November 19, 2012

Mr. James Doty
Chairman
Public Company Accounting Oversight Board
1666 K Street, NW
Washington, DC 20006-2803

Docket 037: Concept Release on Auditor Independence and Audit Firm Rotation

Dear Mr. Doty:

On behalf of the United States Hispanic Chamber of Commerce (USHCC), I want to thank you for your efforts on the Public Company Accounting Oversight Board (PCAOB) to protect investors and the public interest through the promotion of accurate, independent audit reports. You further the public interest by ensuring investors have a full understanding of the financial well-being of companies that seek investments. As the President & CEO of the USHCC, the country’s largest Hispanic business organization, which represents over 200 local chambers of commerce and the interests of over 3 million Hispanic owned businesses that contribute in excess of $465 billion to the American economy each year, I must ensure that the Hispanic business community grows and thrives.

Our organization is concerned about recent efforts by the PCAOB to establish mandatory audit firm rotation (MAFR) as a standard. We fear that such a move would have an uncertain impact on the publicly traded companies – such as the USHCC’s nearly 170 corporate partners – that are some of the Hispanic business community’s best resources for growth. Improving objectivity is a desirable goal, but it is unclear that MAFR will achieve it. Little evidence has been made publicly available about whether or not this goal would be reached.

Another potential downside of MAFR would be the loss of client specific and industry specific knowledge by audit teams. Audit teams often take years to understand the changing elements of a company, and knowing that a new firm may be put in place within a few years creates a disincentive to master an individual company’s features. Additionally, under MAFR, auditors won’t have an incentive to deal with small but potentially damaging problems prior to rotation.

The USHCC is also concerned about overreach from the PCAOB, which does not and should not have jurisdiction over corporate governance issues or the selection of audit committees. It seems quite clear that corporate board members are not interested in such an expansion of the PCAOB’s purview. A recent study by auditing firm, BDO USA, found that 68 percent of the 72 board members it polled were opposed to proposals for implementing mandatory rotation of their external audit relationships.

While we appreciate your desire to provide accurate information regarding the financial health of America’s companies, our organization wants to caution against overreach. I hope you will strongly consider some of the concerns we have raised and keep the USHCC informed in writing of any developments regarding audit firm rotation.

Respectfully submitted,

Javier Palomarez
President & CEO
USHCC