORS**

- WHEREAS:** The Public Company Accounting Oversight Board (PCAOB) issued on August 16, 2011, a Concept Release (CR) in order to explore how to improve professional independence, objectivity and skepticism.
- WHEREAS:** One of the proposals in this CR is the possible adoption of a mandatory requirement to rotate the auditor of public companies in the United States of America.
- WHEREAS:** The financial community reaction to this concept has been primarily to reject it. More than 90% of the 672 letters or comments received by the PCAOB rejected this alternative as the adequate one to improve the professional independence, objectivity and skepticism in our profession.
- WHEREAS:** Among the organizations opposing this CR are the American Institute of CPAs, the Internal Auditor's Institute, the National Association of State Boards of Accountancy, the Governmental Accountability Office, the American Accounting Association, and the State Societies of CPAs of Georgia, New York, Virginia, Washington, Pennsylvania and Louisiana, among others.
- WHEREAS:** It has been brought to the attention of the PCAOB that the mandatory rotation alternative, far from attaining the intended objectives, will result in higher costs to the audited entities; and less governability on the part of the internal audit committees in the case of public companies. Also, it has not been established that the quality of an audit will decrease if a long-term relationship exists between the client and the auditor.
- WHEREAS:** Although in principle, the initiative was intended to be applied to public companies in the USA, it can be anticipated that, if adopted, it would be adopted by many state and governmental jurisdictions, as well as not-for-profit entities.

**Resolution Number 4**  
**Puerto Rico Society of CPAs**  
**September 1st, 2012**

**WHEREAS:** The Puerto Rico Society of CPAs' is required to protect the interest of its members: those working in public companies, as well as individual practitioners. The possible adoption of this requirement in Puerto Rico would be detrimental to the client-auditor relationship between small to medium-size businesses and his/her clients, which would be forced to periodically change the auditor against their will.

**WHEREAS:** It is our duty to present our views on this subject and support the opposition to the requirement of a mandatory rotation of the auditor proposed by the PCAOB.

**THEREFORE:** **LET IT BE RESOLVED** by the Puerto Rico Society of CPAs, constituted in a General Assembly this Saturday, September 1st, 2012, as follows:

1. To oppose the proposal of a mandatory rotation of the auditor, presented by the PCAOB, and thus join our USA peers in this effort of the profession.
2. To support the general concept of this initiative in terms of improving the professional independence, objectivity and skepticism proposed by the PCAOB.
3. To request the PCAOB to continue with these issues and carry out the necessary research in order to attain its objectives.
4. Once this Resolution is adopted by the General Assembly, it will be translated to English and sent to the PCAOB, providing copies to the AICPA and the NASBA by e-mail.