

September 10, 2009

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

By e-mail: comments@pcaobus.org

**Re: PCAOB Release No. 2009-005 – Concept Release on Requiring the
Engagement Partner to Sign the Audit Report
(PCAOB Rulemaking Docket Matter No. 029)**

The New York State Society of Certified Public Accountants, representing 30,000 CPAs in public practice, industry, government and education, welcomes the opportunity to comment on the above captioned concept release.

The NYSSCPA's SEC Practice Committee and Auditing Standards Committee deliberated the concept release and prepared the attached comments. If you would like additional discussion with us, please contact Anthony S. Chan, Chair of the SEC Practice Committee at (212) 331-7653, or Ernest J. Markezin, NYSSCPA staff, at (212) 719-8303.

Sincerely,



David J. Moynihan
President

Attachment

**NEW YORK STATE SOCIETY OF
CERTIFIED PUBLIC ACCOUNTANTS**

**COMMENTS ON
PCAOB RELEASE NO. 2009-005 – CONCEPT RELEASE ON REQUIRING THE
ENGAGEMENT PARTNER TO SIGN THE AUDIT REPORT
(PCAOB RULEMAKING DOCKET MATTER No. 029)**

September 10, 2009

Principal Drafters

From the SEC Practice Committee:

**Jeffrey M. Brinn
Robert E. Sohr**

From the Auditing Standards Committee:

Robert N. Waxman

NYSSCPA 2009 – 2010 Board of Directors

David J. Moynihan, <i>President</i>	Scott M. Adair	Gail M. Kinsella
Margaret A. Wood, <i>President-elect</i>	Cynthia D. Barry	Nancy A. Kirby
Joseph M. Falbo Jr., <i>Secretary/Treasurer</i>	John Barone	J. Michael Kirkland
Elliot A. Lesser, <i>Vice President</i>	Susan M. Barossi	Mark G. Leeds
Mark L. Meinberg, <i>Vice President</i>	S. David Belsky	Heather Losi
C. Daniel Stubbs, Jr., <i>Vice President</i>	Ian J. Benjamin	Anthony J. Maltese
Liren Wei, <i>Vice President</i>	Anthony Cassella	Barbara A. Marino
Louis Grumet, <i>ex officio</i>	Sherry L. DelleBovi	Avery E. Neumark
	Sharon Sabba Fierstein	Joel C. Quall
	Robert L. Goecks	Ita M. Rahilly
	David R. Herman	Erin Scanlon
	John B. Huttlinger, Jr.	Thomas M. VanHatten
	Martha A. Jaeckle	George I. Victor
	Suzanne M. Jensen	Charles J. Weintraub
	Robert Kawa	Jesse J. Wheeler

NYSSCPA 2009 – 2010 Accounting & Auditing Oversight Committee

Mitchell J. Mertz, <i>Chair</i>	Edward P. Ichart	Bruce I. Sussman
Jay H. Goldberg	Mark Mycio	Robert N. Waxman
Anthony S. Chan	William M. Stocker III	

NYSSCPA 2009 – 2010 SEC Practice Committee

Anthony S. Chan, <i>Chair</i>	Thomas J. Flattery	Mitchell J. Mertz
Eric H. Altstadter	John P. Fodera	Rita Piazza
Michele Amato	Leon J. Gutman	Peter J. Pirando
Gautam Anumukonda	Edward J. Halas	Arthur J. Radin
Patricia Baldowski	Elliot L. Hendler	John P. Rushford
Curtis Banos	Steven Kreit	Paul Rykowski
John A. Basile	David J. Lamb	Stephen A. Scarpati
Douglas J. Beck	Raysa Lebron	Andrew Schneider
David Bender	Steven R. Leidenfrost	Robert E. Sohr
Timothy Boehmer	Moshe S. Levitin	Frederic S. Starker
Dov Braun	Helen R. Liao	Joseph Troche
Jeffrey M. Brinn	Robert P. Marggraf	George I. Victor
Thomas E. Caner	Jonathan T. Marks	Liren Wei
Henry G. Clark	Thomas P. Martin	Philip H. Weiner
Burgman E. Connolly	Nicole J. Martucci	Paul J. Wendell
Bridget M. Day	Corey L. Massella	David C. Wright
Rossana Ferraro	Jacob Mathews	

