



May 31, 2012

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

Re: PCAOB Rulemaking Docket No. 038

Eide Bailly LLP commends the Board's ongoing commitment to the improvement of audit quality and appreciates the opportunity to provide our comments on the PCAOB's proposed standard *Related Parties*, as well as proposed *Amendments to Certain PCAOB Standards Regarding Significant Unusual Transactions* and *Other Proposed Amendments to PCAOB Auditing Standards*. We support the Board's proposed auditing standard and related proposed amendments intended to strengthen the procedures performed by auditors to identify, assess and respond to the risks of material misstatement associated with an issuer's related party transactions and/or significant unusual transactions. We do, however, have the following comments regarding specific items in the proposed standards that we believe warrant further consideration.

Proposed Standard – *Related Parties*

Identifying Related Parties and Obtaining an Understanding of Relationships and Transactions with Related Parties

Paragraph 3 of the proposed standard requires the auditor to perform procedures to identify the company's related parties. We believe that a more appropriate requirement is to have the auditor perform procedures to determine that management has appropriately identified the company's related parties, and that the auditor assesses the risk of the existence of unidentified related parties, and thus related party transactions that may result in a material misstatement of the financial statements and related disclosures.

We believe that the omission of clear linkage to the concept of auditor risk assessment in this requirement may result in an overly burdensome requirement for the auditor to identify, assess and perform audit procedures for all related party transactions, regardless of their materiality and/or risk of material misstatement.

Additionally, we believe that such a change will better align the requirements in paragraph 3 with those in paragraph 16 regarding relationships or transactions with related parties previously undisclosed to the auditor.

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Responding to the Risks of Material Misstatement

Paragraph 15 of the proposed standard establishes specific requirements for “*each* related party transaction, or type of related party transaction, that is either required to be disclosed or determined to be a significant risk”. We believe that this paragraph may be interpreted as a requirement that these procedures be applied to all disclosed related party transactions, regardless of the auditor’s assessment of risk. Accordingly, we recommend that the language in this paragraph be modified so that it is clear that auditor judgment, based upon the auditor’s risk assessment, will be applied in the determination of the nature and scope of procedures to be performed.

Communications with the Audit Committee

Paragraph 20(b) requires communication with the Audit Committee of “the identification of significant related party transactions (i) that have not been authorized or approved in accordance with the company’s established policies or procedures and (ii) for which exceptions to the company’s established policies or procedures were granted”. While we consider this to be an appropriate Audit Committee communication, we are concerned that this implies a level of formality with respect to the authorization or approval of such transactions that does not exist with many smaller issuers, and thus uncertainty for the auditors of those issuers as to their responsibility to assess the issuer’s policies and procedures and the level of communication required.

Also, we believe that all requirements with respect to communications with the Audit Committee should be included within one standard. Accordingly, we suggest that these requirements in paragraph 20 be placed within the Board’s proposed standard, *Communications with Audit Committees*, with cross-references between the two standards included as considered necessary and appropriate.

Proposed Amendments to Certain PCAOB Standards Regarding Significant Unusual Transactions

We do not believe that the standard is clear with respect to the definition of a “significant unusual transaction”. Appendix 4 of the Release indicates that the proposed amendments, specifically those to AU Section 316.66, would “describe significant unusual transactions as significant transactions outside the normal course of business for the company or that otherwise appear to be unusual to their timing, size, or nature.” However, we believe that the proposed amendment to AU Section 316.66 falls short of describing or defining the term as suggested in Appendix 4, and that a clear definition and/or description of this term will assist auditors in achieving the objectives the Board desires for these transactions.

Once again, we appreciate the opportunity to comment on the proposed standard and related amendments. We would be pleased to discuss our comments with the Board or its staff. Please direct any questions on our comments to Brian Bluhm, Director of Assurance Services, at 612.253.6590.

Sincerely,



Eide Bailly LLP