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Mr. Arthur Levitt, Jr., Committee Co-Chair
Mr. Donald T. Nicolaisen, Committee Co-Chair
Advisory Committee on the Accounting Profession
Office of Financial Institutions Policy, Room 1418
Department of the Treasury
1500 Pennsylvania Avenue, NW
Washington, DC 20220

Gentlemen:

We are submitting these comments on behalf of Mayer Hoffman McCann P.C. which practices public accounting in an alternative practice structure with CBIZ, Inc. Though we are listed as the eighth largest firm by Accounting Today, we are only seven years old as a national CPA Firm and were created through the combination, merger or acquisition of the individual CPA Firms that had sold their non-attest practices to CBIZ, Inc. In the three years between our initial PCAOB Inspection in 2004 and our second PCAOB Inspection in 2007, we have seen the number of our public clients almost triple. Thus we believe we are in that unique position of being a relatively new, growing National CPA Firm.

HUMAN CAPITAL

Though your first recommendation and its three sub items are all good thoughts, Universities and Colleges base their curricula on the various texts that they are using. Thus staying dynamic and changing to reflect the current business environment will be difficult when the institution is waiting for the next version of the textbook. Alternatively, academia could form alliances with CPA firms or groups of firms to provide instructors to present courses on current problems in auditing. The course would not be geared to a text but would rather challenge the students to learn in an open environment with an instructor who may be involved in some of the situations being discussed.

More importantly, there needs to be more time spent teaching basic auditing. Presently many schools regard auditing as an upper level course and give it for one semester or two at most. The primary focus of those courses has included significant time spent with professional ethics situations. Though we think all of the ethics are needed, we would encourage a separate course on auditing or a course involving failures by the auditing firms and a discussion of why such failures occurred. See also the comments about the cross sabbaticals.

Your second recommendation deals with representation and retention of minorities. We agree this is an important aspect and should be broadened to cover all minorities not just the black community. The more we find ways to educate people on the importance of the work performed by CPA's the better the general public and minorities will understand the opportunities available. This level of education should be directed to both high school and community college attendees and be coordinated through the accounting firms in cooperation with the PCAOB, the AICPA and other interested organizations.

Your third recommendation deals with cross sabbaticals and is an important consideration if the obvious monetary inequalities can be overcome. Also in most cases only the largest of the accounting firms will be able to participate in this program which will only exacerbate the competitive edge that they have in recruiting top students. Regardless this concept should be fully vetted and if possible brought to some fruition.

FIRM STRUCTURE AND FINANCES

Anything that the profession can do to learn from past frauds that have been perpetrated upon the public and the accounting firms would be worthwhile. This information would need to be accessible to all interested parties and therefore the firms would need some form of legislative relief to cooperate. Individual firms currently being sued would not be willing to place information into a repository that might ultimately be used against them. Litigation of these matters has taken many years and waiting for the courts to complete a matter would make the information less timely and effective.

We agree that the auditors' report could be improved to more clearly describe the auditors' responsibility for the detection of fraud. However, we also believe it is primarily the responsibility of management to prevent and detect fraud and that this responsibility also should be clearly disclosed.

We agree that cooperation among the various bodies that regulate the accounting profession would be positive. The various roundtables and formal meetings should be held in the "sunshine" and thus available to all firms to benefit from the discussions.

Mobility and adoption of a uniform accountancy act by the states is critical. Currently our ability to assign the best people to engagements may be impaired due to mobility issues. In addition, considerable resources are being utilized by CPA Firms to obtain and maintain licensure in multiple states and to establish systems to monitor compliance with the 54 different licensing jurisdictions in the United States and its territories. We believe these resources could be better utilized for the public's benefit.

Your recommendation on the appointment of independent directors to our governing boards would be discriminatory and anticompetitive to firms below the Big Four. The Big Four may have the ability to attract individuals with impressive backgrounds and significant prestige to serve on their boards while smaller firms will not be able to attract individuals with comparative credentials. This will create additional pressure for audit committees to select only the Big Four

firms to perform public company audits. Also, since CPA firms are primarily private, closely held entities, we expect that many firms would rather stop performing public company audits than allow independent third parties to strongly influence their firm governance. This would, of course, only exacerbate the barriers to smaller firms competing for public company audits

There are also a number of issues that may limit any auditing firm's ability to attract and retain independent board members. The SEC and other regulators' independence rules must be observed when appointing independent board members. It is extremely difficult to attract and retain capable board members, who may serve on various boards, while complying with our independence rules. States must also harmonize their legislations to enhance greater consistency in which non-CPAs can participate in attestation and auditing governance activities. Currently, these laws vary throughout different jurisdictions. The ability and the cost to obtain D&O insurance for the outside board members also should be addressed. Larger auditing firms, with catastrophic litigation risk exposures, may be deemed uninsurable by the insurance industry. Smaller firms, who may be able to obtain D&O insurance, may find the cost of the insurance prohibitive.

As to the fourth recommendation, there can be many reasons why a partner is changed on a public company audit. Many are for good and valid business reasons or personal circumstances and have nothing to do with the company being audited. Requiring an 8-K filing in each of these instances would diminish the value of the filing. However, it may be a very informative for investors to learn when the audit partner has been changed at the request of the company and why that has occurred.