NYSSCPA 2009 – 2010 Auditing Standards Committee

Robert N. Waxman, *Chair*
Jan C. Herringer, *Vice Chair*
Kamel W. Abouchacra
Gillad C. Avnit
Robert W. Berliner
Roberto Bolanos
Rosanne G. Bowen
Sharon M. Campbell
Robert J. Cordero
David DaSilva Jr.
Vincent Gaudiuso

John F. Georger, Jr.
Fred R. Goldstein
Menachem M. Halpert
Neal B. Hitzig
Anil Kumar
Elliot A. Lesser
Moshe S. Levitin
Ralph Lucarello
Michael R. McMurtry
Mark Mycio
Lawrence E. Nalitt
Wayne Nast

Bernard H. Newman
John C. Parcell IV
William J. Prue
Andrew W. Reiss
Michael A. Sabatini
John M. Sacco
Mark Springer
Stephen P. Tuffy
Richard T. Van Osten
Paul D. Warner
Anna Zubets

NYSSCPA Staff

Ernest J. Markezin

New York State Society of Certified Public Accountants

Comments on

PCAOB Release No. 2009-005 – Concept Release on Requiring the Engagement Partner to Sign the Audit Report

(PCAOB Rulemaking Docket Matter No. 029)

We are pleased to respond to the Public Company Accounting Oversight Board's ("PCAOB") *Concept Release on Requiring the Engagement Partner to Sign the Audit Report* (the "Release"). We believe that the current practice of signing all audit reports in firm name only should be continued and, for the reasons set forth below, that the Board's stated goals of increased accountability and transparency will not be met. Moreover, we believe adoption of the requirement will reduce and obscure transparency. Further, the analogies cited as to the standards in the European Union and to the requirements of Section 302 and 906 of the Sarbanes-Oxley Act, in our view, are inapplicable due to a different legal environment in the former and to different objectives of the latter.

Audits of public companies frequently are complex undertakings involving numerous professional staff and partners from the audit firm and, in some instances, associated firms. The engagement partner is primarily responsible to his or her client and the firm for the conduct and management of the audit and the expression of the audit opinion.

In this regard, the engagement partner plans and executes the audit to comply with the standards of the PCAOB. However, the engagement partner will do so utilizing the audit firm's audit methodology, including its own system of quality control. This enables all firm personnel to have a common understanding of how the engagement will be conducted.

The engagement partner remains primarily responsible for the supervision and review of the audit. Nevertheless, he or she may be assisted by other partners on audits of larger entities, including partners with specialized knowledge (e.g., taxation, information technology, or certain industries).

The audit firm will have consultation standards with which the engagement partner must comply. This could include not only the engagement quality reviewer but also others within the firm's quality control, industry, or regional or national office structures.

The firm's signature, therefore, emphasizes the shared responsibilities that the firm has entrusted to the engagement partner, the other partners and consultative resources used during the audit. It also underscores the fact that notwithstanding obligations to the public – a part of the bedrock of the auditing profession – the firm's client is the registrant's board of directors, generally through the audit committee. As we

will comment later, the audit committee has the ability to evaluate the competency of the audit firm's personnel to perform the audit.

The Release hypothesizes that a requirement for the partner to sign the audit report individually could improve audit quality. As indicated in the Release, several individuals have indicated their belief that a sense of personal accountability may be increased resulting in exercising greater care. We disagree. Partners, as professionals, have embraced high ethical standards which require the highest level of due care, recognizing that the professional has a responsibility to the public, the client and the audit firm. The audit firm has accepted responsibility to train, supervise and evaluate all of their professional personnel, including partners. Also, the firm has established a quality control system that includes policies and procedures for client acceptance and continuance, assigning engagement personnel, engagement performance, monitoring and oversight, documentation, etc. Failure to carry out their responsibilities, evidenced, for example, by a deficient audit, subjects the audit firm to grave risks to its reputation and its capital that can, and has, contributed to the collapse of an entire firm.

