

March 31, 2003

Public Company Accounting Oversight Board
1666 K Street NW, 9th Floor
Washington D.C. 20006

**Re: Proposed Rule: Proposal of Registration System For Public Accounting Firms
(PCAOB Release No. 2003-1, March 7, 2003)**

Ladies and Gentlemen:

We respectfully submit the following comments concerning the above proposal on behalf of this accounting firm:

Issue 1

Application procedures are incomplete without withdrawal and deregistration procedures.

Comment

Page 9, Note 20 of the Summary indicates that the PCAOB (the Board) will not have in place provisions for amendment or withdrawal of pending registration applications until sometime after the Board's application process has begun. We do not believe the procedures for application for registration should be adopted without procedures for withdrawal of pending applications and for deregistering once a firm becomes registered.

Issue 2

We believe the proposed rules for Board approval of a registration application are too subjective.

Comment

Rule 2105, Standard for Approval, should articulate in greater detail objective standards the Board will consider in reviewing applications for approval. We believe the current reference to "whether the application for registration is consistent with the Board's responsibilities under the Act" is too subjective.

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Issue 3, Rule 2105

The proposed rules are unclear as to how the Board will notify registrant applicants when, or whether their applications have been approved or disapproved.

Comment

It is unclear in Rule 2105, or elsewhere, how the Board will notify applicants for registration whether and when an application has been approved. We do not believe notification only in the event of disapproval or requests for additional information occurs is appropriate. Without notification a level of uncertainty regarding the closure of the application would linger. The rules should specify a notification procedure or procedures for approved applications. Also see Summary of proposed Release 2003-1, page 8, item 6.

Issue 4, Rule 2105(b) and (c)

We believe the review periods specified in the proposed rules are too long, for both the initial 45-day waiting period and the provision to begin a new 45-day waiting period when additional information is submitted pursuant to a Board request.

Comment – Rule 2105(b)

The 45-day review period referred to in Rule 2105(b) seems long and we believe should be shortened to a 30-day review period. We note that the Division of Corporation Finance is under a 30-day review objective for review of a 1933 Act registration statement. We believe a similar time frame would be reasonable for review of applications.

Comment – Rule 2105 (c)

Rule 2105 (c) requires the start of a new 45-day period for the approval process when the Board request additional information. When additional information is provided for an application, the waiting period to become eligible to serve public clients could exceed 90 days. This extended time period may unfairly impact the accounting firm and the public company clients they serve because it would affect their ability to file timely reports with the SEC.

We believe consideration should be given to the amount of additional information requested. If the initial application was not grossly incomplete, we believe, rather than beginning a new 45-day waiting period after submission of additional information, the rules should provide for a more timely review of an amended application, such as 10 days.

Issue 5, Rule 2105(c)

The proposed rules are unclear as to the basis for sanctions, especially regarding incomplete and disapproved applications.

Comment

Rule 2105(c) discusses authority by the Board to sanction non-registered accounting firms for mere disapproval by the Board of a completed application. Such a sanction appears to be unsupported by the Sarbanes-Oxley Act of 2002 (“Act”) inasmuch as the Act appears to limit the Board’s authority¹ to sanction registered firms. Additionally, the parts quoted in Note 19 of the Summary to the proposed Rule 2003-1 appear to only refer to the ability of the Board to sanction a registered accounting firm, not merely an applicant. In our view, the Board’s rules should clearly identify circumstances that may lead to Board sanctions for accounting firms with applications that have not been approved by the Board.

We believe the language in Rule 2105(c), “or may take such other action as the Board deems appropriate” is too broad and gives the Board too much room to sanction accounting firms for merely not providing an application that, in the Board’s subjective view, is incomplete. Board rules should provide specific, unambiguous language describing the kinds of “other action” that may be deemed appropriate by the Board and in what circumstances other action could be taken.

Issue 6, Rule 2300

We believe confidential treatment should be afforded all applications, and amendments, for application until such time as the Board approves the application and the accounting firm becomes registered.

