

Although the purpose of audits is to provide a specialized type of transparency and integrity, the public as a whole, and particularly 120 million minorities, have very little knowledge of this process and often even less confidence in this process. In part, the lack of minority confidence may be attributable to the historic role that discrimination has played on who becomes a CPA at a large law firm, particularly at a Big Four CPA firm.

To date, the Big Four remain virtually all white and disproportionately male. All three organizations herein, in 2010, sought information from each of the Big Four firms relating to the diversity of their workforce. This information was to be submitted to the California Public Utilities Commission in regard to its diversity oversight of Sempra Energy, Southern California Edison, Pacific Gas and Electric, Verizon and AT&T. Each of the four CPA firms refused to provide such information, apparently on the ground that this would harm their reputation before the CPUC, the regulator of the five companies they audited.

As a result of the general lack of transparency in audits, minority investors, who are disproportionately small, are at a very special disadvantage in their ability to analyze audit reports.

Initially, we will briefly comment on the three amendments to PCAOB standards set forth in Docket Matter No. 29. But, we do not concur with the unnecessarily narrow focus of the amendments which fail to address key elements of transparency. The audit report should be in plain English and easily understandable by unsophisticated small investors. Further, the audit report should have a one page simple description of its most salient points.

It should be noted that the new Consumer Financial Protection Bureau has begun its efforts to do so regarding credit cards and mortgage originations. Each form is required to have a simple one page on rights and responsibilities. Further, the Pew Charitable Trusts, headquartered in DC, has proposed a very commendable one page consumer format for checking accounts.

All three minority groups are working closely with both Pew and the CFPB on these matters. As a result, we offered to the PCAOB our modest expertise, if it wishes such. The groups' deputy director in DC, Mia Martinez, is prepared to play such an initial role and is presently attempting to do so for the Federal Communications Commission in her role on the FCC's Consumer Advisory Council. (mmartinez@naacoalition.com)

The three minority groups are also deeply involved in the contentious Volcker rule attempting to bring transparency and order to unnecessary risk taking. Our initial position filed before the Securities and Exchange Commission, Federal Reserve, Federal Deposit Insurance Corporation and Office of the Comptroller of the Currency is consistent with former Federal Reserve Chairman Mr. Volcker's own position on simplicity and clarity.¹ The three groups, for example, stated in their initial Volcker rule comments that the Ten Commandments and the Gettysburg Address were both less than 400 words. Yet, both are well remembered and are fully understandable by the public at large.

Specific Initial Observations

Firstly, we support requiring the audit report to state the name of the engagement partner responsible for the most recent period's audit. Our groups have found substantial difficulty in securing such information and activities relating, for example, to Deloitte & Touche, in our pending Sempra Energy rate case involving a \$2.4 billion rate increase dependent on the accuracy of the Deloitte & Touche report.

Similarly, we agree with the second requirement for CPA firms to disclose on Form 2 the name of the engagement partner for each audit report required to be reported on Form 2.

Lastly, we support disclosure in the audit report of other independent accounting firms that took part in the most recent period's audit.

Our experience in dealing with Deloitte & Touche in the pending \$2.4 billion Sempra rate case, where the Black Economic Council, National Asian American Coalition and Latino Business Chamber of Greater LA are the only minority business representatives, bears out these problems, albeit not directly. Deloitte & Touche despite being the auditor for more than fifty continuous years of Sempra has refused to allow itself to be subject to cross-examination regarding its 2007-2010 audit reports prepared for Sempra as it seeks to justify the accuracy of its \$2.4 billion proposed rate increase that will be imposed upon millions of consumers in their service area. (Sempra is seeking to

¹ The opening statement in our comments was "it is inappropriate to trivialize the Volcker rule, the most significant bank enforcement legislation since the New Deal, by producing a document almost one thousand times longer than either the Gettysburg Address or the Ten Commandments."

require the ratepayers to incur \$2.4 billion in additional rates during the period 2012-2015).

Further, based on our January 4th and 5th conversations with CalPERS senior management, it appears that major shareholders, such as CalPERS, may be having difficulty in securing information relating to large CPA firm audits. In addition, the California Public Utilities Commission has so far been unable to secure any reliable, definitive information from either the issuer company (Sempra) or Deloitte & Touche on the above referenced matter.

In conclusion, as we set forth in our Volcker Rule comments to the Federal Reserve, FDIC, OCC and the SEC, transparency is a great virtue, but it is even more of a virtue when it is short, simple and understandable.

Fuller comments will be provided at a subsequent date.

We thank the PCAOB for its extraordinary job in setting forth the problems the public and investors have in relying on the accuracy and integrity of large CPA firms, with particular reference to Deloitte & Touche (New York Times, 10/17/11, "Accounting Board Criticizes Deloitte's Auditing System," Wall Street Journal, 10/18/11, "Audit Watchdog Criticized Deloitte Quality Controls in '08," Wall Street Journal, 12/21/11, "Accounting Board Finds Faults in Deloitte Audits.")

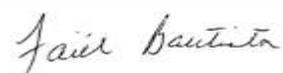
Most respectfully submitted,



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