RE: PCAOB Rulemaking Docket Matter No. 37

This is the opinion of a 70 years old CPA who sold the audit portion of his practice seven years ago:

I would like to see the auditing profession return to its previous highest level of professionalism, which in my opinion occurred in the late 1960s when it presented itself to the certified public accounting profession, to corporate management and to the general public as a collegiate body whose primary goal was independently expressing and certifying useful historical financial information. A reader not familiar with how the auditing profession conducted itself during the late 1960s should seek out this information from someone who was there (and, yes, on occasion matters at issue with upper echelon management did have to be resolved at an extended two or three martini lunch). I sincerely believe that a majority of auditing professionals from that 1960s era would have, at that time, forcefully resisted giving Balance Sheet status to CDSs and other forms of “derivatives”, and would have seen to it that they remained being accounted for as current period expenses on the Statement of Income – if that were currently the case we wouldn’t now be dealing with the Balance Sheet morass created by disbursement commitments gambling in today’s casino in “the cloud”.

Consequently, I believe for the auditing profession to return to its previous highest level of professionalism it must evolve as follows:

Audits of listed companies should be done by audit-only-firms. Audit-only-firms should not be connected or owned in anyway by CPA firms which provide all other types of services currently offered by CPA firms which audit listed companies – and audit-only-firms should have no ownership, or referral connection, with any non-audit CPA firms. There should be mandatory rotation of audit-only-firms no less often than every five years and preferably every three years. Very importantly all audit workpapers, now conveniently usually in digital format (and which should include video-logs of the most unique company-specific audit functions), in their entirety should be transferred to the successor audit-only-firm and an archival copy to an agency charged with overseeing audit-only-firms – an agency which is completely independent of the American Institute of Certified Public Accountants. The successor firm should be required after issuance of their first year audit to also issue to the oversight agency a confidential peer review report of the last audit of the previous audit firm.

Michael J. Daillak, CPA

ADVANCED BOOKKEEPING & TAX PREPARATION, INC.
(dba, and formerly known as: M. J. Daillak, Accountants, Inc.)
113 18th Street
Bakersfield, CA 93301  Tele: (661) 322-6054 or (800) 272-9115; FAX: (661) 322-6056