Comment

Rule 2300 Public Availability of Information Submitted to the Board; Confidential Treatment Request should be changed to specify that an application is considered confidential until such time as the application is approved, even though the Act suggests that

¹ For example, §3 of the Act, quoted (in part) following, only refers to Board authority to regulate registered “accounting firms.” §3. COMMISSION RULES AND ENFORCEMENT. (a) REGULATORY ACTION, (b)(2) INVESTIGATIONS, INJUNCTIONS, AND PROSECUTION OF OFFENSES. —Section 21 of the Securities Exchange Act of 1934 (15 U.S.C. 78u) is amended—(A) in subsection (a)(1), by inserting “the rules of the Public Company Accounting Oversight Board, of which such person is a registered public accounting firm . . .”; (B) in subsection (d)(1), by inserting “the rules of the Public Company Accounting Oversight Board, of which such person is a registered public accounting firm . . .” (C) in subsection (e), by inserting “the rules of the Public Company Accounting Oversight Board, of which such person is a registered public accounting firm . . .”.

the applications be made publicly available². We believe this change is needed because of: 1) the lack of guidance of the measures the Board will use to accept an application together with the potential adverse regulatory consequences of a disapproval, and b) the failure of the Board to propose for adoption rules for withdrawal of an application or to become deregistered with the Board.

Issue 7, Form 1, Part II, Part V, and Part VII

By including information request for those who do not play a substantial role in the decision making aspect of the audit process, the Form 1 is unnecessarily burdensome and appears to be beyond the regulatory scope of the Act.

Comment – Form 1, Part II

The information required by Form 1, Part II, Item 2.4, Issuers for Which Applicant Played, or Expects to Play, a Substantial Role in Audit, is burdensome to gather, especially in view of the fact that applicant is not the accountant that is principally responsible for the client. In any event, we do not believe the information is significant for regulatory purposes because the principal accounting firm has responsibility to establish controls to determine that other firms participating in the audit in a significant way are in compliance with the Act.

Comment – Form V

The information required by Part V, Listing of Certain Proceedings Involving the Applicant's Audit Practice, Items 5. 1, 5.2, 5.3, 5.4, and 5.4 is for all accountants in the applicants firm. This seems beyond the need for public oversight of the audit firms, and also beyond the scope of the authority provided to the Board by the Act³. We believe the proposal for required information should be limited to those who have a substantial supervisory role of the audit process for the audit of an issuer, and thereby be less unnecessarily burdensome and be consistent with the objectives of the Act.

Comment – Part VII

The information required by Part VII – Roster of Associated Accountants (Listing of Accountants), requires information for all accountants of an accounting firm whether or not the accountant participate in any significant way with the audit of public companies. We

² See §102(e) PUBLIC AVAILABILITY. —Registration applications and annual reports required by this subsection, or such portions of such applications or reports as may be designated under rules of the Board, shall be made available for public inspection, subject to rules of the Board or the Commission, and to applicable laws relating to the confidentiality of proprietary, personal, or other information contained in such applications or reports, provided that, in all events, the Board shall protect from public disclosure information reasonably identified by the subject accounting firm as proprietary information.

³ Note that the term “audit reports” is defined by the Act as having to do with public companies. §102 (F) reads “information relating to criminal, civil, or administrative actions or disciplinary proceedings pending against the firm or any associated person of the firm in connection with any audit report;”

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believe this information request is beyond the Act's authorization of the Board to gather information. The Act grants the Board specific authority to gather information only for those accountants who participate in the audit of public companies⁴. Further, this information requirement seems needlessly burdensome to carry out the regulatory objectives of the Board. We believe the proposal for required information should be limited to those who have a substantial supervisory role of the audit process for the audit of an issuer.

We appreciate the PCAOB's consideration of our comments in finalizing the rules for the Registration System For Public Accounting Firms.

Sincerely,



Neal West
For Moss Adams LLP

ms:NW

cc: Jeff Brown
Alan Jorgensen
Ed Drosdick

⁴ Note that the term "audit reports" is defined by the Act as having to do with public companies. §102 (E) of the Act provides that the Board shall gather "a list of all accountants associated with the firm who participate in or contribute to the preparation of **audit reports**, stating the license or certification number of each such person, as well as the State license numbers of the firm itself"