From: Orville Lefko [mailto:orvlefko@gmail.com]
Sent: Friday, August 20, 2010 6:03 PM
To: Comments
Subject: Docket Matter No. 31--PCAOB Rulemaking

My comments on Docket Matter No. 31 are attached in the form of a Microsoft Word Document.

Orville B. Lefko, CFA

The principal objectives of the type of rulemaking being considered in Docket Matter No. 31 are "clarity within firms about accountability for supervisory responsibilities and the creation of documentation identifying lines of accountability." The Board asks "Is it appropriate to pursue the objectives through rulemaking, or are there reasons to pursue those objectives through other means?"

How do investors or others who rely upon audited financial statements view the importance of the PCAOB rulemaking objectives? If the accounting firm involved is a known entity with a good reputation, they will assume that the auditing functions were done in a professional manner by the accounting firm's personnel under adequate supervision. The investor or the others will not investigate, nor will they care, how auditing assignments were handed out, or how the audit was supervised. I say this in spite of having the knowledge that at least one survey (that in 2007) by the Center for Audit Quality concluded that investors' confidence in public companies' financial statements was bolstered by the Sarbanes-Oxley Act. Would anyone expect those surveyed to say that the Act caused them to lose confidence in the financial information?

It is bad enough that Section 105(c)(6) of the Sarbanes-Oxley Act (SOX) exists. To make rules to address how clearly firms assign responsibilities that are already required to be part of any audit practice, is to take the view implicitly that the PCAOB has more expertise in managing accounting firms than does accounting firm management itself. One must also mistakenly assume that accounting firms will opt for quality control (QC) in their audit function only if they are required by the PCAOB to make and document clear assignments of responsibility for implementation of QC functions. Accounting firms do not need a set of rules to warn them to prepare their audit manuals in such a way as to assign responsibility for each audit function in general and by engagement.

Daniel L. Goelzer, Acting Chairman of the PCAOB, at the open board meeting when PCAOB Release No. 2010-005 was announced, declared, "It is important to note that this release is not intended to inaugurate a new framework for auditor supervision or to usher in a new era in which members of firm management can be charged whenever something goes wrong in an audit." Perhaps not, but the very existence of rules will increase the frequency of PCAOB actions to enforce them. It is interesting that Mr. Goelzer also said, "So far….the Board has never brought a failure to supervise case."

Rulemaking should not be employed to achieve the objectives of the PCAOB as defined in Docket Matter No. 31. SOX rules can be enforced without additional rules being written by the PCAOB.

I base my comments on 2 ½ years of experience as an auditor with Lybrand, Ross Bros. & Montgomery (predecessor of PricewaterhouseCoopers) roughly 13 years of accounting and tax work in my own firm or with partners and then about 25 years as principal in The Lefko Group, specializing in business valuations and litigation support and routinely using audited financial statements in that work I am a Chartered Financial Analyst, a life (honorary) member of the AICPA and a life member of the MACPA (Michigan Association of CPAs).