

# Ohio Police & Fire Pension Fund

140 East Town Street / Columbus, Ohio 43215-5164 / Tel. (614) 228-2975 / www.op-f.org

July 9, 2008

Advisory Committee on the Auditing Profession  
Office of Financial Institutions Policy  
Room 1418  
Department of Treasury  
1500 Pennsylvania Avenue, NW  
Washington, DC 20220

RE: Comments on the Issue of Auditor Liability Reform

Chairman Levitt and Nicolaisen and Members of the Advisory Committee on the Auditing Profession:

This letter is in response to the auditor liability reform that is currently being considered by the Committee and the request for comments on the Committee's Addendum to Section VI on Firm Structure and Finances to the Committee's May 5, 2008 Draft Report.

We are supportive of the Committee's recommendation to improve the auditor's reporting model as well as the recommendations on the engagement partner's signature on the auditor's report and production of a public annual report.

On the other hand, OP&F is concerned with the recommendation related to the proposed auditor liability changes, including exclusive jurisdiction over auditor claims and a change in the auditor's standard of care. We believe that such changes would compromise investor protections and/or the integrity of the capital markets.

Currently, federal courts have virtually exclusive jurisdiction over class action securities claims. Any class action filed under the federal securities laws must be filed in federal court. Under the Securities Litigation Uniform Standards Act of 1998 ("SLUSA"), class actions with 50 or more investors filed in a state court are removable to a federal court. Thus, the only remaining lawsuits against auditors in state courts are (i) individual investor lawsuits, such as opt-outs and (ii) claims asserted by companies against their auditors. States have a strong interest in protecting investors and preserving investors' rights. Further, state courts are uniquely skilled, and experienced in resolving controversies under state law, including state law claims against auditors.

If Congress were to enact legislation that provided for exclusive federal jurisdiction over auditor claims, the standard of care applied to auditors should not be weakened and the burdens of proof applied to plaintiffs should *not* be strengthened. The risk of litigation encourages auditors to maintain a high level of audit quality. Any weakening of the standard of care imposed on accountants who conduct audits of

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public companies, including for example (1) the removal of fraud on the market presumption to establish reliance; (2) the creation of a special "professional judgment" rule; (3) the implementation of special safe harbor provisions for auditors; (4) the discontinuance of a negligence standard for claims by companies against their auditors, and/or (5) the legislation of a standardized scienter requirement to be applied to auditors, would be adverse to protecting the interests of investors and, therefore, the capital markets.

We appreciate your consideration of these comments in response to the Committee's draft report and addendum. If you have any questions or would like to discuss this further, please feel free to call Diane Lease, OP&F's General Counsel, at 614.628.8361.

With regards,



William J. Estabrook

Executive Director

cc: Board of Trustees  
Theodore G. Hall, Chief Investment Officer  
Diane M. Lease, General Counsel