As part of the Draft Report Addendum on June 3's public meeting, the Committee has recommended including engagement partner and concurring partner signatures on the audit report. Having an individual's signature appear on a report or named in proxy disclosures may be counterproductive since large audits require many partners in various part of the country or world. Other individuals involved in the audit might actually feel less responsibility if only the engagement and concurring partners sign the report or only top partners are named, precisely the opposite of what should be encouraged.

CONCENTRATION AND COMPETITION

Your recommendations to reduce the barriers for smaller firms to compete in this marketplace in recommendation 1 will be beneficial in the long term provided a number of your other recommendations that would foster a more anticompetitive and discriminatory environment against the smaller firms, and that would actually create additional barriers to smaller firms seeking to perform public company audits are not enacted. We also suggest the following recommendation that may be of more benefit in the near term.

Currently U S Generally Accepted Auditing Standards in AU Section 543.02 require an audit firm that is considering the use of other firms to perform parts of an audit engagement to consider whether they may qualify as "principal auditor" based upon the materiality of the portion of the financial statements he/she has audited in comparison

with the portion audited by other auditors, among other factors. The SEC will rarely accept a firm as principal auditor when the firm is auditing less than 50% of the total engagement. This is often an impediment to smaller firms that may need to rely on other audit firms to perform significant portions of an engagement. Under AU 543.03 the audit firm must then decide whether to accept responsibility for the work of the other auditors or to make reference to the work performed by the other auditors in the principal auditors' report. If reference is made, the SEC requires that the audit reports of each firm mentioned be included in any related filing. Audit committees and client management often object to anything other than a standard audit report and to coordinating the accumulation of all the necessary audit reports, so the principal auditor is often pressured to accept responsibility for the total engagement.

The International Auditing and Assurance Standards Board has recently issued Revised and Redrafted ISA 600, *Special Considerations— Audits of Group Financial Statements (Including the Work of Component Auditors)*, which is effective for audits of group financial statements for periods beginning on or after December 15, 2009. ISA 600 requires the "group engagement team partner" to determine whether the group engagement team will be able to be involved in the work of "component auditors" to the extent necessary to obtain sufficient appropriate audit evidence. There is no requirement to consider the materiality of the portion of the engagement audited by the "group engagement team" in relation to the portion audited by the "component auditors". Also, ISA 600 requires the group engagement team to accept responsibility for the total engagement and prohibits reference to component auditors unless required by law or regulation.

Convergence of AU 543 with Revised and Restated ISA 600 would remove the divided responsibility auditors' report that many smaller firms prefer in these circumstances. However, it would also remove the basis for the SEC's requirement that the principal auditor must audit in excess of 50% of the total engagement. Since audit committees and management only rarely accept an audit opinion that refers to other auditors, we believe convergence in this situation would provide more opportunity for smaller auditing firms to become involved in the audits of public registrants.

While an additional opportunity for smaller auditing firms would be created from convergence, it should be noted that the number of smaller auditing firms that would opt to take advantage of this opportunity could be limited due to liability concerns in accepting responsibility for the total engagement.

We support your recommendations of required public disclosure by public companies of any agreements with third parties that limit auditor choice and for the inclusion of smaller auditing firm representatives in committees, public forums, fellowships and other engagements.

We question whether the rehabilitation concept would work if another large firm should get into financial trouble. If this occurred, partners and employees would be searching for a more stable employment environment with other firms. Registrants would also be engaging other firms to protect their filings. This would only be human nature and convincing them to stay with a firm in

rehabilitation may not be possible. We believe this would overshadow any regulatory attempts to rehabilitate the firm.

We support the disclosure of and would be glad to participate in the development of key indicators of audit quality and effectiveness. However, we see no possible correlation between audit quality and having public accounting firms provide audited financial statements to the public. Such a requirement would have a serious negative impact on smaller CPA firms. While audit committees need to have comfort in the financial soundness of their audit firm, this proposal would provide the means for an engagement decision to favor the firm that appears to have the strongest financial condition instead of the firm that will perform the highest quality audit. This would obviously be highly discriminatory and counterproductive to the goal of reducing barriers to smaller firms competing in the public arena. We also do not believe that limiting the requirement to firms that audit more than 100 registrants will alleviate the discrimination and anticompetitive problems. The fact that the smaller firms are not required to provide audited financial information will simply exacerbate the differences in large and small firms and it is quite possible that audit committees would adopt their own requirement for the information as a condition for an audit firm to propose on an engagement. Also, since CPA firms are primarily private, closely held entities, we expect that many firms would rather stop performing public company audits than to publicly disclose what they consider to be private and often personal financial information. This would, of course, only exacerbate the barriers to smaller firms competing for public company audits. As an alternative, the PCAOB has the authority to collect financial data from the firms, and, under Section 104 of Sarbanes-Oxley, the data can remain confidential. Thus they could monitor whether a registered firm's financial stability is being affected by litigation or other outside influences.

We strongly support and have previously recommended to the PCAOB a codification of the PCAOB and SEC auditor independence requirements. We would also strongly support an effort to clearly disclose the differences in independence requirements between the SEC/PCAOB, the AICPA, the DOL, and the GAO. We currently provide independence training for our shareholders and other professionals.

Should you have any questions regarding our comments please contact Ernest Baugh, National Director of Professional Standards at 423 870-0511 or Aram Kostoglian, Eastern Region Attest Practice Leader at 212 244-1100 ext. 210.

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