

September 8, 2015

Secretary  
U.S. Securities and Exchange Commission  
100 F Street, NE  
Washington, D.C. 20549-1090

Re: File Number S7-13-15

McGladrey LLP appreciates the opportunity to offer our comments on SEC Concept Release No. 33-9862, *Possible Revisions to Audit Committee Disclosures*. McGladrey LLP is a registered public accounting firm serving middle-market issuers, brokers and dealers.

We support transparency related to the audit committee's reporting of its responsibilities with respect to its oversight of the auditor where such transparency better enables investors to make well-informed voting decisions or decisions about their investments. We therefore support the Commission's efforts in seeking feedback from audit committees and others to better understand whether enhanced audit committee reporting requirements related to oversight of the auditor would be useful to investors and if so, what additional information would be useful. We believe, however, that a balance must be achieved between the potential benefit of public reporting regarding the audit committee's responsibilities for oversight of the independent auditor and the impact of such disclosure on the proper functioning of the audit committee in its oversight role.

Among many other corporate governance and responsibility measures, the Sarbanes-Oxley Act of 2002 requires audit committees to be directly responsible for the appointment, compensation and oversight of auditors and to disclose to investors certain matters, such as approval of nonaudit services to be performed by the auditor of the issuer. Audit committees generally operate under a written charter that prescribes, among other matters, the committee's roles and oversight responsibilities for a company's financial reporting process, its system of internal control, and the audit process. Such charters generally require regular reporting to the board of directors about audit committee activities, audit issues and related recommendations. These charters are included as an appendix to the registrant's proxy or information statement to allow investors to better understand the duties of the audit committee. Under both their charters and the laws of the United States, audit committees have fiduciary duties to serve the interests of investors.

In fulfilling this important role in the U.S. capital markets, we believe audit committee members are in the best position to determine which disclosures are most relevant to their investors at any given time. There is no single solution to identifying exactly what information related to the audit committee's responsibilities with respect to its oversight of the auditor is consistently meaningful to investors. We believe audit committees will choose to tailor and enhance those disclosures they believe are most relevant and meaningful in helping investors understand how the audit committee fulfilled its fiduciary responsibilities.

We therefore believe a voluntary approach, rather than a prescriptive approach, to audit committee reporting would result in achieving the most appropriate level of transparency with the fewest unintended consequences. Such disclosures should focus on the qualitative aspects of the processes used by the audit committee (i.e., how the audit committee executes its responsibilities), rather than the specific information used by the audit committee. For example, it may be important for investors to know that the audit committee had a meaningful in-depth discussion with the auditor about matters related to the audit

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prior to release of the auditor's report and that such matters were resolved to the satisfaction of all audit committee members.

However, specific information about the matters discussed by audit committees with auditors, such as the nature or substance of audit committee communications with the auditor discussed in question 11 of the Concept Release,<sup>1</sup> often must be kept confidential due to the nature of the matters discussed and its implications for effective execution of the audit. Nevertheless, the degree to which the audit committee chooses to further disclose the nature of these discussions is their prerogative.

Further, we believe required disclosures could have the unintended consequence of becoming boilerplate and therefore meaningless to investors. For example, if the SEC were to require disclosures regarding the nature or substance of the required communications between the auditor and the audit committee, we think such disclosures would be reviewed by the audit committee, the issuer's legal counsel and the auditor prior to being released, and as such could result in rote language, which would not be useful disclosure for investors and could result in audit committees only minimally disclosing what is required. Voluntary factual disclosures, on the other hand, allow audit committees the flexibility of focusing their disclosures on the most pertinent of the many complex situations faced by issuers and the process the audit committee used to address them.

We would be pleased to respond to any questions the Commission or its staff may have about our comments. Please direct any questions to Scott Pohlman, National Director of SEC Services, at

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Sincerely,



McGladrey LLP

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<sup>1</sup> See Concept Release Section VI.A.1., "Additional Information Regarding the Communications Between the Audit Committee and the Auditor."