Further, those partners responsible for the conduct of a particular audit have personal economic and professional risks beyond that of the capital base of the audit firm. We do not believe that the institution of a requirement for the engagement partner to personally sign an audit report would heighten a sense of accountability. Partners should be, and already are, operating at the highest level of ethical and professional responsibility.

To our knowledge, there is no research or empirical evidence that directly or indirectly links the use of the audit partner's name in the audit report to an enhanced accountability or higher quality audit. Such linkage is entirely supposition.

We believe that litigation against the engagement partner would be encouraged by the proposed requirement, and that the courts could decide that affixing an individual's personal signature extends the limits of civil liabilities.

The Release further states that a personal signature of the engagement partner would increase transparency about who is responsible for performing the audit. We believe that it is the audit firm which is responsible for the audit. We recognize that it is the collective efforts of the engagement partner and the other partners and staff that assist in or consult on the audit which enables the firm to express its opinion. This shared responsibility is emphasized by the firm's signature, as it is the firm that has entrusted and delegated the responsibility to the engagement partner and the others participating on the audit. To require that the primary individual responsibility be set forth in the audit report, either by including that partner's signature or otherwise disclosing his name (as posed as an alternative in Question 3 on Page 8 of the Release) would diminish the emphasis on the responsibility of the firm as a whole.

Further, what benefit would this perceived increased transparency bring? Are users of financial statements aware of the individual qualifications of the thousands of

engagement partners involved with audits of public entities? We think not. The personal signature alone would not enable a user to make any better judgments about the quality of the audit.

Also, the representatives of the shareholders, the board of directors through the audit committee, would have met and be familiar with the qualifications of the engagement partner and other key members of the audit team. Typically, when a new engagement partner is introduced to an audit committee, the committee is presented with the qualifications of the engagement partner, including experience with audits of similarly complex entities and specialized industries. Similar information is provided usually for other key members of the audit team. We believe that audit committees already receive sufficient information about the engagement partner's qualifications, and that they have the ability to interview the engagement partner to satisfy the committee's due diligence needs. In addition, the audit committee, at a minimum, is in frequent communication with the responsible audit partner due to the required communications before every filing of Forms 10-K and 10-Q and registration statements filed with the SEC.

Further, there are several pitfalls likely to develop by requiring the engagement partner's signature. It is a well known practice of the investment banking industry to require a "Big Four" auditor in connection with various registration statements. This practice preceded by many years the creation of the PCAOB. Under the proposed rule, underwriters would eventually develop a sub-set of "approved engagement partners" or partners with specialized industry knowledge – this despite the fact that industry expertise might be provided by other than the engagement partner, and in some engagements in some firms, by an individual below the level of partner. Rather than increase competition as the Release suggests, we believe such a development would further obscure transparency.

As noted in the opening paragraph, analogy to Sections 302 and 906 of the Sarbanes-Oxley Act is not on-point. The degree of responsibility and authority of a registrant's CEO and CFO has no analogy in a registered firm, unless the Release were to be amended to include a requirement that a registered firm's managing partner or the engagement quality reviewer and the director of accounting and auditing (or similar function) for the firm also sign the audit report. The illogic of such a requirement is clear. It should be noted that those requirements do not change the liability of those signing SEC filings and no empirical evidence has been developed as to the effect of such requirements on accounting fraud or audit failures.

Lastly, the Release suggests several technical difficulties in implementation in regard to: prior year reports; reissued reports; reports on restated financial statements; and engagements where more than one audit firm is involved; or when engagement partner rotation has occurred during the period encompassed by the financial statements. The implementation of this requirement would also create issues with the wording of "experts" sections and "consents" in registration statements. The impact of such

necessary implementation rules would vitiate any transparency resulting from identifying the current year's engagement partner.

In conclusion, we believe that the requirement as proposed in the Release would not achieve the stated goals. To the contrary, it would have a deleterious effect on the clarity of the audit reports that have been the hallmark of the profession for so many decades. As CPAs and audit professionals, and in our collective experience, the addition of the signature of the engagement partner would not increase professionalism, dedication, accountability, transparency or the quality of audits. We are convinced that requiring signatures has nothing to do with quality audits and that such a requirement would provide no apparent benefit.