December 14, 2011

Mr. J. Gordon Seymour  
Secretary  
Public Company Accounting Oversight Board  
1666 K Street, N.W.  
Washington, D.C. 20006-2803

Re: PCAOB Rulemaking Docket Matter No. 37  
Concept Release on Auditor Independence and Audit Firm Rotation

Dear Mr. Seymour:

RF Micro Devices, Inc. appreciates the opportunity to respond to the request for comments from the Public Company Accounting Oversight Board (PCAOB or Board) on its Concept Release on Auditor Independence and Audit Firm Rotation (Release No. 2011-006). While we are supportive of the PCAOB’s goals of continuously increasing audit quality and protecting investors, we believe that mandatory audit firm rotation would be ineffective in accomplishing these goals. We believe that the requirements of the Sarbanes-Oxley Act (the “Act”) concerning auditor independence and audit quality sufficiently achieve the intended benefits of mandatory audit firm rotation. We also believe that there are potential unintended consequences that the PCAOB should consider, including the potential for decreasing audit quality and increasing costs.

Mandatory audit firm rotation was considered in the Act and gave the Comptroller of the United States one year to conduct a study and review of the potential effects of requiring the mandatory rotation of registered public accounting firms. The study, which was published in November 2003, concluded that “mandatory audit firm rotation may not be the most efficient way to strengthen auditor independence and improve audit quality, considering the additional financial costs and the loss of institutional knowledge of the public company’s previous auditor.”

We believe that due to the learning curve that audit firms face with any new audit, audits can be less efficient at the beginning of an engagement, and present a higher level of audit risk. Mandatory audit firm rotation would curtail the significant advantage of longer audit firm tenure wherein an audit firm attains in-depth knowledge and understanding of a company and its business over time, as well as an awareness of the company’s risks, which can enhance audit
quality. Given the complexity of many of today's corporations, we believe it is difficult for an auditor to completely understand a company's business in a short period of time. We are also concerned about the effect that mandatory audit firm rotation will have on companies that do not have access to multiple, qualified audit firms as well as companies that are in specialized industries. Companies that are located in regions where there are not multiple audit firms that possess the resources and sufficient qualified professionals to perform the audit may be forced to engage a firm that does not have a local office or choose a firm that does not have the necessary specialized industry expertise that would be required to perform a quality audit. We and the stakeholders who rely on our financial statements are best served by allowing the company to select and retain the firm with the most company and industry knowledge. This knowledge develops over time with experience.

We believe that companies will need to invest substantial time, effort and money in selecting and educating new auditors on a rotating basis. For each rotation, the audit firm would require start-up time necessary to gain familiarity with the company and its operations, including, (i) establishing the audit approach based on company specific practices and risks, (ii) inquiries with management, (iii) inquiries with the predecessor auditor, and (iv) the review of the predecessor auditor working papers. The time incurred by both the predecessor auditor and successor auditor during each transition will be billed to the company and any new audit procedures put in place to address audit risk at the early stages of a new audit would incrementally add to the engagement cost to the company. Additionally, the time spent by senior management and other employees within our organization in selecting and educating new auditors about our business and operations is best directed by focusing on internal controls, financial reporting and corporate governance.

We believe that the level of skepticism and the quality of audits have increased significantly over the past decade, in large part due to the passage of the Act and the resulting independent oversight by the PCAOB.

We believe that the requirements of the Act concerning auditor independence and audit quality sufficiently achieve the intended benefits of mandatory audit firm rotation. For example, Section 301 of the Act puts the audit committee – rather than management – in charge of hiring the auditor and overseeing the engagements. We believe that with independent audit committees and boards, as part of their role as representatives of shareholders’ interests and with statutorily mandated responsibility for audit oversight (including the selection and compensation of auditors), are best positioned to appoint and retain the audit firms they believe best meet shareholders’ needs.

In addition, Section 201 of the Act prohibits auditors from providing certain non-audit services to clients, Section 203 imposes mandatory audit partner rotation and Section 204 requires that external auditors report directly to the audit committee. We believe that the five-year rotation of the key decision maker on an audit – the audit partner – adds a significant degree of independence to the audit process and is a means to further promote audit quality and auditor skepticism.
In conclusion, we believe that the audit committee, with independent oversight responsibility, is in the best position to monitor and enforce independence, objectivity and professional skepticism of the auditors who report directly to them. As discussed above, we also believe that there are potential unintended consequences that the PCAOB should consider related to audit firm rotation, including the potential for decreasing audit quality and increasing costs.

Therefore, until and unless definitive evidence is obtained that demonstrates that audit committees are pervasively failing to adequately perform their responsibilities as required by the Act, we do not support mandatory audit firm rotation.

William A. Priddy, Jr.
Chief Financial Officer

Erik van der Kaay
Chairman, Audit Committee of the
Board of Directors