February 26, 2014

Transmitted via Email: comments@pcaobus.org

Ms. Phoebe W. Brown, Secretary
Public Company Accounting Oversight Board
Office of the Secretary
1666 K Street NW
Washington, D.C. 20006-2803

Re: PCAOB Rulemaking Docket Matter No. 034

Dear Ms. Brown:

The State Board of Administration (SBA) of Florida welcomes the occasion to provide comments to the Public Company Accounting Oversight Board’s (PCAOB) Proposed Auditing Standards – The Auditor’s Report on an Audit of Financial Statements When the Auditor Expresses an Unqualified Opinion; the Auditor’s Responsibilities Regarding Other Information in Certain Documents Containing Audited Financial Statements and the Related Amendments to PCAOB Standards (Release). The SBA manages the assets of the Florida Retirement System (FRS), one of the largest public pension plans in the United States with 1.1 million beneficiaries and retirees. The SBA’s governance philosophy encourages companies to adhere to responsible, transparent practices that correspond with increasing shareowner value.

The SBA’s views on the Release are consistent with the opinions we expressed in response to the PCAOB’s 2011 Concept Release on Proposed Auditing Standard Related to Communication with Audit Committees. Our policies have long reflected the principle that the auditor’s role in safeguarding investor interests is critical and that independent auditors have an important public trust, for it is the auditor’s impartial and professional opinion that assures investors that a company’s financial statements are accurate. Investors must be able to rely on the auditor’s evaluation of a company’s accounting policies and practices for, not only accuracy and acceptability, but also for quality. It is necessary that auditors report on the qualitative aspects of management’s estimates, process, and judgment.

Proposed Auditor Reporting Model
SBA staff supports the proposed auditor reporting model that requires the independent auditor to communicate ‘critical audit matters’ in the auditor’s report. SBA staff finds the requirement for the outside auditor to communicate significant unusual transactions to the audit committee to be an appropriate standard. Additionally, it is correct to require the auditor to communicate to the audit committee his or her views regarding significant accounting or auditing matters when the auditor is aware that management has consulted with other accountants about such matters and the auditor has identified a concern regarding these matters.

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Also, if the auditor determines that there are no critical audit matters, the auditor should state in the auditor’s report that the auditor determined that there are no such matters to communicate.

Proposed Other Information Standard
SBA staff supports the proposed ‘other information’ standard and the approach that the PCAOB has taken in specifying the types of communications that should occur between the outside auditors and the audit committee. We believe that the proposed specific procedures for the auditor to perform with respect to evaluating the other information will provide consistent disclosure for investors. We agree with the PCAOB that those procedures and the resulting communication of any potential material inconsistencies or misstatements of fact to the company’s management “could promote consistency between the other information and the audited financial statements, which in turn could increase the amount and quality of information available to investors and other financial statement users.”

Proposed Standards and Amendments to Emerging Growth Companies
SBA staff believes the proposed standards and amendments should be applicable to audits of all public companies regardless of their revenue base or market capitalization, including emerging growth companies (EGC). We agree with the PCAOB that the application of the proposed standards and amendments to EGCs could provide useful information that “could contribute toward investors making more informed decisions, resulting in more efficient capital allocation and lower average cost of capital.”

As a member of the Council of Institutional Investors (CII), the SBA echoes their recommendations for the PCAOB to consider as it develops new auditing standards. The SBA looks forward to the potential benefits of additional auditor reporting. Thank you for your consideration and if you have any questions, please feel free to contact me at (850) 413-1252, or at governance@sbafla.com.

Sincerely,

Michael P. McCauley
Senior Officer, Investment Programs and Governance

cc: SBA Corporate Governance & Proxy Voting Oversight Group
Flerida Rivera-Alsing, Chief Audit Executive, SBA